FOR THE YEAR ENDED DECEMBER 31, 2022
MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

DATE 2
DESCRIPTION OF BUSINESS 3
OBJECTIVES AND STRATEGY 3
OVERVIEW OF PERFORMANCE - 2022 3
SUBSEQUENT EVENTS 7
GENERATIVE EXPLORATION PROJECTS 10
FINANCING ACTIVITIES 12
LIQUIDITY AND CAPITAL RESOURCES 14
OUTLOOK 14
RISKS AND UNCERTAINTIES 16
OFF BALANCE SHEET ARRANGEMENTS 21
TRANSACTIONS WITH RELATED PARTIES 21
ADDITIONAL INFORMATION 23

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022
MANAGEMENT DISCUSSION AND ANALYSIS

DATE

This Management Discussion & Analysis ("MD&A") of Kootenay Silver Inc. and its subsidiaries (referred to as the "Company" or "Kootenay") was prepared by management as at April 24, 2023 and was reviewed and approved by the Audit Committee of the Board of Directors of Kootenay. The following discussion of performance, financial condition and future prospects should be read in conjunction with the consolidated financial statement for the year ended December 31, 2022 and the audited consolidated financial statements for the year ended December 31, 2022 and 2021, and notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The information provided herein supplements but does not form part of the Financial Statements. This discussion covers the year ended December 31, 2022, and the subsequent period up to the date of issue of this MD&A. Additional information relating to the Company is available at www.sedar.com.

The Company has prepared this MD&A following the requirements of National Instrument 51-102 ("NI-51-102"). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars unless otherwise noted.

Unless otherwise indicated the technical disclosure contained within this MD&A has been reviewed and approved by Kootenay's President & CEO, James McDonald, P. Geo (a qualified person for the purpose of National Instrument 43-101 ("NI 43-101"), Standards of Disclosure for Mineral Projects). Mr. McDonald is also a director of Kootenay.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). All statements, other than statements of historical fact, which address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to anticipated developments in the Company's continuing and future operations, the adequacy of the Company's financial resources and financial projections; statements concerning or the assumptions related to the estimation of mineral resources, methodologies and models used to prepare resource estimates; the conversion of mineral properties to resources; the potential to expand resources; future exploration budgets, plans, targets and work programs; development plans; activities and timetables; grades; metal prices; exchange rates; results of drill programs; environmental risks; political risks and uncertainties; unanticipated reclamation expenses; statements about the Company's plans for its mineral properties; acquisitions of new properties and the entering into of options or joint ventures; and other events or conditions that may occur in the future.

Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimated," "potential," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. Forward-looking statements are statements concerning the Company's current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that: (i) any of the assumptions in the resource estimates turn out to be incorrect, incomplete, or flawed in any respect; (ii) the methodologies and models used to prepare the resource estimates either underestimate or overestimate the resources due to hidden or unknown conditions, (iii) operations are disrupted or suspended due to acts of god, internal conflicts in the country of Mexico, unforeseen government actions or other events; (iv) the Company experiences the loss of key personnel; (v) the Company's mine operations are adversely affected by other political or military, or terrorist activities; (vi) the Company becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vii) the Company is subjected to any hostile takeover or other unsolicited attempts to acquire control of the Company. Other factors that could cause the actual results to differ materially from current expectations include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions, as well as those risks described under the heading "RISKS AND UNCERTAINTIES" below. These forward-looking statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company assumes no obligation to update such forward-looking statements in the future, except as required by law. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. For the reasons set forth above, investors should not place undue reliance on the Company's forward-looking statements.

DESCRIPTION OF BUSINESS

The Company is an exploration stage mining company involved in the exploration and development of mineral properties in Mexico. The Company is classified as a Tier One issuer on the TSX Venture Exchange ("TSX-V") and its common shares are listed and trade under the symbol "KTN". The management and technical team have extensive experience in mineral exploration, development and mining, public company management and operations and Canadian venture capital markets.

OBJECTIVES AND STRATEGY

The primary objective and business plan of the Company is to discover or acquire silver dominant mineral deposits that have the potential to become economically viable for further development. The Company assesses financial, technical and market risk associated with a particular project before deciding whether to advance the project with its own capital or share the risk by optioning all or a portion of the project to a partner to conduct further exploration work or to provide funding to advance the project. If a project demonstrates potential to be economically viable via completion of a preliminary economic assessment, prefeasibility or feasibility study then it will be moved to a production decision and, when appropriate, funding will be sought to build a mine through traditional mine finance sources, joint venture or sale of the company or project. The rate at which a given project is advanced is dependent on several factors including management's assessment of project and the risks of development, including the probability of discovery and potential economic viability based on past work, results of additional drilling, resource estimates, metallurgy, environmental impact, community involvement to operate and permitting among others. It is also strongly influenced by access to capital to advance the various stages of assessment. When markets for commodities are favorable towards precious metals and exploration then capital is more accessible, allowing the Company more flexibility in the balance between advancing select projects while maintaining a 100% interest and seeking partner funded programs on other projects through option or joint venture agreements. When markets are not favorable towards equity investment more emphasis is given to seeking funding through option or joint venture agreements to advance projects for ongoing development.

The Company has been successful in discovering mineral resources through grassroots exploration with two significant silver discoveries on its Promontorio property in Sonora, Mexico, namely Promontorio and La Negra.

Since late 2018, the Company has been focussed on the Columba Project ("Columba") in Chihuahua State, Mexico which is a classic epithermal vein system demonstrating potential for discovery of high-grade resources.

OVERVIEW OF PERFORMANCE - 2022

On March 9, 2022, the Company closed a brokered private placement offering (the "Offering") for gross proceeds of $4.78 million consisting of 29,881,000 units of the Company (the "Units") at a price of $0.16 per Unit (the "Offering Price"), with a non-brokered portion of the offering ("Non-Brokered Portion") for gross proceeds of approximately $1.47 million consisting of 9,181,500 Units at the Offering Price, for aggregate gross proceeds to the Company of $6.25 million.

For further details see Financing Activities on page 11.

Drilling commenced in late May 2022, on the Columba high-grade silver project utilizing two portable diamond core drill rigs.

The planned program focuses on several areas on the property, including:

- The F Vein; host to historic high-grade silver underground workings (4 shafts and 6 levels of drifts) measuring over 1,000 meters in length;

- D, and B Veins located 800 metres south and along strike from the F Vein;

- JZ Zone located 700 meters east of the F Vein; and

- East Block located 200 meters east form the JZ Zone.

Initial primary focus of this program will be to conduct deeper drill testing on the F Vein and to expand the D and B Vein intercepts.

On July 26, 2022, the Company announced that it entered into a Purchase and Sale Agreement (the "**Agreement**") with Aztec Minerals Corp. ("Aztec") whereby Aztec will indirectly acquire the Company's 35% interest in the joint venture company ("JV Corp.") that holds the Cervantes porphyry gold-copper project in Sonora, Mexico (the "**Transaction**"). The Company will receive as consideration for the sale of its 35% interest 10,000,000 common shares in the capital of Aztec, at a deemed price of C$0.25 per common share, and the Company will retain a 0.5% Net Smelter Return Royalty. The Transaction closed in August 2022.

On August 11, 2022, the Company announced the successful amendment to the option agreement to acquire 100% of the Columba High-Grade silver project by extending the final US$2.2 million payment for the property due in November 2022into a series of payments due in August, November, December 2022 and January, April and May of 2023. Payments range from US$215,000 (August 2022 and May 2023) to US$480,000 (November 2022 paid) and US$430,000 (December, 2022, January and April 2023). See Subsequent Events section of this MD&A.

On September 8, 2022, the Company announced drill results from its Phase 4 drilling program, highlights included:

F Vein

CDH-22-121

- High grade of 2,330 gpt silver, 0.06% lead and 0.80% zinc across drill length of 1.63 meters
- Extends F Vein 50 meters down-dip of previous intercept on-section (beneath CDH 20-053).
- Mineralization at F Vein remains open at depth and along strike.

D Vein

CDH-22-122

- 3.9 meters of 574 gpt silver with 0.19% lead and 0.66% zinc
- Extends D Vein additional 55m beneath previously announced drill intercept (CDH-20-079).
- Highest individual assay grade of 956 gpt silver, 0.27% lead and 1.20% zinc over 0.72 meters.

- 34.45 meters of wide stockwork zone includes:

    - 9.7 meters of 1,746 gpt silver, 0.88 gpt gold, 1.11 % lead and 5.2% zinc in D Vein with;
    - 2.45 meters of 5,840 gpt silver, 3.0 gpt gold, 3.08% lead and 17.25% zinc, a project best intercept to date.

- Extends wide high grade 90 meters directly beneath previously announced high grade intercept (CDH-21-110) with 17.8 meters of 650 gpt silver, 0.98% lead and 2.2% zinc within 29 meters of 453 gpt silver, 0.6% lead and 1.43% zinc.

- Total vertical extent of D Vein mineralization now 300 meters.

CDH-22-127

- 0.98 meters of 788 gpt silver, 0.64% lead and 1.33% zinc.

CDH-22-128

- 2.0. meters of 520 gpt silver within 20 meters of 136 gpt silver.

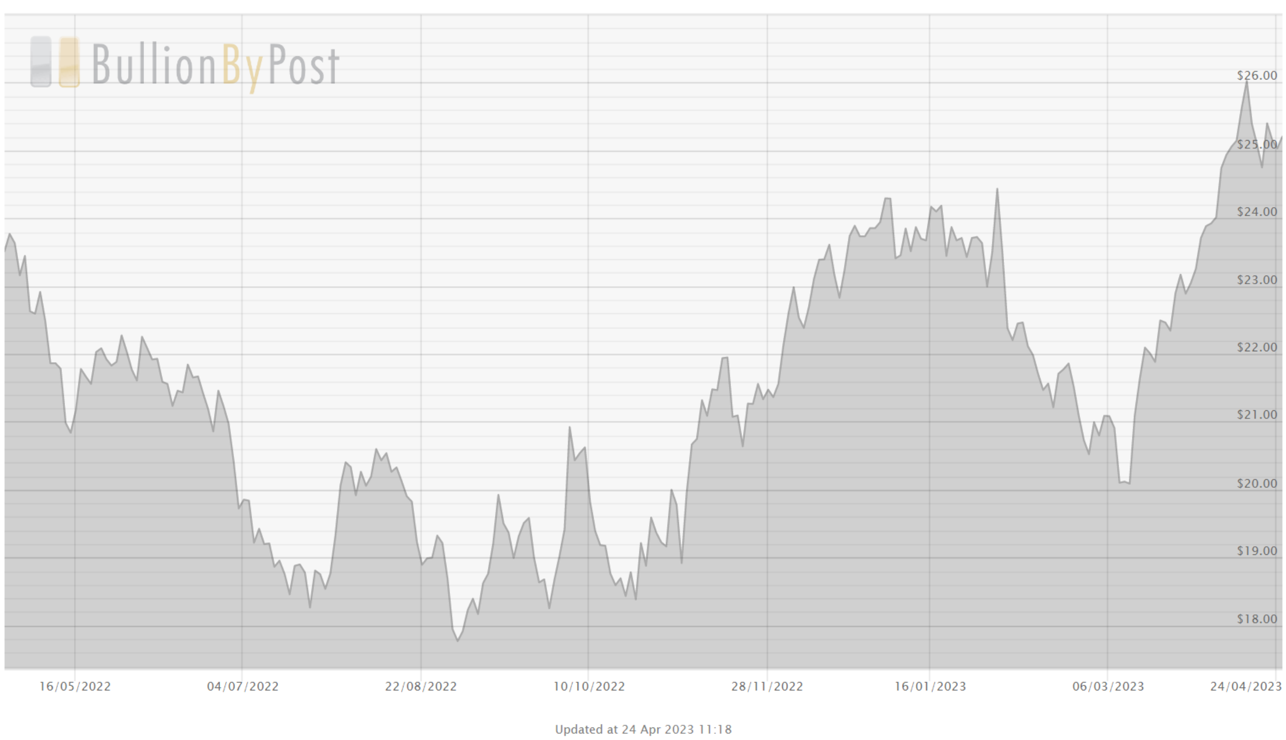
On November 8, 2022, the Company announced that it closed its previously announced brokered private placement offering (the "Offering") for gross proceeds of approximately $3.56 million consisting of 39,561,110 units of the Company (the "Units"), including the full exercise of the option granted to the Agents, at a price of $0.09 per Unit (the "Offering Price"), with a non-brokered portion of the offering ("Non-Brokered Portion") for gross proceeds of approximately $1.44 million consisting of 15,994,445 Units at the Offering Price, for aggregate gross proceeds to the Company of $5 million. For further details, see Financing Activities on page 11

During the year ended December 31, 2022, the Company recorded an impairment cost related to the carrying value of its Promontorio including La Negra and La Cigarra projects being $33,693,642 and $36,882,567 respectively. During the year ended December 31, 2022, the Copalito option agreement was terminated by the Company and an impairment expense of $3,980,936 was recorded. The recognition of impairment cost is accounting related the Company continues to maintain the projects in good standing. The recognition of impairment was determined primarily due to a lack of financing and no significant work is planned in 2023.

SILVER MARKET

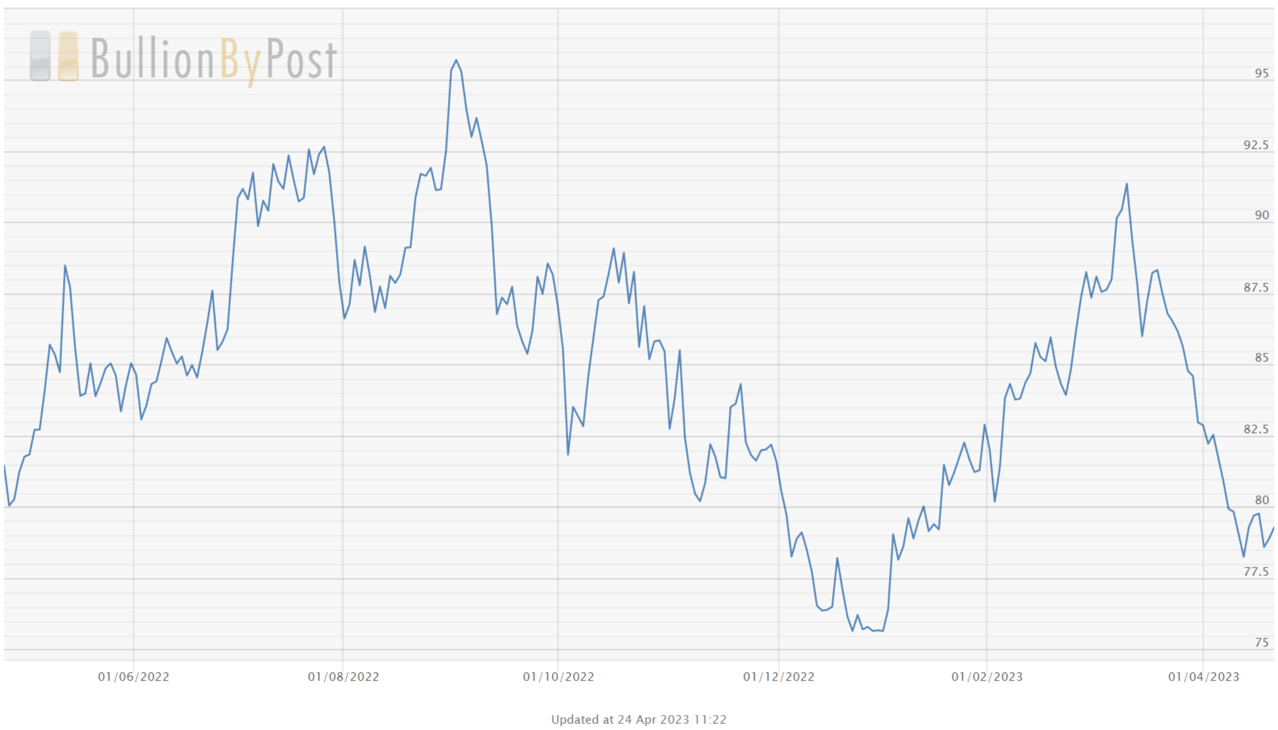
Over the past year interest in global silver investment has risen significantly resulting in all-time highs for silver in exchange-traded products (ETPs), global mint bullion coin sales and strong net-long positioning on COMEX. The silver price, which ended the 2021 year at US$23.08 per ounce, and hit a 12-month high of US$26.17 on March 9, 2022. The silver spot price at the date of this MD&A is US$25.20 per ounce which is up from the 12-month low of $17.77 hit on September 1, 2022.

Chart: One-year rolling Silver price



For most commodities, supply and demand fundamentals dominate price behaviour, however this does not always apply to silver and gold because of their monetary qualities and reactions to macroeconomic factors. Although the price of silver can be strongly linked to gold, silver differs from gold in the fact that it is also considered to be an industrial metal and can also be linked to the performance of base metals production and industrial demand. That said a gold: silver divergence can emerge when the macroeconomic environment deteriorates, however because of its lower liquidity, silver can outperform gold in the event of a financial crisis. The gold to silver ratio as of the date of this MD&A is approximately 1:79 ounces, and ended the year 1:76, with the 1-year high of 1:96 on September 1, 2022 and a low of 1:74 ounces.

Chart: One-year rolling Gold to Silver Ratio



SUBSEQUENT EVENTS

On January 13, 2023, the Company announced the appointment of Joseph Giuffre as a director of the company. Mr. Giuffre is a lawyer with over 30 years of legal experience in private practice with Vancouver and National law firms and as in-house as general counsel. Mr. Giuffre advises private and public companies in complex corporate, commercial, securities legal and business transaction matters, including mergers and acquisitions, joint ventures, private and public debt and equity financings, regulatory compliance, corporate governance, and capital project development. Additionally, the Company announced the granting of stock options to officers, directors, employees, and consultants to purchase up to an aggregate of 21,450,000 million shares of Kootenay at a price of $0.155 per common share for a period of five years.

On April 6, 2023, the Company announced it had amended the terms for the Columba option agreement to allow for 50% of the April 2023 payment of US$430,000 plus 16% IVA (Mexican value added tax) to be paid in common shares of the Company. The cash payment of US$215,000 plus 16% IVA was paid on April 12, 2023, and the Company shall issue 2,844,706 common shares to settle US$215,000 plus 16% IVA in Kootenay common shares calculated based on the 20-day volume weighted average price prior to April 12, 2023 of $0.1189 per common share, converted by the US dollar to Canadian dollar average exchange rate for the 20 day period prior to March 31, 2023 of $1.3583. The final payment of US$215,000 which will be paid in cash, is due on May 12, 2023, after which the Company will own 100% of the Columba project.

Additionally, the Company has reached an agreement with an arm's length party dated March 31, 2023 to resolve conflicting property interests, pursuant to which Kootenay will issue 2,018,710 in common shares in consideration of US$135,000 plus 16% IVA, based on the 20-day volume weighted average price prior to the agreement of $0.1064 per common share, converted by the US dollar to Canadian dollar average exchange rate for the 20 day period prior to March 31, 2023 of $1.3715.

The common shares to be issued under these agreements will have a hold period of four months and one day.

PORTFOLIO OF EXPLORATION AND EVALUATION ASSETS

The Company has pursued the advancement of its Promontorio and La Cigarra Projects. As of late 2018 it as focussed on its Columba Project, as well as establishing Generative Exploration Teams in Northwest Mexico and British Columbia, Canada with focus now solely in Mexico. The Company continues to seek joint venture partners to option its generative exploration projects to conduct exploration and make option payments to the Company to obtain a right to an earn-in interest in the project.

THE COLUMBA PROJECT

On November 19, 2018, the Company announced that it had entered into an option agreement to acquire a 100% interest in the Columba silver project, which hosts a past producing, high-grade silver mine, which operated circa 1910. Work reportedly ceased in the region during the Mexican Revolution. A second period of mining occurred in the late 1950's to early 1960's. Columba is approximately 1,000 hectares in size and covers a high-grade silver epithermal system comprised of numerous veins, which the Company has mapped over strike lengths from 200 meters to 2 kilometers.

Under the terms of the Agreement, the Company can acquire a 100% ownership in the concessions by making staged payments over a 4-year period totaling US$3,290,000 (see Subsequent Events section of this MD&A). Payments are weighted to the back end of the agreement with an initial payment of US$15,000 and first and second years payments totalling US$75,000 (paid). A total of US$2,215,000 has been paid to the year ended December 31, 2022. Of the remaining US$1,075,000 payment due, US$215,000 will be settled in common shares of the Company and the balance in cash. The Agreement included a work commitment of US$250,000 by the first anniversary and an additional US$750,000 by the second anniversary of the Agreement, which have both been completed by the Company. Upon earn-in the vendors retain a 2% n.s.r. of which 1% can be bought by the Company for US$750,000 (see November 5, 2018 news release for full details and the Subsequent Events note of this MD&A).

Results to date are in line with historic data bolstering the confidence in the potential for the discovery of high-grade silver deposits on the property.

The Company completed ~7,000 meters of drilling on the Columba project during 2022.

Highlights of the Company's drill programs in can be found here: Project Highlights Columba. A complete table of drill results can be found here: Columba Drilling.

See Overview of Performance – 2022 section of this MD&A.

LA CIGARRA PROJECT - EXPLORATION

Since acquiring the La Cigarra silver project in April 2016 from Northair Silver Corp, the Company completed several exploration programs including drilling, relogging of core and mapping of large areas of the project.

Further exploration work on the La Cigarra Project was curtailed due to market conditions related to the silver price and general junior exploration market. A new internal geological model is underway to optimize resource grade dependant on results this could lead to an updated resource and a decision to undergo a PEA on the project.

LA CIGARRA PROJECT – RESOURCE ESTIMATE

In January 2015, Northair announced the results of an updated NI 43-101 Resource Estimate ("Resource Estimate") completed by Allan Armitage, PhD, P. Geo. and Joe Campbell, B.Sc., P. Geo., of GeoVector Management Inc. and was filed on SEDAR on March 2, 2015. The Resource Estimate was calculated based on results from 156 of 171 holes totaling 30,443 meters within the potentially surface minable mineralized area comprised of the San Gregorio and Las Carolinas mineralized zones, which combine to form a total strike length of 2.4 kilometers. The resource estimate was constrained by a Whittle™ pit shell utilizing a USD $22/oz silver price, an economic cutoff grade of 35 gpt of silver and metallurgical recoveries of 84% silver is tabulated below:

Resource Category*	Tonnes	In-Situ Grade				Contained Metal			
		Ag (gpt)	Au (gpt)	Pb (%)	Zn (%)	Ag (oz)	Au (oz)	Pb (lbs)	Zn (lbs)
Measured	3,620,000	88.9	0.074	0.14	0.19	10,340,000	9,000	10,920,000	15,510,000
Indicated	14,930,000	85.7	0.068	0.13	0.18	41,130,000	33,000	42,950,000	59,260,000
Meas. + Ind	**18,540,000**	**86.3**	**0.069**	**0.13**	**0.18**	**51,470,000**	**41,000**	**53,870,000**	**74,770,000**
Inferred	**4,450,000**	**80.0**	**0.058**	**0.13**	**0.16**	**11,460,000**	**8,000**	**12,680,000**	**15,610,000**

**Note: Mineral resources are reported in relation to a conceptual pit shell at a 35 gpt silver cut-off grade and a USD $22/oz silver price. Mineral resources that are not mineral reserves do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and numbers may not add up due to rounding.*

PROMONTORIO SILVER PROJECT

The La Negra Discovery

The La Negra discovery is a hydrothermal-diatreme breccia exposed over a 100 to 150 x 500-meter area and is contained within the Promontorio claim block, approximately 7.0 km north of the Promontorio resource. The Company drilled a total of 6,213 meters over 41 core drill holes and Pan American drilled 56 holes totaling about 11,000 meters into the La Negra Breccia. The Company as commenced an initial resource estimate, however additional exploration work on La Negra has been curtailed.

A complete table of drill results can be found here: La Negra Drilling.

PROMONTORIO SILVER PROJECT – RESOURCE ESTIMATE

On May 14, 2013, the Company announced the results of a resource estimate prepared by SRK incorporating the gold ("Au") content contained into the mineral resources of the Promontorio Silver Project, due to new metallurgical data and information which supports the potential recovery of gold (see February 28, 2013 news release). The updated Measured and Indicated Resource contains an estimated 44,504,000 tonnes containing an estimated 92,035,000 oz. silver equivalent ("AgEq") grading 64.32 gpt AgEq with another 24,326,000 oz. AgEq grading 51.95 gpt AgEq categorized as Inferred, as summarized the table below:

Resource Statement for the Promontorio Deposit, Sonora State, Mexico: Effective Date March 31, 2013*

	20 gpt AgEq Cut-Off	Tonnes (000's)	Avg AgEq (gpt)	Avg Ag (gpt)	Avg Au (gpt)	Avg Pb (%)	Avg Zn (%)	AgEq Oz (000's)	Ag Oz (000's)	Au Oz (000's)	Pb lbs (000's)	Zn lbs (000's)
Constrained	Measured	10,289	67.93	32.69	0.4	0.46	0.55	22,470	10,814	132	104,125	124,497
	Indicated	34,215	55.97	26.3	0.34	0.38	0.45	61,572	28,931	374	286,037	338,729
	M+I	**44,504**	**58.73**	**27.77**	**0.35**	**0.4**	**0.47**	**84,042**	**39,745**	**506**	**390,162**	**463,225**
	Inferred	14,564	46.34	24.95	0.28	0.28	0.31	21,700	11,683	131	89,714	99,326
Outside Pit Constraint	**45 gpt AgEq Cut-Off**	**Tonnes (000's)**	**Avg AgEq (gpt)**	**Avg Ag (gpt)**	**Avg Au (gpt)**	**Avg Pb (%)**	**Avg Zn (%)**	**AgEq Oz (000's)**	**Ag Oz (000's)**	**Au Oz (000's)**	**Pb lbs (000's)**	**Zn lbs (000's)**
	Measured	3	58.08	25.12	0.32	0.37	0.63	6	2	0	24	42
	Indicated	212	53.21	22.86	0.28	0.4	0.55	363	156	2	1,866	2,565
	M+I	**215**	**53.28**	**22.89**	**0.28**	**0.4**	**0.55**	**368**	**158**	**2**	**1,890**	**2,607**
	Inferred	1,265	55.58	26.57	0.37	0.36	0.38	2,260	1,081	15	10,019	10,575

Notes: *** Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.**

[1] Open pit resources stated as contained within a potentially economically minable pit shell;

[2] Pit optimization is based on assumed silver ("Ag"), gold, lead ("Pb"), and zinc ("Zn") prices of $31/oz., $1650/oz., $0.96/lb., and $0.89/lb. respectively, mill recoveries of 74%, 70%, 81% and 88% respectively, a 1.5% NSR, estimated mining costs of $1.20/t, and estimated processing and G&A cost of $12.00/t; and an estimated POX cost of $2/tonne ($30/tonne of pyrite concentrate);

[3] Break-even cut-off grades used were 20 gpt AgEq for open pit mill material and 45 gpt AgEq for underground material;

[4] Silver equivalency is based on unit values calculated from the above metal prices, and assumes mill recoveries of 74% Ag, 70% Pb, 81% and 88% Zn; and

[5] Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.

The following material changes incorporated into the updated resource estimate contributed to the significant increase in the mineral resource:

- Additional metallurgical test work has allowed for the inclusion of gold in the mineral resources, which has a significant impact on the AgEq grades and relative ounces.
- The estimated Measured and Indicated gold resources contained within the mineralized diatreme system total 508,000 ounces with an additional 155,000 ounces Inferred.

This mineral resource estimate was completed by Matthew Hastings MSc, P. Geo and reviewed by Frank Daviess, MAusIMM, RM-SME, Associate Principal Resource Geologist with SRK. A site visit was conducted by Allan Moran, of SRK, R.G., C.P.G, who has reviewed pertinent geological information in sufficient detail to support the data incorporated in the mineral resource estimate. Mr. Davies is an Independent Qualified Person as defined under NI 43-101 and is responsible for the mineral resource estimate presented in this release. Eric Olin, of SRK, MSc, MBA, RM-SME reviewed the metallurgical information contained in this release.

G&T Metallurgical Services Ltd, Kamloops, BC, Canada completed preliminary metallurgical programs on drill core composites from the Promontorio property for Kootenay in 2009, 2012 and 2013. Several significant factors were noticed in SRK's review of the metallurgical process work conducted to date. The metallurgical program investigated a standard polymetallic sequential flotation flow sheet that includes:

- Crushing;
- Grinding;
- Lead Flotation;
- Zinc Flotation; and
- Pyrite/Arsenopyrite Flotation

Pressure oxidation (POX) of the pyrite/arsenopyrite concentrate is required to extract the contained gold by cyanidation. SRK estimates metal recoveries shown in the table below are based on the average results from the preliminary metallurgical test programs conducted in 2009, 2012 and 2013. Overall gold recovery is estimated at 70% and is based on 65% gold recovery into the pyrite flotation concentrate followed by 94% cyanidation gold extraction from the pyrite concentrate after pressure oxidation, plus an average 9% gold recovery into the lead flotation concentrate.

Metallurgical Recovery Assumptions

Metal	Product	Recovery (%)
Silver	Lead Concentrate	74
Lead	Lead Concentrate	81
Zinc	Zinc Concentrate	88
Gold	Pyrite Concentrate	65
Gold	Lead Concentrate	9
Gold	Overall *	70

* Includes 94% cyanidation extraction from pyrite concentrate + gold contained in lead concentrate

The NI 43-101 compliant Technical Report was filed on June 7, 2013 and can be reviewed on SEDAR (www.sedar.com).

GENERATIVE EXPLORATION PROJECTS

The Company continues to seek partners to option its projects under its generative model, which minimizes financial and exploration risk by granting external exploration companies a right to earn an interest in properties, subject to exploration expenditures and share payments made by them. Generative properties are continuously prioritized for further work or dropped based on ongoing exploration work. The Company continues to market generative properties including properties that have been returned after termination of option agreements. Additionally, Canadian assets have been spun-out to Kootenay Resources Inc.

Mexico
Cervantes Project
On July 25, 2015, the Company entered into an option agreement with Aztec Metals Corp. ("Aztec"), whereby the Company granted Aztec the right to earn up to a 100% interest in the Cervantes Gold/Copper project located in Sonora, Mexico. Effective September 30, 2016, the obligations of the option agreement were assigned to Aztec Minerals Corp. from Aztec. The terms of the agreement allow Aztec to earn a 65% interest by: spending an aggregate total of US$1.5 million in exploration expenditures by July 25, 2019; paying an aggregate total of US$150,000 in staged payments to the Company by July 25, 2019; and issuing an aggregated total of 1,000,000 common shares in staged payments on each anniversary to the Company, with final issuance payable 60 days after the fourth anniversary. Aztec will also be responsible for annual Mexican assessment work and mining concession taxes during the term of the agreement.

Aztec fulfilled their obligations under the earn-in option agreement and the parties entered into a joint venture agreement on December 16, 2020.

On August 11, 2022, the Company sold its interest in the Cervantes Project, for 10 million common shares of Aztec with a fair market value of $2.5 million, which is held in Marketable securities and 0.5% NSR.

Canada
Effective October 30, 2021, the Canadian assets of the Company were spun out to Kootenay Resources Inc. The Company announced that its board of directors had unanimously approved a spin-out of 80% of the Company's Canadian exploration assets (the "**Canadian Assets**"), to its shareholders by way of a share capital reorganization effected through a statutory plan of arrangement (the "**Arrangement**"). On the effective date the Canadian Assets held through Kootenay's then wholly-owned subsidiary, Kootenay Resources Inc. ("**KRI**") became a reporting issuer. Under the Arrangement, Kootenay distributed 80% of the common shares (each, a "**KRI Share**") of KRI to Kootenay's shareholders. KRI is currently reviewing options to have its shares listed on a public stock exchange. KRI, will focus on the development of the Canadian Assets, and Kootenay, will continue with the exploration and development of its Mexican assets. Mr. Eric Sprott through, 2176423 Ontario Ltd. announced he acquired common shares of KRI pursuant to the closing of the Arrangement having received 1,206,000 shares and is entitled to acquire and additional 675,000 shares through the potential exercise of warrants of KRI representing approximately 7.5 percent of the outstanding shares on a non-diluted basis and approximately 11.3 per cent of the outstanding shares on a partially diluted basis assuming exercise of KRI warrants.

FINANCING ACTIVITIES

On March 9, 2022, the Company closed a brokered private placement offering (the "Offering") for gross proceeds of $4.78 million consisting of 29,881,000 units of the Company (the "Units") at a price of $0.16 per Unit (the "Offering Price"), with a non-brokered portion of the offering ("Non-Brokered Portion") for gross proceeds of approximately $1.47 million consisting of 9,181,500 Units at the Offering Price, for aggregate gross proceeds to the Company of $6.25 million.

Each Unit is comprised of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant is exercisable to acquire one Common Share (a "Warrant Share") at an exercise price of $0.22 per Warrant Share for a period of 36 months from the closing of the Offering.

The Company intends to use the net proceeds from the Offering for exploration activities, working capital requirements and other general corporate purposes.

In connection with the Offering, the Agent received a cash fee of $361,740. In addition, the Company granted the Agent 2,260,875 non-transferable compensation warrants (the "Compensation Warrants"). Each Compensation Warrant entitles the holder thereof to purchase one Unit at an exercise price of $0.16 per Common Share for a period of 36 months following the Closing. The Company also paid aggregate cash finder's fees of $13,260 to two arm's length finders in connection with the Offering. All securities issued in connection with the Offering are subject to a Canadian securities law resale restriction period expiring on July 10, 2022.

On November 8, 2022, the Company closed a brokered private placement offering (the "Offering") for gross proceeds of approximately $3.56 million consisting of 39,561,110 units of the Company (the "Units"), including the full exercise of the option granted to the Agents, at a price of $0.09 per Unit (the "Offering Price"), with a non-brokered portion of the offering ("Non-Brokered Portion") for gross proceeds of approximately $1.44 million consisting of 15,994,445 Units at the Offering Price, for aggregate gross proceeds to the Company of $5 million. Each Unit is comprised of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant is exercisable to acquire one Common Share (a "Warrant Share") at an exercise price of $0.135 per Warrant Share for a period of 36 months from the closing of the Offering.

During the year ended December 31, 2021, the Company received $370,061 from the exercise of 1,850,111 share purchase warrants with the exercise price ranging from $0.20 to $0.55. Additionally, $42,000 was received from the exercise of 300,000 share purchase options.

INVESTING ACTIVITIES

As at December 31, 2022, capitalized mineral property expenditure totaled $13,489,863 (2021 - $82,409,952). During the year ended December 31, 2022, the Company recorded an impairment cost related to the carrying value of its Promontorio including La Negra, La Cigarra and Copalito projects being $33,693,642, $36,882,567 and $3,980,936 respectively. During 2022, the Company incurred $5,730,036 (2021 - $5,205,367) which includes acquisition and exploration costs as disclosed in the table below. Additionally, during the year ended December 31, 2022, the Company paid $311,667 (2021 – $419,629) as part of the JV investment with Aztec Minerals.

	MEXICO						
	Promontorio	**La Cigarra**	**Columba**	**Copalito**	**Generative Anomalies**	**2022 Total**	2021 Total
	$	$	$	$	$	$	$
Acquisition Costs							
Balance, beginning	3,658,642	30,548,524	1,000,948	621,020	826,090	**36,655,224**	35,705,896
Incurred	-	-	451,010	173,961	-	624,971	949,328
Balance, ending	**3,658,642**	**30,548,524**	**1,451,958**	**794,981**	**826,090**	**37,280,195**	36,655,224
Exploration Expenditures							
Balance, beginning	32,586,037	6,187,884	7,082,784	2,794,449	7,681,905	**56,333,059**	51,761,711
Assaying and Lab	-	47,442	28,218	5,479	-	**81,139**	320,359
Camp Costs	12,353	18,168	1,363,713	-	-	**1,394,234**	162,903
Drafting	-	-	-	-	-	**-**	17,270
Drilling	-	14,858	1,171,440	-	-	**1,186,298**	1,549,634
Geological mapping	-	6,938	135,689	303,772	-	**446,399**	86,512
Maintenance	66,165	122,276	1,432,195	82,255	11,660	**1,714,551**	270,958
Miscellaneous	5,180	-	-	-	62,780	**67,960**	41,888
Geological Consulting and Prospecting	18,182	82,588	107,875	-	5,839	**214,484**	1,792,946
Incurred	**101,880**	**292,270**	**4,239,130**	**391,506**	**80,279**	**5,105,065**	4,256,039
Balance, ending	32,687,917	6,480,154	11,321,914	3,185,955	7,762,184	**61,438,124**	56,333,059
Total properties balance	**36,346,559**	**37,028,678**	**12,773,872**	**3,980,936**	**8,588,274**	**98,718,319**	93,452,460
Balance, beginning	**(2,497,035)**	**(1,135,230)**	**(259,075)**	**(105,545)**	**(7,045,623)**	**(11,042,508)**	(8,135,835)
Option payment received	-	-	-	-	-	**-**	(156,798)
Impaired or disposed	(33,693,642)	(36,882,567)	-	(3,980,936)	(1,303)	**(74,558,448)**	(122,035)
Cumulative change in foreign currency translation	(155,882)	989,119	(504,185)	105,545	(62,097)	**372,500**	(2,627,841)
Carrying value exploration and evaluation assets	**-**	**-**	**12,010,612**	**-**	**1,479,251**	**13,489,863**	82,409,952

RESULTS OF OPERATIONS

Three-month period ended December 31, 2022

The Company recorded a net loss of $3,138,965 or $0.008 per share (2021 – $3,018,900 or $0.009) for the three-month period ended December 31, 2022.

Corporate general and administrative expenditure for the three-month period ended December 31, 2022, totaled $682,602 (2021 – $700,396), which included non-cash option-based payment expense of $1,041 (2021 – $5,728). Office and general costs increased to $334,364 (2021 – $284,498) which includes the Company's offices and staff in Vancouver and exploration offices in Hermosillo, Mexico and Kimberley, British Columbia. Also included in office and general is the Company's promotional, travel and investor relations expenses, which increased versus the prior comparable period and totaled $209,745 (2021 – $114,670) due to increased advertising, marketing and conferences costs during the period.

Management fees increased to $64,000 (2021 – $60,000). Professional fees increased versus the prior comparable period totaling $222,663 (2021 – $219,996), which includes director's fees of $20,000 (2021 – $30,000).

For the three-month period ended December 31, 2022, the Company recorded a foreign exchange loss of $215,241 (2021 – gain $4,421). The Company maintains foreign currency in both Mexican peso and US dollar accounts and incurs certain operating expenditures in each of those currencies, which coupled with consolidating its Mexican subsidiary gives rise to exchange risk. Property investigation of mineral properties costs totaling $12 (2021 – $1,388) were expensed in the period. Finance income increased versus the prior comparable period and totaled $25,575 (2021 – $5,831). The Company recorded a provision for uncollectible Mexican IVA (value added tax) of $2,141,337. The Company will record the recovery directly to income and believe such recoverability will be achieved however number delays in recovery of the input tax caused a recognition of the provision.

Year ended December 31, 2022

The Company recorded a net loss of $77,900,130 or $0.216 per share (2021 – $4,820,463 or $0.015) for the year ended December 31, 2022, which includes the recognition of impairment expense related to the carrying value of its Promontorio including La Negra and La Cigarra projects, being $70,576,209 and Copalito project, being $3,980,936; the gain of $1,757,762 from the sale of the Company's 35% interest in the joint venture for the Cervantes project and are based on a greater weighted average number of shares outstanding.

Corporate general and administrative expenditure for the year ended December 31, 2022 totaled $2,318,417 (2021 – $2,332,083), which included non-cash option-based payment expense of $7,680 (2021 – $17,226). Office and general costs were $1,301,177 (2021 – $1,033,499), which includes the Company's offices and staff in Vancouver and exploration offices in Hermosillo, Mexico and Kimberley, British Columbia. Also included in office and general is the Company's promotional, travel and investor relations expenses, which increased versus the prior comparable period and totaled $716,506 (2021 – $377,921) due to increased advertising, marketing and conferences costs during the period. Management fees decreased to $260,000 (2021 – $270,000). Professional fees decreased versus the prior comparable period due to decreased legal and consulting work during the period and totaled $512,739 (2021 – $663,989), which includes director's fees of $85,500 (2021 – 114,000).

For the year ended December 31, 2022, the Company recorded a foreign exchange loss of $283,527 (2021 – loss $41,919). The Company maintains foreign currency in both Mexican peso and US dollar accounts and incurs certain operating expenditures in each of those currencies, which coupled with consolidating its Mexican subsidiary gives rise to exchange risk. Property investigation of mineral properties costs totaling $91,133 (2021 – $162,892) were expensed in the period. Finance income increased versus the prior comparable period and totaled $55,974 (2021 – $43,799). The Company recorded a provision for uncollectible Mexican IVA (value added tax) of $2,141,337. The Company will record the recovery directly to income and believe such recoverability will be achieved however number delays in recovery of the input tax caused a recognition of the provision.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2022, the Company had working capital of $7,761,905 (2021 - $4,677,558), with cash and cash equivalents totaling $2,947,564 (2021 - $2,001,444). The Company as seen a significant slowdown in the refunding of IVA tax, which the Company is owed by the Mexican tax authority. The Company continues to maintain filing for such refunds including the use of third-party consultants to assist in obtaining these refunds and expects that such refunds will be ultimately collected.

See Financing Activities section of the MD&A for financing details related to 2022 and 2021.

The Company plans to continue its exploration efforts in 2023 in Mexico with the use of its current cash position, see Outlook section of the MD&A. It also plans to generate opportunities to acquire new properties and to enter into options or joint ventures with third parties to manage risk. The Company also plans to finance its future activities primarily through raising capital from private placements of equity capital in the Company and through payments it receives from option and joint ventures of the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining financing, now or in the future or that it will be successful in obtaining payments through optioning and joint venturing some or all its properties. Failure to raise sufficient funding for its operations and ongoing business activities on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

The Company's ability to raise additional capital or to receive option payments from third parties is subject to a number of factors, uncertainties and risks including market conditions that could make it difficult or impossible for the Company to raise necessary funds to meet our capital and operating requirements. If we are unable to obtain financing through equity investments, we plan to consider other financing solutions including, but not limited to, joint ventures, credit facilities or debenture issuances. We are also attuned to the effect of capital markets on many of our joint venture partners who may not be able to meet their obligations under their option or joint venture agreements.

All cash is held with Schedule A banks either in deposit accounts or guaranteed investment certificates, and the Company has no joint ventures with any parties that potentially create derivative or hedge risk.

OUTLOOK

The Columba 2023 drill program, plans for a staged 50,000 meters of drilling with the initial stage being 15,000 meters with a budget of $3,750,000 and scheduled to commence in Q2, 2023. The plans will focus on continued step out and infill drilling in the high-grade F-vein and its associated hanging wall vein; the D and B Vein; J and Z vein.

The Company plans to conduct some additional geophysical work to assist in further drill planning with the premise to locate ore grade shoots.

Generative Projects
The Company hopes to continue to fund modest grass roots exploration that generates new mineral discoveries with the objective of seeking partners to finance the advancement of these projects. Work programs will also be initiated on other properties located in Mexico by the Company's option partners.

La Mina Project, Sonora State, Mexico
(100% Kootenay owned and optioned to Capstone Mining Corp.)

Subsequent to the year ended December 31, 2022, the Company was informed that the option agreement on the La Mina project had been terminated by Capstone Mining Corp.

The Company continues to review and investigate the progression of its generative portfolio of properties including projects that have been returned from third parties.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information prepared in accordance with IFRS for each of the Company's last eight quarters:

	Q4 2022 $	Q3 2022 $	Q2 2022 $	Q1 2022 $	Q4 2021 $	Q3 2021 $	Q2 2021 $	Q1 2021 $
Total Revenue [1, 2]	25,575	9,599	15,692	5,108	5,831	8,217	12,489	17,262
Net Loss	(3,138,965) [7]	(2,968,831) [6]	(71,177,062) [5]	(615,272)	(3,018,900) [3,4]	(820,184) [4]	(354,796)	(626,583)
Loss Per Share	(0.008)	(0.008)	(0.198)	(0.002)	(0.009)	(0.003)	(0.001)	(0.002)

(1) Revenue is derived from administration fees, interest income and recovery of IVA taxes.
(2) The Company recovered IVA from the Mexican tax authority, which is being booked to income directly.
(3) Includes loss on the spinout of Kootenay Resources Inc. of $2,378,027.
(4) Costs related to the spinout of Kootenay Resources Inc.
(5) Includes the recognition of impairment expense related to the carrying value of its Promontorio including La Negra and La Cigarra projects, being $70,576,209.
(6) Includes impairment expense of $3,980,948 related to the carrying value of the Copalito project, and $1,757,762 from the gain of the sale of the Company's 35% interest in the Cervantes project joint venture.
(7) Recorded $2,141,337 provision for uncollectible Mexican IVA.

SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with IFRS for fiscal years 2022, 2021, and 2020, and are expressed in Canadian dollars.

As at December 31:	2022	2021	2020
Total Assets	$ 22,510,098	$ 88,748,982	$ 94,403,123
Current Liabilities	324,531	304,638	366,933
Shareholders' Equity	22,185,567	88,444,344	94,036,190
Total Shareholders' Equity & Liabilities	$ 22,510,098	$ 88,748,982	$ 94,403,123

For the year ended December 31:	2022	2021	2020
Finance Income [(1)]	$ 55,974	$ 43,799	$ 94,987
Net Loss [(2)(3)(4)]	(77,900,130)	(4,820,463)	(2,033,745)
Basic and diluted loss per share	$ (0.216)	$ (0.015)	$ (0.007)
Weighted average number of common shares outstanding	360,669,749	320,033,410	291,265,510

(1) Finance Income is derived from administration fees, recovery of IVA taxes and interest income

(2) Net Loss for 2022 includes impairment expense related to the carrying value of its Promontorio, La Negra and La Cigarra projects totalling $70,576,209; impairment expense of $3,980,948 related to the carrying value of the Copalito project; and $2,141,337 provision for uncollectible Mexican IVA

(3) Net Loss for 2021 includes $2,378,027 in loss on the spinout of Kootenay Resources Inc.

(4) Net Loss for 2020 included non-cash share-based payments expense of 2020 - $98,734

RISKS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring mineral properties. It is exposed to several risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than project management fees, and interest on cash balances. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

Early Stage – Need for Additional Funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering its early stage of operations.

The Company anticipates future expenditures will require additional infusions of capital; there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Resulting Issuer may change, and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any may not be satisfied and could result in a loss of the shareholders entire investment.

Exploration and Development

Mineral exploration and development is a speculative business, characterized by several significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All the mineral claims to which the Company has a right to acquire an interest or owns are in the exploration stages and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

Estimates of mineral resources may not be realized

The mineral resource estimates contained in the Company's Technical Reports are only estimates and no assurance can be given that an identified resource will ever qualify as a commercially mineable (or viable) deposit, which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Material changes in resources, grades and other factors, may affect the economic viability of projects.

Earn-In agreements

The Company continues to enter or seek to enter into separate option agreements with publicly listed companies on its various mineral properties. The terms of such option agreements vary but primarily optioning companies are granted an option to earn an ownership interest in an exploration property by making cash payments and or issuing shares to the Company and incurring exploration expenditures. These are not firm payments or expenditure commitments and are subject to these companies obtaining sufficient financing to fulfill their earn-in requirements. The agreements are also subject to termination if such payment and expenditure commitments are not fulfilled. On fulfillment of these commitments, the ownership arrangement and future development of the property will be subject to a joint venture agreement whereby the Company will be required to finance its proportionate share of exploration expenditures based on the ownership ratio of each of the parties. There is no certainty that any of these companies will complete the required expenditures on the properties to earn-in on the properties or that they will be able to obtain the necessary financing to complete the expenditure requirements in which case the costs of carrying and developing the properties will be the responsibility of the Company.

Operating Hazards and Risks

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

Political Risk

The Company's advanced project and certain other property interests are located in Mexico and are subject to that jurisdiction's laws and regulations. Obtaining financing, finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. The perception of Mexico may make it more difficult for the Company to attract investors or to obtain any required financing for its exploration projects. The Company believes the present attitude of the current Mexican government to foreign investment in the exploration and mining sector has become less supportive of the industry than previous governments. Investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

Supplies, Infrastructure, Weather and Inflation

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, the Company is forced to rely on the accessibility of secondary roads resulting in potentially unavoidable delays in planned programs and/or cost overruns. The rainy season in Mexico during the months of June through September can sometimes flood the main access road causing temporary delays.

Metal Prices
The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

Title Risks
Although the Company has exercised due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, or transfers, or conflicting claims; or indigenous claims, and title may be affected by undetected defects.

Environmental Regulations, Permits and Licenses
The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Mexico provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines, penalties and work stoppage. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The current operations of the Company require permits from various government authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

The Company believes that it is in compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Competition and Agreements with Other Parties
The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

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

Economic Conditions
Unfavorable economic conditions may negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

Dependence on Management
The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts of Interest
The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

Insurance coverage
The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company's policies of insurance may not provide sufficient coverage for losses related to these or other risks. The Company's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Company for all losses sustained. In particular, the Company does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on the Company's cash flows, results of operation and financial condition.

Shareholder dilution
The Company's constating documents permit the issuance of an unlimited number of common shares and a limited number of preferred shares issuable in series on such terms as the Directors determine without the approval of shareholders, who have no pre-emptive rights in connection with such issuances. In addition, the Company is required to issue common shares upon the conversion of its outstanding share purchase warrants and options in accordance with their terms. Accordingly, holders of common shares may suffer dilution.

Uninsurable risks
In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Disclosure Controls and Procedures
Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, receivables and advances, marketable securities, advances and deposits, accounts payable and accrued liabilities and termination benefit liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity and due to the insignificant carrying values of long-term financial instruments except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value added Tax refunds) from the Mexican Government. Accordingly, accounts receivable in the form of tax credits from Canada and Mexico are regarded with minimal risk and receivables from exploration partners are regarded with moderate risk by the Company.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements. The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at December 31, 2022, the Company's financial liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso, the Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency with a predominate balance held in Canadian Dollars. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

The balances denominated in foreign currency are as follows:

	December 31, 2022	December 31, 2021
	US$	US$
Cash and cash equivalents	**49,499**	95,085
Trade accounts payable and accrued liabilities	**16,453**	16,517
	Mexican Peso	Mexican Peso
Cash and cash equivalents	**5,164,829**	1,753,227
Receivables and advances	**73,284**	9,655,423
Trade accounts payable and accrued liabilities	**933,226**	821,149

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the year. The result of the sensitivity analysis shows a change in +/- 10% in the US Dollar and Mexican Peso exchange rate could have a collective impact of approximately +/- $34,390 on the Company's net loss. This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short-term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's financial statements.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no Off-Balance Sheet Arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2022, officers of the Company charged management and consulting fees totaling $460,000 (2021 - $470,000) of which $200,000 (2021 - $200,000) has been allocated to deferred mineral property costs. These amounts were incurred in the ordinary course of business.

Effective January 1, 2008, the Company entered into a consulting agreement with Makwa Exploration Ltd. for the services of James McDonald to act as the Company's President and CEO. The base monthly fee for Makwa was amended to $20,833. The consulting agreement extends in increments of 24 months, until terminated.

Effective September 1, 2008, the Company entered into an administrative and geological services agreement with a private company indirectly related to two common directors, which provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to financial and secretarial services and providing such other additional instructions and directions as the Company may require. For the year ended December 31, 2022, the Company incurred expenses $40,000 (2021 - $120,000) under the administrative services contract.

In addition to the above:

a) Included in accounts payable as at December 31, 2022, is $Nil (December 31, 2021 - $10,000) to companies who have common directors or officers.

b) For the year ended December 31, 2022, the Company incurred $85,500 (2021- $114,000) for compensation to directors of which $20,000 (December 31, 2021 - $30,000) is included in accounts payable.

FUTURE ACCOUNTING STANDARDS

Critical Accounting Estimates
Please refer to Note 3 of the Company's Audited Financial Statements for the year ended December 31, 2022, for additional information under "Significant Accounting Policies".

Significant areas requiring the use of management estimates include the collectability of amounts receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for depreciation of property and equipment, the recoverability of mineral property interests, determination of estimates of deferred tax assets and liabilities, and the determination of variables used in the calculations of share-based payments. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Companies without Significant Revenues
The following table sets forth a breakdown of material components of the office and general costs of the Company for the periods indicated.

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
	$	$	$
Office	**554,028**	674,076	683,312
Telephone and postage	**30,643**	19,338	18,376
Travel and promotion	**716,506**	377,921	450,353

Disclosure of Outstanding Share Data
The following table states the diluted share capital of the Issuer as at April 24, 2023:

	Number Shares Outstanding (Diluted)
Outstanding as at December 31, 2021	**320,684,936**
Stock option exercise	170,000
Private Placement	94,618,055
Outstanding as at December 31, 2022	**415,472,991**
Shares reserved for issuance pursuant share purchase warrants outstanding	144,502,315(1)
Shares reserved for issuance pursuant share purchase options outstanding	28,680,000(2)
DILUTED TOTAL AS AT APRIL 24, 2023	**588,655,306**

Notes

(1) As at April 24, 2023, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
44,579,511	0.20	March 5, 2024
39,062,500	0.22	March 8, 2025
2,260,875	0.16	March 8, 2025
55,555,555	0.14	November 7, 2025
3,043,874	0.09	November 7, 2025
144,502,315		

(2) As at April 24, 2023, the Company had outstanding share purchase options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
6,580,000	0.14	June 26, 2024
650,000	0.27	July 06, 2026
21,450,000	0.155	January 13, 2028
28,680,000		

Commitments

The Company has entered various contracts for office and warehouse rent in Canada and Mexico. The following summarizes the Company's total annual obligations under this agreement as at December 31, 2022:

2023	$ 80,704
2024	$ 28,733
	$ 109,437

Mineral property payments and project related commitments have been outlined under the property headings found in the 'Portfolio of Exploration and evaluation assets' section of this MD&A and the consolidated financial statements for the year ended December 31, 2022.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Cautionary note regarding preparation of Mineral Reserves and Resources

This MD&A uses the terms "reserves" and "resources" and derivations thereof. These terms have the meanings set forth in Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum's Classification System (CIM Standards). NI 43-101 and CIM Standards may differ significantly from the requirements of the United States Securities and Exchange Commission (the SEC). Accordingly, information concerning descriptions of mineralization and resources contained in this Management's Discussion and Analysis may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

Approval

This MD&A has been prepared by management with an effective date of April 24, 2023. The MD&A and the Consolidated Financial Statements were approved by the Board of Directors of the Company on April 28, 2023.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the Company's website at www.kootenaysilver.com and on SEDAR at www.sedar.com