

**FORM 51-102F4**

**BUSINESS ACQUISITION REPORT**

**Item 1. Name and Address of Company**

**1.1 Name and Address of Company**

**ZACATECAS SILVER CORP.**

Suite 488, 1090 West Georgia Street  
Vancouver, British Columbia, V6E 3V7

**1.2 Executive Officer**

**Jonathan Richards**

Chief Financial Officer  
(604) 802-4447

**Item 2. Details of Acquisition**

**2.1 Nature of Business Acquired**

On April 12, 2022, Zacatecas Silver Corp. (the "Company") completed its acquisition of all of the issued and outstanding shares of Esperanza Silver de Mexico, S.A. de C.V. ("Esperanza Mexico") in accordance with the terms of the share purchase agreement (the "Share Purchase Agreement") between the Company and Minas de Oro Nacional, S.A. de C.V. ("Minas de Oro"), a subsidiary of Alamos Gold Inc. ("Alamos").

Esperanza Mexico is the owner of the advanced stage Esperanza Gold Project, located in Morelos State, Mexico. The Esperanza Gold Project consists of 8 mining concessions comprising 14,338 hectares.

**2.2 Date of Acquisition**

April 12, 2022.

**2.3 Consideration**

Consideration

In consideration of all of the issued and outstanding securities of Esperanza Mexico, the Company paid Minas de Oro US\$5,000,000 and issued 12,140,000 common shares of the Company at a price of \$1.05 per share for a deemed value of US\$10,000,000 (the "Consideration Shares").

The Share Purchase Agreement also provides that the Company will make certain contingent payments (the "Contingent Payments") upon key milestones being accomplished in developing the Esperanza Gold Project.

- (a) pay US\$5,000,000 within sixty (60) days after approval of an Environmental Impact Assessment Report by the applicable governmental authorities (the "EIA Payment")
- (b) pay US\$14,000,000 within 60 days of the earlier of (i) completion of a feasibility study on the Esperanza Gold Project or (ii) the Company announcing its decision to commence construction of a mine on the Esperanza Gold Project (the "FS Payment")

- (c) pay US\$20,000,000 within 180 days after commencement of commercial production on the Esperanza Gold Project (the "Production Payment").

The Company may, at its sole election, satisfy up to 50% of the Contingent Payments by issuing shares at a price equal to the 10 day VWAP prior to the issuance of such shares provided that such share issuance does not cause Alamos to exceed 19.99% of the issued and outstanding shares of the Company (on a partially diluted basis). The issuance of shares to pay Contingent Payments will be subject to receipt of approval from the TSX Venture Exchange.

The Company has also agreed to incur US\$7,500,000 in expenditures to advance the Esperanza Gold Project over the next three years, excluding G&A (the "Expenditure Commitment"). If the Company fails to meet the Expenditure Commitment, an amount equal to the shortfall will be added to the next Contingent Payment.

The parties also entered into a stream agreement that will provide that Alamos may purchase up to 20% of any silver produced from the Esperanza Gold Project with a transfer price of 20% of the market price payable to the Company. The silver stream is limited to 500,000 ounces of silver. The stream agreement contemplates an amount of US\$6,000,000 that is credited to the purchase price under the Share Purchase Agreement.

In recognition of Alamos being a significant shareholder of the Company, Alamos and the Company entered into an investor rights agreement that will provide, among other things, a board position to Alamos and a right of first refusal to maintain its share position on any future financings. Pursuant to the terms of the investor rights agreement, the Consideration Shares are subject to the following voluntary restrictions on resale: (i) 33% are restricted for a period of six months from closing of the acquisition, (ii) an additional 33% are restricted for a period of twelve months from closing of the acquisition, and (iii) 34% are restricted for a period of eighteen months from closing of the acquisition.

#### Private Placement Financing

The Company satisfied the US \$5,000,000 cash consideration in connection with the acquisition of the Esperanza Gold Project by completing a brokered private placement of subscription receipts in the amount of \$19.15 million. As a result of closing the acquisition, a total of 17,410,474 subscription receipts were converted into 17,410,474 units of the Company (each a "Unit"). Each Unit consists of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share at a price of \$1.50 per Common Share for a period of 24 months from the date of issue.

## **2.4 Effect on Financial Position**

Prior to the acquisition of Esperanza Mexico, the Company was focused on the exploration of its Zacatecas Silver Properties, located in the state of Zacatecas, Mexico. As a result of the acquisition of Esperanza Mexico, the Company diversified its portfolio of projects by adding an advanced stage gold deposit, being the Esperanza Gold Project, located in the state of Morales, Mexico.

The Company does not presently have any plans or proposals for material changes in the Company's or Esperanza Mexico's affairs (corporate structure, personnel or management) that will have an impact on the financial performance and financial position of the Company.

**2.5 Prior Valuations**

None.

**2.6 Parties to Transaction**

The acquisition was not with an informed person, associate or affiliate of the Company.

**2.6 Date of Report**

June 27, 2022.

**Item 3. Financial Statements**

The following financial statements attached as Schedule "A" hereto are included in this Business Acquisition Report:

- 1) Audited financial statements of Esperanza Mexico for the fiscal years ended December 31, 2021 and 2020.
- 2) Interim financial statements of Esperanza Mexico for the period ended March 31, 2022 and 2021.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Esperanza Silver de Mexico S.A. de C.V.

### *Opinion*

We have audited the accompanying consolidated financial statements of Esperanza Silver de Mexico S.A. de C.V. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred losses since inception and does not currently have the financial resources to sustain operations in the long-term. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

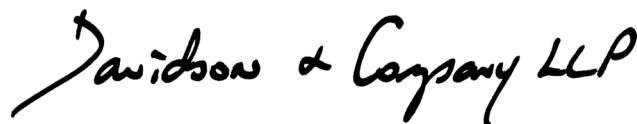
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

June 23, 2022

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in United States Dollars)  
**AS AT**

|                                                       | December 31,<br>2021 | December 31,<br>2020 |
|-------------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                         |                      |                      |
| <b>Current</b>                                        |                      |                      |
| Cash                                                  | \$ 233,086           | \$ 123,970           |
| Receivables and prepaids                              | <u>38,812</u>        | <u>39,680</u>        |
|                                                       | 271,898              | 163,650              |
| Equipment (Note 4)                                    | 14,534               | 34,654               |
| Deferred development (Note 5)                         | <u>1,884,415</u>     | <u>1,884,415</u>     |
|                                                       | <u>\$ 2,170,847</u>  | <u>\$ 2,082,719</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |                      |                      |
| <b>Current</b>                                        |                      |                      |
| Accounts payable and accrued liabilities              | \$ 202,790           | \$ 109,539           |
| Intercompany payable – Minas de Oro Nacional (Note 6) | <u>138,853</u>       | <u>5,666,281</u>     |
|                                                       | <u>341,643</u>       | <u>5,775,820</u>     |
| <b>Shareholders' equity</b>                           |                      |                      |
| Share capital (Note 7)                                | 60,084,746           | 50,842,999           |
| Deficit                                               | <u>(58,255,542)</u>  | <u>(54,536,100)</u>  |
|                                                       | <u>1,829,204</u>     | <u>(3,693,101)</u>   |
|                                                       | <u>\$ 2,170,847</u>  | <u>\$ 2,082,719</u>  |

**Nature and continuance of operations** (Note 1)

Approved and authorized by the Board on June 23, 2022.

“Charles Hethey” Director “Jonathan Richards” Director

The accompanying notes are an integral part of these consolidated financial statements.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in United States Dollars)

|                                                                                 | Year Ended<br>December 31,<br>2021 | Year Ended<br>December 31,<br>2020 |
|---------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| <b>Expenses</b>                                                                 |                                    |                                    |
| Personnel costs                                                                 | \$ 240,450                         | \$ 243,217                         |
| Professional fees                                                               | 329,110                            | 509,314                            |
| Supplies and consumables                                                        | 15,706                             | 8,298                              |
| General and administrative                                                      | 114,771                            | 84,897                             |
| Concessions fees, permits and surface agreements                                | 914,455                            | 832,898                            |
| Community relations                                                             | 156,757                            | 134,970                            |
| Consulting fees                                                                 | 835,861                            | 770,172                            |
| Environmental and technical studies                                             | 630,975                            | 311,327                            |
| Office rent                                                                     | <u>35,993</u>                      | <u>33,431</u>                      |
| <b>Loss from operations</b>                                                     | <u>(3,274,078)</u>                 | <u>(2,928,524)</u>                 |
| Depreciation expense                                                            | (20,120)                           | (20,120)                           |
| Foreign exchange loss                                                           | (193,975)                          | (204,504)                          |
| Write-off of IVA receivable                                                     | (230,359)                          | (192,652)                          |
| Other expense                                                                   | <u>(910)</u>                       | <u>(715)</u>                       |
|                                                                                 | <u>(445,364)</u>                   | <u>(417,991)</u>                   |
| <b>Loss and comprehensive loss for the year</b>                                 | <u>\$ (3,719,442)</u>              | <u>\$ (3,346,515)</u>              |
| <b>Basic and diluted loss per common share</b>                                  | <u>\$ (2.45)</u>                   | <u>\$ (3.35)</u>                   |
| <b>Weighted average number of common shares outstanding – basic and diluted</b> | <u>1,521,171</u>                   | <u>1,000,000</u>                   |

The accompanying notes are an integral part of these consolidated financial statements.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in United States Dollars)

|                                             | Year Ended<br>December 31,<br>2021 | Year Ended<br>December 31,<br>2020 |
|---------------------------------------------|------------------------------------|------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |                                    |                                    |
| Loss for the year                           | \$ (3,719,442)                     | \$ (3,346,515)                     |
| Items not involving cash:                   |                                    |                                    |
| Amortization                                | 20,120                             | 20,120                             |
| Write-off of IVA receivable                 | 230,359                            | 192,652                            |
| Non-cash working capital item changes:      |                                    |                                    |
| Receivables and prepaids                    | (229,491)                          | (192,614)                          |
| Accounts payable and accrued liabilities    | <u>93,251</u>                      | <u>14,830</u>                      |
| Net cash used in operating activities       | <u>(3,605,203)</u>                 | <u>(3,311,527)</u>                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |                                    |                                    |
| Intercompany loan advances received         | <u>3,706,321</u>                   | <u>3,304,483</u>                   |
| Net cash provided by financing activities   | <u>3,706,321</u>                   | <u>3,304,483</u>                   |
| <b>Effect of foreign exchange on cash</b>   | 7,998                              | 1,906                              |
| <b>Change in cash for the year</b>          | 109,116                            | (5,138)                            |
| <b>Cash, beginning of year</b>              | <u>123,970</u>                     | <u>129,108</u>                     |
| <b>Cash, end of year</b>                    | <u>\$ 233,086</u>                  | <u>\$ 123,970</u>                  |

During the year ended December 31, 2021, the Company issued 190,227,501 common shares at \$0.05 per share to settle debt of \$9,241,747. There were no other significant non-cash financing and investing activities during the years ended December 31, 2021 and 2020. No cash was paid for interest or taxes for the years ended December 31, 2021 and 2020.

The accompanying notes are an integral part of these consolidated financial statements.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in United States Dollars)

|                                   | <b>Number of<br/>common shares</b> | <b>Share capital</b> | <b>Deficit</b>     | <b>Total</b>       |
|-----------------------------------|------------------------------------|----------------------|--------------------|--------------------|
| <b>Balance, December 31, 2019</b> | 1,000,000                          | \$ 50,842,999        | \$ (51,189,585)    | \$ (346,586)       |
| Loss for the year                 | <u>-</u>                           | <u>-</u>             | <u>(3,346,515)</u> | <u>(3,346,515)</u> |
| <b>Balance, December 31, 2020</b> | 1,000,000                          | 50,842,999           | (54,536,100)       | (3,693,101)        |
| Shares for debt                   | 190,227,501                        | 9,241,747            | -                  | 9,241,747          |
| Loss for the year                 | <u>-</u>                           | <u>-</u>             | <u>(3,719,442)</u> | <u>(3,719,442)</u> |
| <b>Balance, December 31, 2021</b> | 191,227,501                        | \$ 60,084,746        | \$ (58,255,542)    | \$ 1,829,204       |

The accompanying notes are an integral part of these consolidated financial statements.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Esperanza Silver de Mexico S.A. de C.V. (the “Company”) was incorporated on October 24, 2003, under public deed number 48,065 in Mexico City under the laws of Mexico. The Company is principally engaged in the acquisition and exploration of resource properties. The head office, records office, and principal address of the Company is Avenida Teoponzolco 408-301A, Colonia Reforma cp 62260, Cuernavaca, Morelos. The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. At as December 31, 2021 the Company is a 100% subsidiary of Minas de Oro Nacional S.A. de C.V. which in turn is a 100% subsidiary of Alamos Gold Inc. Subsequent to December 31, 2021, 100% of the issued and outstanding shares were acquired by Zacatecas Silver Corp. While the Company has been successful in obtaining its required funding from Alamos Gold Inc. and subsidiaries in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to obtain continued financial support from its controlling shareholder may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While this had not had a material impact on the Company to date, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiary, Servicios Mineros Tetlama (Mexico – 100% effective interest), which was incorporated on July 03, 2012, under public deed number 8,469 in Mexico City under the laws of Mexico. The subsidiaries’ principal activity is mineral exploration.

**2. BASIS OF PREPARATION (cont'd...)**

**Basis of consolidation (cont'd...)**

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated upon consolidation.

**Basis of measurement**

These consolidated financial statements are presented in United States Dollars, which is also the Company's and its subsidiaries' functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Significant Accounting Judgments and Estimates**

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant estimates relate to the valuation of deferred income tax amounts and calculation of share-based payments, which are discussed below:

*Deferred income tax*

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

The most significant judgments relate to the functional currency of the Company and its subsidiaries and impairment of exploration and evaluation assets, which are discussed below:

*Impairment of exploration and evaluation assets*

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

**2. BASIS OF PREPARATION (cont'd...)**

**Significant accounting judgments and estimates (cont'd...)**

*Determination of functional currency*

The functional currencies of the Company and its subsidiaries are outlined in the Basis of Measurement section above. The determination of functional currency involves certain judgments to determine the primary economic environment. The Company reconsiders the functional currency if there are changes in events and conditions impacting the factors used in the determination of the primary economic environment

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Financial instruments**

Financial assets

The Company classified its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

*Financial assets at FVTPL:* Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statements of loss and comprehensive loss.

*Financial assets at FVTOCI:* Financial assets carried at FVTOCI are recorded at fair value and transaction costs are expensed in the statement (loss) income. Realized and unrealized gains and losses arising from changes in fair value of the financial assets held at FVTOCI are included in other comprehensive (loss) income.

*Financial assets at amortized cost:* A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

*Impairment of financial assets at amortized cost:* The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets:

| Financial asset | IFRS 9 Classification |
|-----------------|-----------------------|
| Cash            | FVTPL                 |
| Receivables     | Amortized cost        |

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

*Other financial liabilities* - This category includes accounts payable and accrued liabilities, which is recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statements of loss and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

The following table shows the classification of the Company's financial liabilities:

| Financial liability                      | IFRS 9 Classification |
|------------------------------------------|-----------------------|
| Accounts payable and accrued liabilities | Amortized cost        |
| Intercompany payable                     | Amortized cost        |

**Exploration and evaluation - mineral property**

The Company is in the process of exploring its mineral property interests and has not yet determined whether these properties contain ore reserves that are economically recoverable.

All costs related to the acquisition of mineral properties, including option payments, are capitalized on an individual prospect basis. Amounts received for the sale of mineral properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the mineral property. If a mineral property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

Exploration and evaluation expenditures are recognized in profit or loss. Costs incurred before the Company has obtained legal rights to explore on areas of interest are recognized in profit or loss. Expenditures incurred by the Company in connection with the exploration and evaluation of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history characteristics of many mineral properties. The Company has investigated title to all of its mineral properties and proposed acquisition of mineral property interests and to the best of its knowledge the properties are in good standing.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Decommissioning provision**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties, oil and gas interests, and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
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**FOR THE YEAR ENDED DECEMBER 31, 2021**

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes (cont'd...)**

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

**New accounting standards issued but not yet effective**

There are no accounting standards, amendments or interpretations that are not yet effective that are expected to have a material impact on the Company.

**4. EQUIPMENT**

|                                                                             | <b>Mobile<br/>equipment</b> | <b>Light<br/>vehicles</b> | <b>Office<br/>equipment<br/>and<br/>furniture</b> | <b>Computer<br/>hardware</b> | <b>Total</b> |
|-----------------------------------------------------------------------------|-----------------------------|---------------------------|---------------------------------------------------|------------------------------|--------------|
| <b>Cost</b>                                                                 |                             |                           |                                                   |                              |              |
| Balance – December 31, 2019,<br>December 31, 2020, and<br>December 31, 2021 | \$ 5,983                    | \$ 107,665                | \$ 195,217                                        | \$ 127,738                   | \$ 436,603   |
| <b>Accumulated Depreciation</b>                                             |                             |                           |                                                   |                              |              |
| Balance – December 31, 2019                                                 | \$ 3,287                    | \$ 107,665                | \$ 143,139                                        | \$ 127,738                   | \$ 381,829   |
| Depreciation                                                                | 598                         | -                         | 19,522                                            | -                            | 20,120       |
| Balance – December 31, 2020                                                 | 3,885                       | 107,665                   | 162,661                                           | 127,738                      | 401,949      |
| Depreciation                                                                | 598                         | -                         | 19,522                                            | -                            | 20,120       |
| Balance – December 31, 2021                                                 | \$ 4,483                    | \$ 107,665                | \$ 182,183                                        | \$ 127,738                   | \$ 422,069   |
| Balance – December 31, 2020                                                 | \$ 2,098                    | \$ -                      | \$ 32,556                                         | \$ -                         | \$ 34,654    |
| Balance – December 31, 2021                                                 | \$ 1,500                    | \$ -                      | \$ 13,034                                         | \$ -                         | \$ 14,534    |

**5. MINERAL PROPERTIES**

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and titles may be affected by undetected defects.

**Esperanza Gold Project, Mexico**

The Esperanza Gold Project is 100% owned by the Company and is subject to a 3% net smelter return royalty. The Company did not incur any exploration costs during the years ended December 31, 2021 and 2020.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**6. RELATED PARTY BALANCES**

As at December 31, 2021, the Company has a balance of \$138,853 (2020 - \$5,666,281) due to Minas de Oro Nacional S.A. de C.V., a related party. There are no fixed terms of repayment.

**7. SHAREHOLDERS' EQUITY**

**Authorized**

An unlimited number of common shares with no par value.

**Issued share capital**

There were no financings completed during the year ended December 31, 2020.

During the year ended December 31, 2021, the Company issued 190,227,051 common shares at a price of \$0.05 to settle debt of \$9,241,747.

**8. INCOME TAXES**

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended December 31, 2021 and 2020 are as follows:

|                                                         | 2021              | 2020             |
|---------------------------------------------------------|-------------------|------------------|
| Loss before income taxes                                | \$ (3,719,442)    | \$ (3,346,515)   |
| Expected income tax (recovery)                          | \$ (1,311,000)    | \$ (1,146,000)   |
| Change in statutory, foreign tax and other              | 2,165,000         | (1,869,000)      |
| Change in unrecognized deductible temporary differences | <u>(8654,000)</u> | <u>(723,000)</u> |
| Income tax expense                                      | \$ -              | \$ -             |

The significant components of the Company's deferred income tax assets as at December 31, are as follows:

|                                         | 2021               | 2020               |
|-----------------------------------------|--------------------|--------------------|
|                                         | \$                 | \$                 |
| Non-capital loss carry forward          | 2,516,000          | 3,379,000          |
| Exploration and evaluation assets       | (664,000)          | (664,000)          |
| Equipment                               | (2,000)            | (4,000)            |
| Unrecognized deferred income tax assets | <u>(1,850,000)</u> | <u>(2,711,000)</u> |
| Net deferred tax asset                  | -                  | -                  |

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. INCOME TAXES (cont'd...)**

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

|                                   | 2021                | Expiry Date<br>Range | 2020                |
|-----------------------------------|---------------------|----------------------|---------------------|
| Exploration and evaluation assets | \$ (1,884,000)      | N/A                  | \$ (1,884,000)      |
| Equipment                         | (5,000)             | N/A                  | (11,000)            |
| Non-capital losses                | <u>8,388,000</u>    | 2024-2031            | <u>11,264,000</u>   |
|                                   | <u>\$ 6,499,000</u> |                      | <u>\$ 9,369,000</u> |

Loss carryforwards include Mexican tax losses of \$8,388,000 which expire through to 2041.

**9. FINANCIAL AND CAPITAL RISK MANAGEMENT**

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables are classified at amortized cost. Accounts payable and accrued liabilities are classified as amortized cost.

**Risk management**

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Mexican financial institution in interest bearing accounts.

The Company's receivables consist mainly of refunds of deposits and advances which are anticipated to be recoverable..

*Liquidity risk*

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

The Company has historically relied upon capital contributions and debt facilities provided by its shareholders, to maintain an adequate level of cash to satisfy its capital and operating requirements and expects to continue to depend heavily upon its majority shareholder for financing.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

**9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

**Risk management (cont'd...)**

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash and cash equivalents. The Company's practice has been to invest cash and cash equivalents at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are generally held with large financial institutions. During the year ended December 31, 2021, the Company was not exposed to significant interest rate risk.

b) Foreign currency risk

The Company is subject to foreign currency risk on financial instruments denominated in currencies other than the United States dollar. The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables and prepaid expenses, and accounts payable and accrued liabilities that are denominated in the Mexican peso. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations. As these exchange rates fluctuate against the United States dollar, the Company will experience foreign exchange gains and losses.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue debt, acquire or dispose of assets, issue new shares, or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**10. SEGMENT INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in multiple geographical location, refer to Note 5.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**11. COMMITMENTS**

The Company has entered into rental agreements with various landowners on various properties which will be required for mining activities. Payments are adjusted for inflation annually. Contractual cash flow requirements as at December 31, 2021 were as follows:

|                        | <b>&lt; 1<br/>year<br/>\$</b> | <b>1 – 2<br/>years<br/>\$</b> | <b>3 – 5<br/>years<br/>\$</b> | <b>&gt;5<br/>years<br/>\$</b> | <b>Total<br/>\$</b> |
|------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|
| Land rental agreements | 396,639                       | 396,639                       | 1,165,912                     | 674,671                       | 2,633,861           |

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited - expressed in United States Dollars)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – expressed in United States Dollars)  
**AS AT**

|                                                       | March 31,<br>2022   | December 31,<br>2021 |
|-------------------------------------------------------|---------------------|----------------------|
| <b>ASSETS</b>                                         |                     |                      |
| <b>Current</b>                                        |                     |                      |
| Cash                                                  | \$ 75,227           | \$ 233,086           |
| Receivables and prepaids                              | <u>40,700</u>       | <u>38,812</u>        |
|                                                       | 115,927             | 271,898              |
| Equipment (Note 4)                                    | 9,504               | 14,534               |
| Deferred development (Note 5)                         | <u>1,884,415</u>    | <u>1,884,415</u>     |
|                                                       | <u>\$ 2,009,846</u> | <u>\$ 2,170,847</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |                     |                      |
| <b>Current</b>                                        |                     |                      |
| Accounts payable and accrued liabilities              | \$ 248,238          | \$ 202,790           |
| Intercompany payable – Minas de Oro Nacional (Note 6) | <u>1,182,920</u>    | <u>138,853</u>       |
|                                                       | <u>1,431,158</u>    | <u>341,643</u>       |
| <b>Shareholders' equity</b>                           |                     |                      |
| Share capital (Note 7)                                | 60,084,746          | 60,084,746           |
| Deficit                                               | <u>(59,506,058)</u> | <u>(58,255,542)</u>  |
|                                                       | <u>578,688</u>      | <u>1,829,204</u>     |
|                                                       | <u>\$ 2,009,846</u> | <u>\$ 2,170,847</u>  |

**Nature and continuance of operations** (Note 1)

Approved and authorized by the Board on June 23, 2022.

“Charles Hethey” Director “Jonathan Richards” Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – expressed in United States Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31,**

|                                                                                 | 2022                  | 2021                |
|---------------------------------------------------------------------------------|-----------------------|---------------------|
| <b>Expenses</b>                                                                 |                       |                     |
| Personnel costs                                                                 | \$ 48,603             | \$ 55,488           |
| Professional fees                                                               | 271,906               | 213,702             |
| Supplies and consumables                                                        | 1,486                 | 2,925               |
| General and administrative                                                      | 195,521               | 18,114              |
| Concession fees, permits and surface agreements                                 | 481,325               | 400,655             |
| Community relations                                                             | 9,624                 | 12,587              |
| Consulting fees                                                                 | 30,818                | 61,644              |
| Environmental and technical studies                                             | 105,180               | -                   |
| Office rent                                                                     | <u>7,158</u>          | <u>7,153</u>        |
| <b>Loss from operations</b>                                                     | <u>(1,151,621)</u>    | <u>(772,268)</u>    |
| Depreciation expense                                                            | (5,030)               | (5,030)             |
| Foreign exchange gain (loss)                                                    | 69,871                | (10,173)            |
| Write-off of IVA receivable                                                     | (163,576)             | (53,398)            |
| Other expense                                                                   | <u>(160)</u>          | <u>(40)</u>         |
|                                                                                 | <u>(98,895)</u>       | <u>(68,641)</u>     |
| <b>Loss and comprehensive loss for the period</b>                               | <b>\$ (1,250,516)</b> | <b>\$ (840,909)</b> |
| <b>Basic and diluted loss per common share</b>                                  | <b>\$ (0.01)</b>      | <b>\$ (0.84)</b>    |
| <b>Weighted average number of common shares outstanding – basic and diluted</b> | <b>191,227,501</b>    | <b>1,000,000</b>    |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – expressed in United States Dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31,**

|                                             | 2022               | 2021              |
|---------------------------------------------|--------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |                    |                   |
| Loss for the period                         | \$ (1,250,516)     | \$ (840,909)      |
| Items not involving cash:                   |                    |                   |
| Amortization                                | 5,030              | 5,030             |
| Write-off of IVA receivable                 | 163,576            | 53,398            |
| Non-cash working capital item changes:      |                    |                   |
| Receivables and prepaids                    | (165,464)          | (52,658)          |
| Accounts payable and accrued liabilities    | <u>45,448</u>      | <u>32,250</u>     |
| Net cash used in operating activities       | <u>(1,201,926)</u> | <u>(802,889)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |                    |                   |
| Intercompany loan advances received         | <u>1,051,600</u>   | <u>851,879</u>    |
| Net cash provided by financing activities   | <u>1,051,600</u>   | <u>851,879</u>    |
| <b>Effect of foreign exchange on cash</b>   | (7,533)            | (10,974)          |
| <b>Change in cash for the period</b>        | (157,859)          | 38,016            |
| <b>Cash, beginning of period</b>            | <u>233,086</u>     | <u>123,970</u>    |
| <b>Cash, end of period</b>                  | <u>\$ 75,227</u>   | <u>\$ 161,986</u> |

There were no significant non-cash financing and investing activities during the three months ended March 31, 2022 and 2021. No cash was paid for interest or taxes for the three months ended March 31, 2022 and 2021.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited – expressed in United States Dollars)

|                                       | <b>Number of<br/>common<br/>shares</b> | <b>Share Capital</b> | <b>Deficit</b>      | <b>Total</b>       |
|---------------------------------------|----------------------------------------|----------------------|---------------------|--------------------|
| <b>Balance, December 31, 2020</b>     | 1,000,000                              | \$ 50,842,999        | \$ (54,536,100)     | \$ (3,693,101)     |
| Loss for the period                   | <u>-</u>                               | <u>-</u>             | <u>(840,909)</u>    | <u>(840,909)</u>   |
| <b>Balance, March 31, 2021</b>        | 1,000,000                              | \$ 50,842,999        | \$ (55,377,009)     | \$ (4,534,010)     |
| <br><b>Balance, December 31, 2021</b> | <br>191,227,501                        | <br>\$ 60,084,746    | <br>\$ (58,255,542) | <br>\$ 1,829,204   |
| Loss for the period                   | <u>-</u>                               | <u>-</u>             | <u>(1,250,516)</u>  | <u>(1,250,516)</u> |
| <b>Balance, March 31, 2022</b>        | 191,227,501                            | \$ 60,084,746        | \$ (59,506,058)     | \$ 578,688         |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – expressed in United States Dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Esperanza Silver de Mexico S.A. de C.V. (the “Company”) was incorporated on October 24, 2003, under public deed number 48,065 in Mexico City under the laws of Mexico. The Company is principally engaged in the acquisition and exploration of resource properties. The head office, records office, and principal address of the Company is Avenida Teoponzolco 408-301A, Colonia Reforma cp 62260, Cuernavaca, Morelos. The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. As at March 31, 2022, the Company is a 100% subsidiary of Minas de Oro Nacional S.A. de C.V. which in turn is a 100% subsidiary of Alamos Gold Inc. Subsequent to March 31, 2022, 100% of the issued and outstanding common shares of the Company were acquired by Zacatecas Silver Corp. While the Company has been successful in obtaining its required funding from Alamos Gold Inc. and subsidiaries in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to obtain continued financial support from its controlling shareholder may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While this had not had a material impact on the Company to date, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

These condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These condensed consolidated financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2021, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements.

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiary, Servicios Mineros Tetlama (Mexico – 100% effective interest), which was incorporated on July 03, 2012, under public deed number 8,469 in Mexico City under the laws of Mexico. The subsidiaries’ principal activity is mineral exploration.

**2. BASIS OF PREPARATION (cont'd...)**

**Basis of consolidation (cont'd...)**

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated upon consolidation.

**Basis of measurement**

These condensed consolidated interim financial statements are presented in United States Dollars, which is also the Company's and its subsidiaries' functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Significant Accounting Judgments and Estimates**

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant estimates relate to the valuation of deferred income tax amounts and calculation of share-based payments, which are discussed below:

*Deferred income tax*

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

The most significant judgments relate to the functional currency of the Company and its subsidiaries and impairment of exploration and evaluation assets, which are discussed below:

*Impairment of exploration and evaluation assets*

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – expressed in United States Dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

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**2. BASIS OF PREPARATION (cont'd...)**

**Significant accounting judgments and estimates (cont'd...)**

*Determination of functional currency*

The functional currencies of the Company and its subsidiaries are outlined in the Basis of Measurement section above. The determination of functional currency involves certain judgments to determine the primary economic environment. The Company reconsiders the functional currency if there are changes in events and conditions impacting the factors used in the determination of the primary economic environment

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these condensed consolidated interim financial statements are consistent with those of the most recent annual audited consolidated financial statements and are those the Company adopted in its consolidated financial statements for the year ended December 31, 2021. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements.

**New accounting standards issued but not yet effective**

There are no accounting standards, amendments or interpretations that are not yet effective that are expected to have a material impact on the Company.

**4. EQUIPMENT**

|                                                                          | <b>Mobile<br/>equipment</b> | <b>Light<br/>vehicles</b> | <b>Office<br/>equipment<br/>and<br/>furniture</b> | <b>Computer<br/>hardware</b> | <b>Total</b> |
|--------------------------------------------------------------------------|-----------------------------|---------------------------|---------------------------------------------------|------------------------------|--------------|
| <b>Cost</b>                                                              |                             |                           |                                                   |                              |              |
| Balance – December 31, 2020,<br>December 31, 2021, and March<br>31, 2022 | \$ 5,983                    | \$ 107,665                | \$ 195,217                                        | \$ 127,738                   | \$ 436,603   |
| <b>Accumulated Depreciation</b>                                          |                             |                           |                                                   |                              |              |
| Balance – December 31, 2020                                              | \$ 3,885                    | \$ 107,665                | \$ 162,661                                        | \$ 127,738                   | \$ 401,949   |
| Depreciation                                                             | 598                         | -                         | 19,522                                            | -                            | 20,120       |
| Balance – December 31, 2021                                              | 4,483                       | 107,665                   | 182,183                                           | 127,738                      | 422,069      |
| Depreciation                                                             | 150                         | -                         | 4,880                                             | -                            | 5,030        |
| Balance – March 31, 2022                                                 | \$ 4,633                    | \$ 107,665                | \$ 187,063                                        | \$ 127,738                   | \$ 427,099   |
| Balance – December 31, 2021                                              | \$ 1,500                    | \$ -                      | \$ 13,034                                         | \$ -                         | \$ 14,534    |
| Balance – March 31, 2022                                                 | \$ 1,350                    | \$ -                      | \$ 8,154                                          | \$ -                         | \$ 9,504     |

**5. MINERAL PROPERTIES**

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and titles may be affected by undetected defects.

**ESPERANZA SILVER DE MEXICO S.A. DE C.V.**  
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**5. MINERAL PROPERTIES (cont'd...)**

**Esperanza Gold Project, Mexico**

The Esperanza Gold Project is 100% owned by the Company and is subject to a 3% net smelter return royalty. The Company did not incur any exploration costs during the three months ended March 31, 2022 and 2021.

**6. RELATED PARTY BALANCES**

As at March 31, 2022, the Company has a balance of \$1,182,920 (December 31, 2021 - \$138,853) due to Minas de Oro Nacional S.A. de C.V., a related party. There are no fixed terms of repayment.

**7. SHAREHOLDERS' EQUITY**

**Authorized**

An unlimited number of common shares with no par value.

**Issued share capital**

There were no financings completed during the three months ended March 31, 2022 and 2021.

During the year ended December 31, 2021, the Company issued 190,227,051 common shares at a price of \$0.05 to settle debt of \$9,241,747.

**8. FINANCIAL AND CAPITAL RISK MANAGEMENT**

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables are classified at amortized cost. Accounts payable and accrued liabilities are classified as amortized cost.

**Risk management**

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Mexican financial institution in interest bearing accounts.

The Company's receivables consist mainly of refunds of deposits and advances which are anticipated to be recoverable..

**8. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

**Risk management (cont'd...)**

*Liquidity risk*

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

The Company has historically relied upon capital contributions and debt facilities provided by its shareholders, to maintain an adequate level of cash to satisfy its capital and operating requirements and expects to continue to depend heavily upon its majority shareholder for financing.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. During the three months ended March 31, 2022, the Company was not exposed to significant interest rate risk.

b) Foreign currency risk

The Company is subject to foreign currency risk on financial instruments denominated in currencies other than the United States dollar. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and prepaid expenses, and accounts payable and accrued liabilities that are denominated in the Mexican peso. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations. As these exchange rates fluctuate against the United States dollar, the Company will experience foreign exchange gains and losses.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue debt, acquire or dispose of assets, issue new shares, or adjust the amount of cash.

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**8. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

**Risk management (cont'd...)**

*Capital management (cont'd...)*

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**9. SEGMENT INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in multiple geographical location, refer to Note 5.

**10. COMMITMENTS**

The Company has entered into rental agreements with various landowners on various properties which will be required for mining activities. Payments are adjusted for inflation annually. Contractual cash flow requirements as at December 31, 2021 were as follows:

|                        | <b>&lt; 1<br/>year<br/>\$</b> | <b>1 – 2<br/>years<br/>\$</b> | <b>3 – 5<br/>years<br/>\$</b> | <b>&gt;5<br/>years<br/>\$</b> | <b>Total<br/>\$</b> |
|------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|
| Land rental agreements | 396,639                       | 396,639                       | 1,165,912                     | 550,099                       | 2,509,289           |