TARACHI GOLD CORP.

CSE:TRG

MANAGEMENT DISCUSSION ANALYSIS

FOR THE SIX MONTHS ENDED

JANUARY 31, 2023

BASIS OF DISCUSSION & ANALYSIS AND DATE

This Management Discussion and Analysis ("MD&A") of the financial position and results of Tarachi Gold Corp. (the "Company" or "Tarachi") has been prepared by management as of March 27, 2023. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the six-month period ended January 31, 2023, and 2022 and audited consolidated financial statements for the year ended July 31, 2022. The MD&A was prepared to conform to National Instrument 51-102F1 and was approved by the Board of Directors prior to its release. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to read the Forward-Looking Statement disclaimer included with this MD&A.

The condensed consolidated interim financial statements and audited consolidated financial statements and MD&A are presented in Canadian dollars, unless otherwise indicated, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The statements and any summary of results presented in the MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Please consult the condensed consolidated interim financial statements for the six-month period ended January 31, 2023, and audited financial statements for the year ended July 31, 2022, for more complete financial information.

All the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

Date

This MD&A has been prepared based on information available to the Company as of March 27, 2023.

OVERALL PERFORMANCE

NATURE OF BUSINESS

Tarachi Gold Corp. was incorporated as Kal Minerals Corp. under the Business Corporations Act (British Columbia) on February 19, 2016. On April 7, 2020, the Company changed its name to Tarachi Gold Corp. The shares of the Company are trading on the Canadian Securities Exchange under the symbol "TRG", on the OTCQB under the symbol "TRGGF", and on the Frankfurt Stock Exchange (the "FRA") under the symbol "4RZ". The Company's principal business activity is the exploration of mineral properties. The Company currently conducts its operations in Mexico.

The head office and principal address of the Company are located at Suite 700, 1090 West Georgia Street, Vancouver, B.C. V6E 3V7.

The Company has no substantial revenue and supports its operations through the sale of equity or assets such as mineral properties. The value of any mineral property is dependent upon the existence or potential existence of economically recoverable mineral reserves. See the section related to "Risk Factors" in this statement.

OVERALL PERFORMANCE (Continued)

PROPOSED TRANSACTION AND ASSETS HELD FOR SALE

On January 26th, 2023, the Company announced that it has signed a binding Letter Agreement with Compania Minera de Atocha S.A de C.V. ("Atocha"), a privately owned Mexican company, for the sale of the Magistral Project. The transaction proposed in the Letter Agreement, upon Closing, would see Tarachi transfer 100% ownership of its Mexican subsidiary, TGMEX Silver S.A. de C.V. ("TGMEX"), to Atocha for total cash payments of $5.7 million USD (approximately $7.6 million), paid as follows:

- US$4,050,000 paid at Closing (Initial Payment)
- The following additional cash payments (collectively the "Additional Payments") will also be made to the Company:
  - US$500,000 paid when 50% of the tailings located on the Magistral Project have been mined, sold and/or processed or after the first complete calendar year of operation at the Magistral Project, whichever occurs first;
  - US$500,000 paid when 100% of the Magistral Tailings have been mined, sold and/or processed or after the second complete calendar year of operation at the Magistral Project, whichever occurs first; and
  - The amount of value added tax ("IVA") currently owing to TGMEX as that tax benefit is realized by Atocha during operations and product sales from the Magistral Project or other Atocha-controlled assets if Atocha merges TGMEX with Atocha or another entity they control, estimated to total approximately US$650,000. Tarachi anticipates the IVA tax benefit will be realized by Atocha and paid to Tarachi within the first year of commercial operations at the Magistral Project.

Tarachi agreed to seek to settle all outstanding obligations owing to Manto Resources S.A. de C.V. ("Manto") in relation to the Company's original acquisition of the Magistral Project from Manto in 2021. In exchange for the elimination of Manto's 15% net profit interest royalty on the Magistral Tailings, US$2,000,000 in production bonus payments and any other obligations owed to Manto or rights for Manto to participate in the Magistral Project, Tarachi anticipates it will pay to Manto 15% of all payments received from Atocha in the transaction as those payments are received.

Note 4 of the condensed consolidated interim financial statements for the six-month period ended January 31, 2023, contains details of the assets held for sale, which includes all assets and liabilities previously held by TGMEX, the subsidiary.

The Company expects to receive from transaction a total US$4,845,000 ($6.5 million), net of payments made to Manto. The Initial Payment and the Additional Payments have been fair valued using the 7% discount rate.

At January 31, 2023, the assets held for sale were stated at fair value and comprised of the following assets and liabilities:

Cash	$	13,066
IVA receivable		784,005
Other receivable		26,700
Exploration and evaluation assets		6,253,844
Assets held for sale	**$**	**7,077,615**
Accounts payable and accrued liabilties	$	314,699
Liabilities held for sale	**$**	**314,699**
Net Assets	**$**	**6,762,915**

The Company has a business plan that includes identifying and acquiring exploration projects, conducting exploration on the projects. Acquisitions and dispositions are an essential and on-going part of this plan.

PROJECT ACQUISITION (Restated for the year ended July 31, 2021)

On February 8, 2021, the Company signed a purchase agreement (the "APA Agreement") with Manto Resources S.A. de C.V. ("Manto") to acquire Magistral del Oro mill and tailings project ("Magistral") located in the State of Durango, Mexico. The acquisition was closed on March 17, 2021 (the "Closing Date").

Pursuant to the APA Agreement, 100% interest in Magistral project was acquired and the consideration is composed of the following:

- 4,000,000 common shares issued respectively upon execution and 60 days after the Closing Date of the APA Agreement; (issued at the fair value of $2,560,000)
- US$1,179,500 upon execution of the APA Agreement (paid);
- Certain obligations have been assumed by the Company
  - US$1,245,230 has been paid and 2,594,728 common shares with fair value of $670,868 have been issued during the year ended July 31, 2021;
  - US$314,940 (C$392,478) has been paid in cash and US$333,333 (C$415,000) of the Company's common shares has been issued at 15% discount to the 10-day volume weighted average trading price on November 10, 2021;

- 1,000,000 common shares with fair value of $270,000 were issued to a third party as finder's fee during the year ended July 31, 2021.

- 4,000,000 common shares to be issued respectively on 180 days and 365 days after the Closing Date (issued on January 28, 2022, and March 17, 2022). All these shares also have the security-specific trading restrictions for 4 months from the share issuance date.

  The fair value of the 8,000,000 common shares was determined at $1,743,207 based upon the quoted market price of the Company's common shares at $0.30 per share on the Closing Date with a discount applied for lack of marketability determined using the Finnerty Average-Strike Put option model. The significant inputs used in the fair value measurement for the year ended July 31, 2021, are as follows: term of 10 to 16 months, annualized volatility of 135.04% to 163.97%, and annualized dividend yield of 0%.

- Contingent considerations to be paid upon achieving certain milestones:
  - 15% net profits royalty on the earnings before interest and taxes ("EBIT");
  - US$500,000 respectively on 180 days and 365 days after commercial production which was defined as the EBIT exceeding $100,000 in a calendar month; and
  - US$1,000,000 upon revenue equaling or exceeding US$15,000,000.

On January 19, 2022, the Company completed the Preliminary Economic Assessment ("PEA") to assess whether the Company can bring the project into commercial production. For the six-month period ended January 31, 2023, a probability-weighted expected value calculation was utilized to value the contingent consideration. The calculation was based on the management's best estimate of the assumptions used in EBIT projection. The probability weightings assigned were based on the likelihood of the occurrence of different scenarios. The Company revalued the estimated royalty and recalculated the contingent considerations based on the available results from the PEA.

The pre-tax discount rate applied to EBIT projection is 13%, which represents the current market assessment of the risk specific to the Company, taking into consideration of the time value. A 1% decrease/increase in the discount rate would increase/decrease the contingent consideration balance as at January 31, 2023, by approximately $141,000.

OVERALL PERFORMANCE (Continued)

PROJECT ACQUISITION (Restated for the year ended July 31, 2021) (Continued)

The gold price applied to the EBIT projection is in a range from US$1,686 to US$1,750 per ounce, which is the estimation used in the PEA. A 10% decrease/increase in gold price would increase/decrease the contingent consideration balance as at January 31, 2023, by approximately $621,000.

As at January 31, 2023, the provision has been re-valuated to $6,692,926, and the gain of $162,042 has been recorded in the contingent consideration revaluation loss for the six-month period ended January 31, 2023 (January 31, 2022 – gain of $977,037).

On March 23, 2022, the Company signed a new land lease, water rights, and tailings purchase agreements with the local Magistral Ejido community.

Prior year restatement

Restatement of the share issuances under the Magistral del Oro mill and tailings project

During the year ended July 31, 2022, the Company identified that the 8,000,000 common shares to be issued at 4,000,000 common shares on 180 days and 365 days respectively after March 17, 2021, in the Magistral Project acquisition were recorded as shares to be issued liability rather than as equity in share capital.

Accordingly, the Company derecognized the remeasurement gain that was recorded as fair value gain of shares to be issued in the condensed consolidated interim statements of operations and comprehensive loss previously reported which led to an increase in accumulated deficit. In addition, the 8,000,000 common shares have been included in the weighted average number of shares outstanding.

FINANCING

There are no financing activities during the six-month period ended January 31, 2023.

On December 14, 2022 the Company announced a non-brokered private placement financing of up to 10,000,000 units of the Company (the "Units") at a price of C$0.05 per Unit for gross proceeds of up to C$500,000. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant") of the Company. Each Warrant will entitle the holder to purchase one common share of the Company at an exercise price of C$0.10 for a period of 24 months following the closing date of the Financing. In connection with the Financing, the Company may pay finder's fees up to 6% cash and up to 6% in finder's warrants to eligible finders. Similar to previous rounds of financing, the proceeds from this financing will be used for working capital and the advancement of El Magistral.

The private placement was canceled on January 26, 2023, after the Company announced the signing of a Letter Agreement for the intended sale of the Magistral Project to Compañía Minera de Atocha S.A. de C.V. on the same day.

RESULTS OF OPERATION

MAGISTRAL

Since acquiring the Magistral Project, Tarachi engaged Ausenco Engineering (“Ausenco”) to conduct a preliminary economic assessment of the project and provide an NI 43-101 compliant resource estimate for the tailings’ material that Tarachi has access to. Tarachi plans to process the tailings material through the Magistral mill to produce gold and other recoverable metals. The preliminary economic assessment (“PEA”) was completed in December 2021.

RESULTS OF OPERATION (Continued)

MAGISTRAL (Continued)

An auger drill rig was mobilized to Magistral at the end of March 2021 to conduct sampling work as part of the preliminary economic assessment. A total of 37 auger holes were completed in the tailings basin. Drilled samples will be used for metallurgical test work and analyzed for metal content at a lab in Canada.

The existing permits for the Magistral project are currently being audited by consultants in Mexico to determine their current status and what requirements need to be met to ensure that the project is in compliance and fully permitted before the mill is commissioned.

Engineers were sent to Magistral on March 18, 2021, to review the existing equipment in the mill and to provide an opinion of the mill's current status and capabilities. After a review of the electrical equipment at Magistral, a team of electricians was sent to the site in 2021 to upgrade and replace various electrical installations to ensure all electrical equipment met local safety regulations. This upgrade was done in anticipation of the mill being inspected in early 2022 as part of the process to apply for the mill to get connected to the local power grid.

Metallurgical work overseen by Ausenco in the second half of 2021 demonstrated approximately 80% of the gold contained in the tailings material at Magistral could be recovered via cyanide leaching without the need for regrinding (see press release dated November 2, 2021). These metallurgy results were incorporated into the PEA.

Results from the PEA were released on December 13, 2021 (see press release of the same date) with the final report filed on SEDAR on January 21, 2022. The PEA outlined a potential mining scenario of 1,000 tonnes per day feed rate of tailings into the Magistral mill to produce an average of 16,000oz of gold per year with a copper concentrate by-product. The PEA envisioned the addition of a SART (sulphidation, acidification, recycling, and thickening) circuit to manage the presence of cyanide-soluble copper contained in the tailings feed material. The new SART circuit would produce a high-grade copper concentrate by-product and the existing Merril Crowe equipment would produce gold precipitate that would be smelted on-site to produce saleable gold ore. The scenario presented in the PEA, using a gold price of $1,600/oz, demonstrated robust economics with an after-tax internal rate of return of 85%, after-tax payback period of 1 year, and all-in sustaining costs of production of $705/oz of gold after accounting for expected silver and copper by-product credits.

The final metallurgical test work needed to support engineering and design of the modifications and additions to the existing Magistral mill was completed over the summer of 2022 with a final report from SGS received on September 30, 2022. The test work focused on the SART process and solid/liquid separation. Results of the work were included in a Company news release dated October 5, 2022. With technical test work complete, Tarachi is now focused on a funding plan to continue Magistral's development.

As part of the PEA, an updated NI 43-101 compliant mineral resource estimate was provided. That resource estimate contained 1.26 million tonnes of tailings with an average grade of 1.93g/t Au and 0.17% Cu with 85% of those resources contained in the Measured category. Tarachi is currently seeking out other local tailings material that could potentially provide additional feed to the Magistral mill and extend the life of the operation. There is no guarantee that Tarachi will be successful in securing additional material.

Tarachi stopped conducting development work on the Magistral Project after it signed a binding Letter Agreement for the sale of Magistral to Compania Minera de Atocha S.A. de C.V. announced in a Company press release dated January 26, 2023. Details of the intended sale are located in Proposed Transactions.

RESULTS OF OPERATION (Continued)

TARACHI PROPERTIES

On March 27, 2020, the Company entered into an option agreement to acquire a 100% interest in the Tarachi Project in Eastern Sonora, Mexico. The Company can earn 100% in the project by paying staged cash payments of US$5 million and issuing 10 million common shares of the Company over a period of four years. The project is located approximately 220 kilometres east-southeast of the city of Hermosillo in the state of Sonora, Mexico.

On April 21, 2022, the Company amended the option agreement terms for certain mineral concessions in Sonora, Mexico with Minerals de Tarachi ("Minerales") resulting in a significant reduction in future cash obligations. Total future cash obligations relating to the option agreement were reduced by $1,300,000 USD. In exchange for the reduction in future payments, certain undesirable concessions were dropped from the option agreement, leaving Tarachi with exposure to only the concessions that management believes harbor the greatest potential for resource discovery.

After the amendment to the agreement, the size of the Tarachi Project, including both the option agreement with Minerales as well as Exploradora Cobre de Bacanora totals 2,623ha.

The project area is located in the Sierra Madre gold belt of the eastern Sonora, Mexico in an established gold and silver producing region and in close proximity to Alamos Gold Inc's Mulatos Mine and Agnico Eagle's La India mine. To date, this belt has produced resources and reverses of over 80 million ounces of gold and 4.5 billion ounces of silver. Mineralization is generally associated with high sulphidation epithermal mineralization contained within felsic volcanic piles typically of rhyodacitic composition. Higher grade gold concentrations are typically associated within silicified zones containing vuggy silica and breccias hosting hematite and specularite or replacement sulphides, mainly pyrite.

Since November 2020, the Company has carried out drilling programs, in particular at the La Dura mine's Jabali concession, Baby Doll zone, Zaragora trend, and San Javier concessions. The La Dura deposit was recognized early in the exploration work to contain significant gold concentrations. After several successful underground drilling programs the company completed 5 surface, reverse circulation drill holes for a total of 562.0 metres. These holes were tested for the potential extension of mineralization at the La Dura, as well of the Baby Doll Zone situated approximately 150 metres due south of La Dura. Assay results published on June 10, 2021, indicated that gold mineralization does extend to the south; however additional drill testing is required to determine the plunge to the mineralization. Exploration drilling on the San Javier concession located several sulphidized breccia pipes, assay results indicated erratic gold concentrations with no observed continuity to mineralization.

Currently, the management is evaluating the options to advance the project.

RESULTS OF OPERATION (Continued)

Juliana and Las Moritas

On September 3, 2020 ("Effective Date"), the Company entered into an option agreement to acquire a 100% interest, subject to a 3% NSR, in the group of mining concessions known as the Juliana, Juliana No.1, Juliana No.2 and Las Moritas Mining Concessions. The 4 concessions cover a total surface area of 1,148.42 hectares and are located in the Sierra Madre Gold Belt of Eastern Sonora, Mexico. The Company can earn 100% in the project by paying staged cash payments of US$2 million and issuing 4 million common shares of the Company over a period of five and a half years.

Based on the channel sampling results of 6.34 grams/tonne gold over 62.55 metres at the historic La Dura mine announced on August 19, 2020, the company optioned these four concessions due to their close proximity immediately to the north and on-trend with the felsic volcanic pile hosting the La Dura gold mineralization.

Geologically, mineralization is generally associated with high sulphidation epithermal mineralization contained within felsic volcanic piles typically of rhyodacitic composition. Higher-grade gold concentrations are typically associated with silicified zones containing vuggy silica and breccias hosting hematite and specularite. Native gold has been observed along late-stage fracture coatings associated with barite.

On September 8, 2021, 1,000,000 of shares were issued pursuant to the option agreement to acquire the Juliana and Las Moritas property.

On December 5, 2021, the Company re-negotiated and revised the payment schedule, resulting in certain delays in the US$2 million cash payments.

STOCK OPTIONS AND WARRANTS

There are no stocks or warrants granted or exercised during the six-month period ended January 31, 2023.

TECHNICAL DISCLOSURE

All technical disclosure covering the Company's mineral properties was prepared under the supervision of Lorne Warmer, P.Geo. for the Company and a "Qualified Person" within the meaning of NI 43-101.

FINANCIAL RESULTS

For the six-month period ended January 31, 2023 ("2023") and 2022 ("2022"), the Company reported net and comprehensive loss of $7,910,969 and $33,913 (restated) respectively.

	For the six months ended		
	January 31, 2023	January 31, 2022 Restated	Variance
Consulting fees	$ 114,486	$ 135,422	$ (20,936)
General and administrative	97,534	94,468	3,066
Insurance	26,168	28,508	(2,340)
Management fees	74,400	73,853	547
Professional fees	73,610	6,007	67,603
Project investigation	-	38,316	(38,316)
Shareholder information and investor relations	136,444	286,109	(149,665)
Transfer agent and filing fees	12,849	22,884	(10,035)
Total operating expenses	**$ 535,491**	**$ 685,567**	**$ (150,076)**

Excluding stock-based compensation which are non-cash items, the operating expenses for 2023 are $535,491 compared to $685,567 in 2022. Some of the key items of the decrease are:

- Consulting fees decrease by $20,936 as the Company hired permanent consultants with fixed fees and reduced standardized consulting fees in fiscal 2023.
- Shareholder and investor relations expenses decrease by $149,665, and transfer agent and filing fees reduce by $10,035 as the Company concentrated on exploration work on the Tarachi projects and the proposed transaction with Atocha .
- Project investigation cost decrease by $38,316 as the Company focuses on the Tarachi properties and the proposed transaction with Atocha.
- Professional fees increase by $67,603 due to an increase in audit fees which offset some of the decreases.

FINANCIAL RESULTS (Continued)

For the three-month period ended January 31, 2023 (“2023”) and 2022 (“2022”), the Company reported net and comprehensive loss of $8,358,129 and $246,505 (restated) respectively.

	For the three months ended		
	January 31, 2023	January 31, 2022 Restated	Variance
Consulting fees	$ 57,988	$ 72,005	$ (14,017)
General and administrative	49,282	43,655	5,627
Insurance	12,610	14,640	(2,030)
Management fees	37,227	37,603	(376)
Professional fees	70,211	3,439	66,772
Project investigation	-	19,816	(19,816)
Shareholder information and investor relations	67,225	124,444	(57,219)
Transfer agent and filing fees	7,344	13,747	(6,403)
Total operating expenses	**$ 301,887**	**$ 329,349**	**$ (27,462)**

Excluding stock-based compensation which are non-cash items, the operating expenses for 2022 are $301,887 compared to $685,567 in 2022. Some of the key items of the decrease are:

- Consulting fees decreased by $14,017 as the Company hired permanent consultants with fixed fees and reduced standardized consulting fees in fiscal 2023.
- Shareholder and investor relations decreased by $57,219, and transfer agent and filing fees decreased by $6,403 as the Company concentrated on completing the proposed transaction with Atocha to sell the Magistral project.
- Project investigation cost decreased by $19,816 as the Company focuses on the current projects and the proposed transaction with Atocha.
- There was an increase of $66,772 in professional fees resulting from the rise in audit fees, which partially offset the reductions above.

SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for each of the eight most recently completed financial periods is set out below. All results were compiled using IFRS.

	Q2 January 31, 2023	Q1 October 31, 2022	Q4 July 31, 2022	Q3 April 30, 2022	Q2 January 31, 2022	Q1 October 31, 2021	Q4 July 31, 2021	Q3 April 30, 2021
Net income/(loss)	(7,534,360)	447,161	40,469	(1,856,865)	(34,248)	732,592	(309,670)	(883,838)
Loss per common share	(0.06)	0.00	0.00	(0.02)	(0.00)	0.01	(0.00)	(0.01)

The variances in net income and net loss during the past four quarters of fiscal year 2022 can be attributed to fair value gains from the issuance of shares and the revaluation of contingent consideration.

In the first quarter of fiscal year 2023, the net income was primarily driven by a foreign exchange gain resulting from the revaluation of exploration and evaluation assets to the quarter end exchange rate. In the second quarter of fiscal year 2023, the significant loss was mainly caused by an impairment loss from the write-down of exploration and evaluation assets in the assets held for sale.

LIQUIDITY

The Company reported a working capital of $573,941 as of January 31, 2023, compared to $2,398,403 as of July 31, 2022. Working capital decreased due to a decrease in cash, prepaid amounts, and the recoverability of goods and services tax and Mexican value-added tax as the Company anticipated the completion of the proposed transaction with Atocha.

During the six-month period ended January 31, 2023, $43,949 was used in operating activities (2022 - $1,244,892). While investing activities used $529,554 (January 31, 2022: $821,804), financing activities generated $nil in cash (January 31, 2022: $658,000).

The Company has no long-term debt or commitments.

As the Company has limited or no revenues, its ability to fund operations is dependent upon its ability to secure financing through the sale of equity or assets. The value of any mineral property is dependent upon the existence of economically recoverable mineral reserves, the possibility of discovering such reserves, or proceeds from the disposition of such properties. See Section “Risk Factors”, below.

CAPITAL RESOURCES

The Company had 119,251,810 issued and outstanding common shares as of January 31, 2023 (July 31, 2022 – 118,251,810).

The Company's proposed transaction with Atocha has resulted in the cancellation of the private placement that was announced in December 2022.

Shares issued during the six-month ended January 31, 2023

On October 7, 2022, 1,000,000 shares have been issued pursuant to the option agreement to acquire the Juliana and Las Moritas property.

Shares issued during the year ended July 31, 2022

On April 29, 2022, 2,500,000 shares have been issued at $0.13 under Tarachi amended option agreement.

On March 17, 2022, 4,000,000 shares have been issued under the APA Agreement for the Magistral mill and tailings project as part of the shares to be issued 365 days after the Closing Date

On March 11, 2022, the Company completed a private placement (the "Private Placement") whereby the Company issued a total of 23,227,005 units at a price of $0.18 per share for gross proceeds of $4,180,861. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant") of the Company. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of C$0.30 at any time on or before March 11, 2024. The fair value of the warrants based on the residual method is $232,270.

The Company paid cash finder's fees equal to $81,896, $51,828 of related costs, and issued 454,422 broker warrants of the Company, exercisable at any time on or before March 11, 2024, at an exercise price of $0.30. The fair value of the finders’ warrants is $38,467.

On January 28, 2022, 4,000,000 shares have been issued under the APA Agreement for the Magistral mill and tailings project as part of the shares to be issued 180 days after the Closing Date

On November 10, 2021, 2,038,528 shares have been issued under the APA Agreement for the Magistral mill and tailings project at $415,500 (US$333,333) of the Company’s common shares at 15% discount to the 10-day volume weighted average trading price.

CAPITAL RESOURCES (Continued)

On October 28, 2021, the Company completed a private placement (the "Private Placement") whereby the Company issued a total of 4,396,667 common shares at a price of $0.15 per share for gross proceeds of $659,500. The Company paid cash finder's fees equal to $9,000 and issued 60,000 broker warrants of the Company, exercisable at any time on or before October 28, 2022, at an exercise price of $0.35. The fair value of the finders' warrants is $1,415.

On September 8, 2021, 1,000,000 shares have been issued pursuant to the option agreement to acquire the Juliana and Las Moritas property.

On August 11, 2021, 100,000 stock options were exercised for total proceeds of $7,500.

OFF-BALANCE SHEET ARRANGEMENTS

As a policy, the Company does not enter into off-balance sheet arrangements with special-purpose entities in the normal course of business, nor does it have any unconsolidated affiliates.

PROPOSED TRANSACTIONS

Other than the transaction with Atocha to sell the Magistral project, there are no other material transactions contemplated at this time.

TRANSACTIONS WITH RELATED PARTIES

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the exchange amount, being the amount established and agreed upon by the related parties.

The Company's key management personnel consist of directors and executives and companies owned, directly or indirectly, by key management personnel of the Company.

Name	Nature of Transactions
Lorne Warner, VP Exploration, Director	Consulting
Michael Konnert, Chairman, Director	Consulting
Cameron Tymstra, CEO	Management fee
Mahesh Liyanage, CFO	Consulting
Inventa Capital Corp. (company in which the Chairman has a controlling interest)	Rent and general and administrative expenses

As at January 31, 2023, the Company has amounts due to related party totaling 226,621 (July 31, 2022: $65,391).
The Company has granted nil stock options in total to officers and directors of the Company (July 31, 2022: 1,125,000).
The Company's key management compensation and related party transactions for the three-month and six-month period ended January 31, 2023, and 2021 is as follows:

	For the three months period ended		For the six months period ended	
	January 31, 2023	January 31, 2022	January 31, 2023	January 31, 2022
	$	$	$	$
Consulting fee	31,500	55,500	57,000	111,000
Management fee	36,250	37,189	72,500	73,439
Rent and administration services	45,000	45,000	90,000	90,000
Stock based compensation	-	109,759	-	991,728
Total	**112,750**	**247,448**	**219,500**	**1,266,167**

TRANSACTIONS WITH RELATED PARTIES (Continued)

These related party transactions were incurred in the normal course of operations and are measured at the exchange amount, being the amount established and agreed upon by the related parties. Amounts due to related parties are unsecured, non-interest bearing and have no fixed term of repayment.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's condensed consolidated interim financial statements requires management to make certain estimates that affect the amounts reported in the condensed consolidated interim financial statements. The accounting estimates considered to be significant include the recognition of deferred income tax assets and share-based compensation.

Deferred income tax assets

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Fair value calculation of share-based payments

The fair value of share-based payments in relation to the warrants and options granted is calculated using a Black Scholes option pricing model. There are a number of estimates used in the calculation such as the expected option life, rate of forfeiture of options granted, risk-free interest rate used and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry average and future forecasts.

Contingent consideration

The application of the Company's accounting policy for contingent consideration requires judgment in determining and measuring the fair value. This requires management to make certain estimates and assumptions about future events or circumstances, including but not limited to assumptions relating to assessing probabilities of the contingent consideration and timing of the contingent payment. Estimates and assumptions made may change if new information becomes available.

Assets held for sale

The application of the Company's accounting policy for assets held for sale requires estimates in determining and measuring the fair value. Management has used judgement in selecting the most appropriate valuation techniques and in determining the key assumptions and estimates used in the valuation. In particular, the discount rate used to calculate the present value of future cash flows has been based on management's assessment of the risk associated with the assets held for sale group, including any uncertainties related to the timing and amount of future cash flows.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Except from the assets held for sale accounting policy which can be found on the condensed consolidated interim financial statements under Note 2c, there has been no other change in accounting policies for the six-month period that ended January 31, 2023.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments expose the Company to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Company's cash is primarily held with high credit quality financial institutions in Canada, management believes credit risk is low given the good credit ratings of the banks.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

As at January 31, 2023, the Company had cash of $18,198 (July 31, 2022 - $512,783) and accounts payable and accrued liabilities of $502,951 (July 31, 2022 - $391,023) with contractual maturities of less than one year. The Company does not have sufficient cash to meet its current liabilities, but it is anticipating the completion of the transaction with Atocha and has listed its TGMEX subsidiary as assets held for sale. Management assessed the liquidity risk is high.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity.

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar, United states dollar, and the Mexican Peso will affect the Company's operations and financial results. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. The foreign currency risk is assessed to be low as the Company held only limited monetary assets and liabilities denominated in foreign currencies as at January 31, 2023.

Price risk

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant. .

Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

OTHER REQUIREMENTS

Risks Factors and Uncertainties

Sensitivity Analysis

The Company measures the effect on total assets or total receipts of reasonably foreseen changes in interest rates and foreign exchange rates. The analysis is used to determine if these risks are material to the financial position of the Company. On the basis of current market conditions, the Company has determined that a 1% change in interest rates or a 10% change in foreign exchange rates would be immaterial. Actual financial results for the coming year will vary since the balances of financial assets are expected to decline as funds are used for Company expenses.

Overview

The Company is subject to many risks that may affect future operations over which the Company has little control. These risks include, but are not limited to, intense competition in the resource industry, market conditions and the Company's ability to access new sources of capital, mineral property title, results from property exploration and development activities, and currency fluctuations. The Company has a history of recurring losses and there is no expectation that this situation will change in the foreseeable future.

Competition

Other exploration companies, including those with greater financial resources than the Company, could adopt or may have adopted the same business strategies and thereby compete directly with the Company, or may seek to acquire and develop mineral claims in areas targeted by the Company. While the risk of direct competition may be mitigated by the Company's experience and technical capabilities, there can be no assurance that competition will not increase or that the Company will be able to compete successfully.

Access to Capital

The exploration and subsequent development of mineral properties is capital intensive. Should it not be possible to raise additional equity funds when required, the Company may not be able to continue to fund its operations which would have a material adverse effect on the Company's potential profitability and ability to continue as a going concern. At present, the Company has cash resources to fund planned exploration for the next twelve months. Timing of additional equity funding will depend on market conditions as well as exploration requirements.

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. These conditions may persist for an indeterminate period of time.

Foreign Operations and Political Risk

The Company's mineral properties are located in Canada and Mexico. In foreign jurisdictions, mineral exploration and mining activities may be affected in varying degrees by political or economic instability, expropriation of property and changes in government regulations such as tax laws, business laws, environmental laws, and mining laws. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may materially adversely affect its business, or if significant enough, may make it impossible to continue to operate in certain countries. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, expropriation of property, environmental legislation and exploration health and safety. These risks are not unique to foreign jurisdictions and apply equally to the property interest in Canada.

OTHER REQUIREMENTS (continued)

Risks Factors and Uncertainties (continued)

Mineral Property Tenure and Permits

The Company has completed a review of its mineral property titles and believes that all requirements have been met to ensure continued access and tenure for these titles. However, ongoing requirements are complex and constantly changing so there is no assurance that these titles will remain valid. The operations of the Company will require consents, approvals, licenses and/or permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary consents, approvals, licenses and permits that may be required to carry out exploration, development, and production operations at its projects.

Although the Company acquired the rights to some or all of the resources in the ground subject to the tenures that it acquired, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable laws usually provide for rights of access to the surface for the purpose of carrying on exploration activities, however, the enforcement of such rights can be costly and time consuming. It is necessary, as a practical matter, to negotiate surface access.

There can be no guarantee that, despite having the right at law to access the surface and carry-on exploration activities, the Company will be able to negotiate a satisfactory agreement with existing landowners for such access, and therefore it may be unable to carry out exploration activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions.

Reclamation

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

Environmental Restrictions

The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. 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 a potential to reduce the profitability of operations.

OTHER REQUIREMENTS (continued)

Risks Factors and Uncertainties (continued)

Title Matters

Although the Company has taken steps to verify the title to the mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers and may also be affected by undetected defects or the rights of indigenous peoples. The Company has investigated title to all its mineral properties and, to the best of its knowledge, title to all of its properties for which titles have been issued are in good standing.

Exploration and Mining Risks

Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

OTHER REQUIREMENTS (continued)

Risks Factors and Uncertainties (continued)

Speculative Nature of Mineral Exploration and Development

The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. There is no assurance that commercial quantities of ore will be discovered on any of the Company's properties. Even if commercial quantities of ore are discovered, there is no assurance that the mineral property will be brought into production. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit, such as its size, grade, metallurgy, and proximity to infrastructure; commodity prices, which have fluctuated widely in recent years; and government regulations, including those relating to taxes, royalties, land tenure, land use, aboriginal rights, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, and the Company's business may be adversely affected by its inability to advance projects to commercial production.

Uninsured or Uninsurable Risks

The Company may become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's evaluation of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and operating activities.

Commodity Prices

The prices of gold, silver, copper, lead, zinc, moly, and other minerals have fluctuated widely in recent years and are affected by a number of factors beyond the Company's control, including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, consumption patterns, and speculative activities and increased production due to improved exploration and production methods. Fluctuations in commodity prices will influence the willingness of investors to fund mining and exploration companies and the willingness of companies to participate in joint ventures with the Company and the level of their financial commitment. The supply of commodities is affected by various factors, including political events, economic conditions, and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Increased Costs

Management anticipates that costs at the Company's projects will frequently be subject to variation from one year to the next due to several factors, such as the results of ongoing exploration activities (positive or negative), changes in mineralisation encountered, and revisions to exploration programs, if any, in response to the foregoing. Increases in the prices of such commodities or a scarcity of consultants or drilling contractors could render the costs of exploration programs to increase significantly over those budgeted. A material increase in costs for any significant exploration programs could have a significant effect on the Company's operating funds and ability to continue its planned exploration programs.

OTHER REQUIREMENTS (continued)

Risks Factors and Uncertainties (continued)

Conflicts of Interest

Certain directors and officers of the Company also serve as directors, officers and advisors of other companies involved in natural resource exploration and development. To the extent that such companies may participate in ventures with the Company, such directors and officers may have conflicts of interest in negotiating and concluding the terms of such ventures. Such other companies may also compete with the Company for the acquisition of mineral property rights. In the event that any such conflict of interest arises, the Company's policy is that such director or officer will disclose the conflict to the board of directors and, if the conflict involves a director, such director will abstain from voting on the matter. In accordance with the Business Corporations Act (BC), the directors and officers of the Company are required to act honestly and in good faith with a view to the best interests of the Company.

Dependence Upon Others and Key Personnel

The success of the Company's operations will depend upon numerous factors including its ability to attract and retain additional key personnel in exploration, marketing, joint venture operations and finance. This will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical personnel and consultants can be particularly intense.

Government Regulation

The Company operates in an industry which is governed by numerous regulations, including but not limited to, environmental regulations as well as occupational health and safety regulations. Most of the Company's mineral properties are subject to government reporting regulations. The Company believes that it is in full compliance with all regulations and requirements related to mineral property interest claims. However, it is possible that regulations or tenure requirements could be changed by the respective governments resulting in additional costs or barriers to development of the properties. This would adversely affect the value of properties and the Company's ability to hold onto them without incurring significant additional costs. It is also possible that the Company could be in violation of, or non-compliant with, regulations it is not aware of.

Effects of COVID-19

COVID-19 has severely impacted economies around the globe. In many countries, including Canada, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, maintaining minimum distances between people, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in significant unemployment and an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening of certain sectors. Governments and central banks have responded with monetary and fiscal interventions designed to stabilize economic conditions.

To date, the Company's operations have not been materially negatively affected by these events, apart from increasing costs, around health and safety and housing field staff. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time.

OTHER REQUIREMENTS (continued)

Risks Factors and Uncertainties (continued)

Inflation

Rising inflation could result in increased costs for labor, drilling equipment, and materials, which in turn could lead to higher exploration expenses and potentially hinder the Company's ability to continue its exploration activities. On the other hand, inflation may also drive up commodity prices, which could create opportunities for the Company to raise capital. To mitigate the impact of inflation on its financial performance, the Company will keep a close eye on inflation trends and make necessary adjustments to its exploration plans and budgets.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements. Further, the effectiveness of internal control is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may change. There were no changes in our internal controls over financial reporting during the six-month period ended January 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, management will continue to monitor and evaluate the design and effectiveness of its internal control over financial reporting and disclosure controls and procedures, and may make modifications from time to time as considered necessary.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The significant components of general and administrative expenditures are presented in the condensed consolidated interim financial statements. Significant components of mineral property expenditures are included in Section Results of Operations.

Outstanding Share Data

As of the date of this MD&A, the Company had 119,251,810 issued and outstanding common shares. In addition, the Company has 7,830,000 options outstanding that are expiring through March 23, 2027, and 12,067,925 warrants outstanding that are expiring through March 11, 2024. Details of issued share capital are included in Note 7 of the condensed consolidated interim financial statements for the six-month period ended January 31, 2023.

OTHER INFORMATION

All technical reports on material properties, press releases, and material change reports are filed on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This document includes certain forward-looking statements concerning the future performance of the Company’s business, its operations, its financial performance and condition, as well as management’s objectives, strategies, beliefs, and intentions. Forward-looking statements are frequently identified by such words as “may”, “will”, “plan”, “expect”, “anticipate”, “estimate”, “intend” and similar words referring to future events and results. Forward-looking statements are based on the current opinions and expectations of management. All forward-looking information is inherently uncertain and subject to a variety of assumptions, risks, and uncertainties. Factors that may cause actual results to vary from forward looking statements include, but are not limited to, the Company’s ability to access capital, the speculative nature of mineral exploration and development, fluctuating commodity prices, competitive risks, and reliance on key personnel, as described in more detail in this document under “Risk Factors and Uncertainties”. Statements relating to estimates of reserves and resources are also forward-looking statements as they involve risks and assumptions (including, but not limited to, assumptions with respect to future commodity prices and production economics) that the reserves and resources described exist in the quantities and grades estimated and are capable of being economically extracted. Actual events or results may differ materially from those projected in the forward-looking statements and we caution against placing undue reliance thereon.