

DEFIANCE SILVER CORP.

**INTERIM MANAGEMENT'S DISCUSSION &
ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED
MARCH 31, 2023**

Introduction

The following Interim Management's Discussion and Analysis ("**MD&A**") is an overview of all material information about Defiance Silver Corp. (the "**Company**" or "**Defiance**") operations, liquidity and capital resources for the three and nine months ended March 31, 2023. The interim MD&A should be read with the unaudited condensed consolidated interim financial statements for the three and nine months ended March 31, 2023, and the related notes contained therein which have been prepared under International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2022, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. All amounts are stated in Canadian dollars unless otherwise indicated. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.defiancesilver.com. The effective date of this MD&A is May 29, 2023.

All financial information in this MD&A related to 2023 and 2022 has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

Going Concern

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through other business and financial transactions which would assure continuation of the Company's operations and exploration programs. At March 31, 2023, the Company had cash of \$6,363,126 (June 30, 2022 - \$11,783,088) and a working capital surplus of \$5,776,348 (June 30, 2022 \$10,958,619). The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations.

Title to exploration and evaluation assets

During the year ended June 30, 2022, the Company became aware that certain mineral concessions from its Tepal Project had been transferred to a third-party individual without the Company's knowledge or consent. The Company has commenced legal action and is confident that its rightful ownership will be restored in due course.

Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements. The statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments or criminal activity in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements (except as required by applicable law). The Company does not assume the obligation to update any forward-looking statement.

Description of Business

The Company is a publicly listed company on the TSX Venture Exchange ("TSX-V") trading under the symbol DEF. The Company is an exploration-stage company and engages principally in the acquisition and exploration of exploration and evaluation assets primarily in Mexico. To date, equity financings and short-term loans have provided the main source of financing.

The recovery of the Company's investment in its mineral rights is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Liquidity

The Company is in the acquisition and early exploration stage and therefore has no incoming cash flows from operations. At March 31, 2023, the Company had cash of \$6,363,126 (June 30, 2022 - \$11,783,088) and a working capital surplus of \$5,776,348 (June 30, 2022 \$10,958,619).

At present, the Company's operations do not generate positive cash flows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Capital Resources

The Company will continue to seek capital through public markets by issuing common shares pursuant to private placements. The Company manages its capital structure to maximize financial flexibility and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

Financings

On June 10, 2021 the Company closed a brokered private placement by issuing 12,777,778 units at a price of \$0.90 per unit for gross proceeds of \$11,500,000. Each unit consists of one common share and one-half of one common share purchase warrant (each whole warrant a "Warrant"). Each Warrant is exercisable to purchase one common share at a price of \$1.35 per share on or before June 10, 2023. The Company paid finder's fees of \$605,152 and other issue costs of \$145,913 and recognized \$313,934 for share issuance costs related to the issuance of 672,391 non-transferable compensation options, each compensation option consists of an option to purchase one unit at a price of \$0.90 per unit with each unit consisting of one common share at \$0.90 and one-half of one common share purchase warrant. Each Warrant is exercisable to purchase one common share at a price of \$1.35 per share on or before June 10, 2023. The fair value of the compensation options was determined using the Black-Scholes option pricing model using the following assumptions: risk free interest rate 0.32%, expected life of 2 years, annualized volatility 90.03% and dividend rate at nil.

Overall Performance/Significant Events

Significant events

- May 03, 2023 Defiance Announces Executive Appointments
- April 26, 2023 Defiance Announces Participation In The Deutsche Goldmesse In Frankfurt & Other Events
- March 16, 2023 Defiance Drills Wide Widths Near Surface On The Veta Grande
- February 15, 2023 Defiance Announces Participation at PDAC and Red Cloud's 2023 Pre-PDAC Mining Showcase
- February 01, 2023 Defiance Appoints Executive Vice President
- January 16, 2023 Defiance Successfully Restructures Option To Acquire Royalty At The Tepal Project
- December 12, 2022 Defiance Announces Results of 2022 Annual And Special General Meeting
- December 06, 2022 Defiance Provides Annual And Special Meeting Update
- November 22, 2022 Defiance Resumes Drilling in Zacatecas
- November 07, 2022 Defiance Invites You To Join Us At The Deutsche Goldmesse In Frankfurt
- October 27, 2022 Defiance Initiates Trial Regarding The Illegal Transfer Of Mining Concessions And Obtains Precautionary Measures To Protect Its Rights
- October 25, 2022 Defiance Extends High-Grade Zones With Drilling At Veta Grande
- September 06, 2022 Defiance Silver Announces Warrant Extension.
- August 09, 2022 Defiance Discovers Blind Silver System At Lucita.
- June 24, 2022 Defiance Discovers Illegal Transfer of Mining Concessions.
- April 13, 2022 Defiance returns up to 3,260 G/T silver in maiden drilling at Lucita

- January 31, 2022 Defiance Announces Exploration Update at the Zacatecas District Project.
- December 13, 2021 Defiance Announces Results Of 2021 Annual And Special General Meeting.
- October 1, 2021 Defiance announces that it will be commencing a drill campaign on the regional exploration targets at Lucita on the company's Zacatecas project. Drilling will initially be focused at Lucita South, which includes the Palenque, El Puerto, and the Tahuares vein structures.
- September 7, 2021 drilling returns high grade silver, expands new zone of mineralization at the Zacatecas Project
- August 4, 2021 Defiance announced that drilling continues to return wide widths at the Zacatecas Project
- July 2, 2021 Defiance Grants Stock Options
- June 10, 2021 Defiance closed C\$11.5 Million Brokered Private Placement
- May 25, 2021 Defiance announced upsizing of previously announced Brokered Private Placement for up to C\$11.5 Million.
- May 19, 2021 Defiance announced Brokered Private Placement for up to C\$7.2 Million.
- April 28, 2021 Defiance released drill results returning high grades and wide widths in a new zone at Zacatecas project.
- April 15, 2021 Defiance commenced trading on the OTCQX.
- January 27, 2021 Defiance announced that it has entered into an option to acquire 1,915 Ha surrounding the Tepal Gold-Copper Project in Michoacán, Mexico. Defiance has agreed to pay the annual concession fees until a production decision has been made, upon which Defiance will pay the vendor USD \$2 million for 100% ownership of the mining concessions.
- January 16, 2021 Mr. Darrell Rader resigned from the board of directors.

Exploration and Evaluation Assets Review

Minera Santa Remy SA de CV Projects

Qualified Person

The review of the Minera Santa Remy SA de CV Projects for the periods October 2011-October 2019 was prepared by the geological staff under the supervision of Bruce Winfield, P.Geo., a Consultant of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Exploration and Evaluation Projects).

Subsequent to November 1, 2019, the review of the Minera Santa Remy SA de CV Projects has been prepared by the geological staff under the supervision of George Cavey, P.Geo., Vice President of Exploration for the Company and a Consultant of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Exploration and Evaluation Projects).

The Company currently has the right to acquire an interest in two properties, the San Acacio property, and the Lucita Property both located in Zacatecas State, Mexico, through the San Acacio purchase option agreement and the Lucita purchase option agreement. The company owns the Lagartos licenses 100% outright through a purchase agreement with MAG Silver.

San Acacio Property

The Company entered into an option agreement on October 24, 2011, subsequently the subject of several amendments, with the Mexican owners (“the Vendors”) for an option to purchase a 100% interest in the San Acacio property consisting of 10 mining concessions and associated surface rights and tailings. The San Acacio property is located approximately 6.5 km north of the city of Zacatecas, Mexico.

During the year ended June 30, 2020, the Company renegotiated and extended the terms of its San Acacio Silver Project option agreement by three years from September 27, 2020, to September 27, 2023. In addition, 80% of the option payments due before March 27 and June 27, 2020, were deferred as a part of this extension. The Company will make quarterly payments, over three years, to the property vendor. As a result of the amending agreement, the payment terms are as follows:

	Letter Of Intent Payment	Option Payment	Lease Payment	Interest Payment	Total
By September 27, 2012	USD 25,000	USD -	USD -	USD -	USD 25,000 (paid)
By September 27, 2013	-	250,000			250,000 (paid)
By September 27, 2014	-	-	150,000		150,000 (paid)
By September 27, 2015	-	-	225,000		225,000 (paid)
By September 27, 2016	-	100,000	150,000		250,000 (paid)
By September 27, 2017	-	200,000	150,000		350,000 (paid)
By September 27, 2018	-	600,000	150,000		750,000 (paid)
By September 27, 2019	-	600,000	200,000	107,600	907,600 (paid)
By September 27, 2020	-	500,000	100,000	-	600,000 (paid)
By September 27, 2021	-	400,000	283,334	86,063	769,397 (paid)
By September 27, 2022	-	400,000	283,333	76,063	759,396 (paid)
By September 27, 2023	-	400,000	283,333	66,063	749,396 (562,858 paid)
On September 27, 2023	-	2,300,000	-	107,461	2,407,461
Total	USD 25,000	USD 5,750,000	USD 1,975,000	USD 443,250	USD 8,193,250

The property is subject to a 2.5% net smelter return royalty (“NSR”) payable to the vendors on production from the property. The Company will have the right to purchase the NSR at any time for US\$2,500,000 which will escalate with the official Mexican Inflation Index after a five-year period. Should the agreement be terminated prior to September 27, 2023, a break fee equal to 5% of the outstanding option balance shall be paid to the property vendor.

Following the first anniversary of the purchase of the Assets, the Company must make minimum annual royalty payments of US\$125,000. The minimum royalty commitment terminates in the event that the production royalty paid is equal to or higher than the equivalent to the minimum that would have been due during six consecutive months.

The Veta Grande vein, which pinches and swells along strike, produced approximately 200M ounces of silver from high-grade shoots in the swells, with an estimated 100M ounces of silver from high-grade shoots on

Defiance's portion of the Veta Grande (Reference R. Burk, July 1994, Summary of Property Evaluation Veta Grande, San Acacio for Minera Teck S.A. de C.V.). Mapping, mineralogical studies and drilling to date indicate that the pinching and swelling continues along strike and the mineralized system hosting the San Acacio deposit is tilted to the southeast. With only a few shallow historic exploration shafts and minor modern exploration, there is significant potential for the discovery of multiple intact, high grade silver shoots in this area. Over 4.4 km of Defiance's 5.6 km holdings along the Veta Grande vein have not seen historical production nor been systematically explored, providing Defiance the opportunity to potentially grow the resource along strike.

Surface rights agreements

In August 2014, the Company obtained authorization to temporarily occupy and explore certain land holdings on the San Acacio property. In order to keep the agreement in good standing, the Company is required to make semi-annual payments during the exploration phase and the development phase. The agreement will be valid for twenty years with the option to extend in the future.

On February 27, 2015, the Company entered into a Surface Rights Agreement with the Ejido called "Sauceda de la Borda", Municipality of Vetagrande, State of Zacatecas, for the right to occupy and perform exploration work on common use lands of such Ejido, specifically 681.00 Hectares. The Company had the authorization to explore the surface of the property for a term of three years which could be extended for an additional three years at the Company's choice, by making annual advance payments and by paying a one-time fee on the execution of the agreement.

On February 26, 2018, the Company exercised its right to extend the term of the agreement above mentioned for an additional three years by making a one-time payment, and was required to make semi-annual payments. All required payments have been made.

On March 30, 2021, the Company entered into an Agreement to extend the Surface Rights Agreement with the Ejido called "Sauceda de la Borda", Municipality of Vetagrande, State of Zacatecas, where it was agreed that the Company could continue with its exploration works exclusively in the Ejido's lands for three additional years, being the Surface Rights Agreement valid until March 12, 2024. The Company is able to extend the Surface Rights Agreement for a new occasion for a term of three additional years, at the election of the Company, subject to the previous approval of the Ejido's assembly.

On August 13, 2021, the Company entered into a Temporary Occupancy and Right of Way Agreement in common use lands for exploration with the Rural Fractioning (Fraccionamiento) "Fraccionamiento Sauced de la Borda", Municipality of Vetagrande, State of Zacatecas, in which the Company is authorized to temporarily use a certain part of its land, exclusively for mining exploration works. This agreement is valid until August 13, 2026.

Property Background

The San Acacio mining concessions control approximately 5.6 kilometers of the 8.5-kilometer-long Veta Grande vein system, one of the three major vein systems within the Zacatecas Silver District that has produced over 700 million ounces of silver since 1548. Veta Grande is a classic epithermal silver rich vein system with accessory gold and base metal credits. The San Acacio Deposit has been exploited over a strike

length of 1.2 kilometer to an approximate depth of 200 meters. Three shallow exploration shafts were also made prior to 1910 along the vein for an additional 900 meters along strike to the southeast. The structure, which is believed to exist over a further 3.5 kilometers of strike length to the southeast, has not had any modern exploration.

On January 15th, 2015, the Company announced a new resource estimation with additional ounces of silver (AgEq) as well as significantly higher grade (AgEq).

San Acacio Inferred Resource

Vein	AgEq Cut-off g/t	Tonnes > Cut-off (tonnes)	Grade > Cut-off			Contained Metal		
			Ag(g/t)	Au(g/t)	AgEq (g/t)	Ag (oz)	Au (oz)	AgEq (oz)
Veta G	100	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147
Veta C	100	739,000	153.28	0.08	158.66	3,642,000	19,000	3,770,000
Veta B	100	13,000	76.53	0.45	105.98	32,000	190	44,000
Total	100	2,902,000	181.94	0.16	192.50	16,976,000	12,090	17,961,000

Note: AgEq refers to silver equivalent using a gold price of \$1,270/ oz Au and silver price of \$19.60 the silver equivalent value would be silver content plus 65 times the gold content. (Note: total contained AgEq values may not add exactly because of rounding). Metallurgical recoveries are not taken into account.

Reference: Technical Report and Resource Estimate, San Acacio Silver Deposit, Zacatecas State, Mexico, by Giroux and Cuttle; September 2014

Since the date of the Giroux and Cuttle resource estimate and from a period of Dec 2014 through to Dec 2017, Defiance drilled 32 additional diamond drill holes for a total of 10,194m. These holes tested the Veta Grande vein system; at depth beneath the area of the 2014 resource estimate, in areas within the 2015 resource estimate as well as along strike beyond the limits of the 2014 resource estimate. Of interest, a number of holes intercepted encouraging mineralization below the limits of the 2014 resource estimate.

Intercepts Below 2014 Resource Estimate

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	AgEq, g/t*
SAD14-01	134.00	142.10	8.10	222.12	0.219	0.01	0.20	0.53	268.1
SAD14-02	168.50	171.70	3.20	419.09	0.820	0.02	0.14	0.30	499.4
SAD14-02	176.20	182.10	5.90	30.15	1.460	0.03	0.23	4.62	334.7
SAD14-03	205.00	213.30	8.30	42.89	0.920	0.04	1.87	2.44	278.3
SAD14-04	143.00	153.10	10.10	100.23	0.560	0.13	0.77	1.61	248.1
Includes	147.00	153.10	6.10	138.35	0.800	0.19	1.27	1.90	340.4
SAD15-06	224.00	231.00	7.00	19.88	0.571	0.03	0.06	2.35	161.8
SAD15-07	136.40	140.00	3.60	211.49	0.135	0.01	0.11	0.20	234.2
SAD15-07	147.10	149.50	2.40	149.16	0.162	0.02	0.42	1.59	241.6
SAD15-07	185.40	206.50	21.10	70.84	0.237	0.03	0.35	0.77	134.9
SAD15-07	199.10	206.50	7.40	158.75	0.500	0.07	0.81	1.83	306.7
SAD15-10	331.50	333.60	2.10	283.31	0.171	0.01	0.38	0.70	337.8
SAD15-10	335.65	341.15	5.50	96.65	0.263	0.03	0.61	1.34	194.3
SAD17-12	226.62	253.65	27.03	148.21	0.293	0.02	0.13	0.67	203.0

Includes	226.62	234.20	7.58	212.91	0.046	0.01	0.06	0.26	230.0
Includes	238.00	243.00	5.00	230.69	0.508	0.04	0.43	1.68	355.0
Includes	247.60	253.65	6.05	122.07	0.737	0.01	0.09	1.04	222.6
SAD17-13	261.00	271.00	10.00	171.22	0.082	0.01	0.27	0.42	204.7
Includes	261.00	264.00	3.00	372.21	0.096	0.01	0.16	0.45	404.0
SAD17-15	209.82	213.00	3.18	285.04	0.020	0.01	0.05	0.17	296.3
SAD17-16	393.30	399.48	6.18	7.37	0.250	0.01	0.00	0.98	65.9
SAD17-17	439.13	440.14	1.01	33.90	0.122	0.01	0.51	3.14	187.8

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: \$1210.50/ounce, Ag: \$16.33/ounce, Cu: \$2.80/pound, Pb: \$0.83/pound and Zn \$0.95/pound. US dollars.

1 Gram = 0.03215074657 Troy ounce

**True Widths are approximately 70% to 80% of each intersection

November 2019 - 2020

Qualified Person

Mr. George Cavey, P.Geo, is a Qualified Person within the meaning of National Instrument 43-101, and has approved the following technical information concerning the Company's material mineral properties. He has verified that the data disclosed is in accordance with the published results of the reports described under the 2019-2020, and ongoing 2021 and 2022 exploration plans of the San Acacio, Lagartos and Lucita Projects.

Defiance's exploration teams spent the fall of 2019 and the spring of 2020 executing a work program focused on property-scale mapping, 3D modeling and drill core re-logging at the San Acacio project. As a result of this program, Defiance and its technical team, have generated new targets in previously overlooked portions of the property. The recent work highlights the potential for composite vein systems at depth and suggests the presence of a long-lived mineralizing system at San Acacio.

This following table is presented to highlight the significant mineralization outside of the principal Veta Grande structure. Re-logging and property-scale mapping has been successful in identifying multiple phases or pulses of mineralization. These targets have largely been untested and may have been intersected in multiple holes, such as SAD17-13, where several styles of overprinting mineralization are witnessed at similar depths as veining found in the NW of the property in the hanging wall of the Veta Grande structure.

Table 1. Highlighted Intercepts in the Hanging wall of the Veta Grande (VG)

Hole ID	From	To	Width*	Ag	Au	Cu	Pb	Zn	Zone
SADD09-04A	243.0	244.3	1.3*	769	0.15	0.01	0.23	0.79	Natividad
including	243.0	243.30	0.3*	3,090.0	0.57	0.04	0.92	3.27	Natividad
SADD10-09	314.85	316.05	1.20*	239	0.42	0.117	1.33	4.10	HW VG
SAD15-08	106.05	113.3	7.25*	631.46	0.43	0.01	0.09	0.22	Unknown
SAD17-13	261.0	264.0	3.0*	372.21	0.10	0.01	0.16	0.45	HW Vein
including	261.0	262.0	1.0*	748.7	0.19	0.01	0.31	0.88	HW Vein

There is strong evidence supporting a buried system at depth. Metal zonation ratios and alteration assemblages support this theory. More importantly, core re-logging identified a style of mineralization that is observed as silver sulphide veins in vertical structures in the hanging wall of the Veta Grande, cross cutting

the Veta Grande mineralizing events. These important observations help support the theory of a long-lived, multi-phased mineralizing event in the Veta Grande camp. These features can be found in epithermal environments, and micro-veining adjacent to known veins were key features that led to the blind discovery of the high-grade Martha Vein at Coeur Mining's La Preciosa Silver Deposit.

San Acacio 2020 Exploration Program highlights

- 1) Extensive 3D geological modelling refined the companies understanding of the mineral system at San Acacio.
- 2) A detailed trace element geochemistry program was conducted over the entire San Acacio license area. This has helped identify the metal zonation and mineral system footprints. Surface geochemistry in conjunction with geological mapping and geophysics provide excellent tools for system fingerprinting and outlining deeper prospective targets.
- 3) Data compilation of all relevant historical and recent geologic and development data from the Zacatecas District; currently there is data covering over 135,000 Ha in the database.
- 4) The company started an exploration drill program within permit areas with drilling partners Major Drilling, a total of 941m was drilled to the end of 2020. Drilling is being done as oriented core drilling, for industry best practice down-hole structural modeling.
- 5) The company began an extensive program of surface geological mapping.

San Acacio 2021 Exploration Updates

On April 28, 2021, the Company provided an update to the ongoing drill program, including a newly discovered zone of mineralization in the heart of the Veta Grande vein system at the Zacatecas silver project. The drill holes reported in the release were designed to test the northwestern portion of the historic San Acacio mine area. Hole DDSA-21-35 was an infill hole within a zone that has historical drill holes. The other three holes – DDSA-21-36, 37, and 38 – drilled into a zone without substantial historical drilling and with poorly understood geology. Previous generations of miners and explorers were not successful in locating the Veta Grande system in the area to the east of DDSA-21-35. It is evident from historical long sections of the mine that whilst there were tunnels probing this area, no significant workings were developed. A 1995 series of short drill holes along the trend of the outcropping Veta Grande vein also failed to return significant results. A zone of more than 250m of strike length remained untested at depth due to uncertainty regarding the location or presence of the vein system in this area.

Defiance Silver used historical data to compile a 3D model of the veins and undertook a surface mapping program to help constrain the geometries of the veins and potential faults in the area. Hole DDSA-21-36 was designed to drill from an area with good control into an area with poor control, using the modelling as a guide. DDSA-21-36 drilled through a faulted zone, into historic workings with only moderate alteration or mineralization, and then into several unmined, mineralized zones. The top of the widest zone of high-grade mineralization in DDSA-21-36 was approximately 15m below the workings and is believed to have been missed by the historic workers due to the small offset in elevation, likely the result of faulting.

Using the updated modelling and the structural data collected from oriented core drilling in hole DDSA-21-36, holes DDSA-21-37 and DDSA-21-38 were planned to follow up this newly located zone of mineralization

along strike. Both holes DDSA-21-37 and DDSA-21-38 encountered wide zones of veinlet arrays and multiple vein zones. In both holes, as well as in DDSA-21-36, the lower vein zone [Veta Grande] is not a simple vein but is a polyphase breccia with volumetrically significant sulfide material. Clasts of particular importance include dark sulfide-matrix breccias and pieces of quartz-sphalerite-silver sulfide vein material. These polyphase breccias are observed in a number of other drill holes across the property.

The highest-grade silver mineralization is typically associated with honey-coloured sphalerite, argentiferous galena, variable silver sulfides, and spatially correlated with amethyst. The highest-grade gold mineralization is typically associated with pyrite, brown to red-coloured sphalerite, and occasionally with hematite. The hanging wall mineralization tends to express as a more conventional vein to veinlet array morphology while the Veta Grande often occurs as a breccia with vein-type textures and gangue.

San Acacio hosts a current inferred mineral resource estimate containing 16.97 M oz silver (17.76 M oz AgEq) grading 181.94 g/t silver (192.5 g/t AgEq) with a 100 g/t AgEq cut off (Technical Report and Resource Estimate, San Acacio Silver Deposit, Zacatecas State, Mexico by Giroux and Cuttle dated September 26, 2014).

Table of Results

Hole ID/Vein ID	From	To	Width (m)	Au (ppm)	Ag (ppm)	Pb, %	Zn, %	AgEq, g/t
DDSA-21-35								
Veta Blanca	148.65	152.55	3.90	0.15	116.15	0.07	0.18	134
	154.53	158.17	3.64	0.20	191.13	0.09	0.20	213
including	154.53	155.45	0.92	0.74	705.43	0.34	0.70	787
including	155.05	155.45	0.40	1.02	1200.00	0.52	1.22	1322
Veta Grande	241.35	259.90	18.55	0.39	99.53	0.08	0.63	149
including	248.70	250.27	1.57	2.27	1090.00	0.72	2.33	1340
DDSA-21-36								
Veta Blanca	149.15	152.20	3.05	0.07	123.44	0.05	0.20	136
Veta Intermedia	165.65	174.00	8.35	0.07	96.77	0.02	0.04	103
including	165.65	166.35	0.70	0.23	403.00	0.09	0.12	425
Veta Grande Splay	188.05	211.55	23.50	0.47	51.70	0.93	1.36	148
including	193.80	198.53	4.73	1.31	144.11	2.80	3.60	386
DDSA-21-37								
Veta Blanca	229.00	234.87	5.87	0.17	124.89	0.22	0.61	161
Veta Intermedia	250.18	255.75	5.57	0.04	182.87	0.08	0.26	196
including	253.10	255.75	2.65	0.05	307.26	0.09	0.27	321
Veta Grande	270.45	278.67	8.22	0.32	262.04	0.36	1.26	333
including	270.45	273.45	3.00	0.42	689.84	0.42	1.87	742
including	270.45	272.30	1.85	0.14	1102.43	0.45	1.10	1157
DDSA-21-38								
Veta Grande	226.40	275.96	9.56	0.82	42.84	0.15	2.31	180

Note: Silver equivalent for the April 28, 2021 New Release is calculated using the following formula: Silver-Equivalent (AgEq) = [(Au_ppm x 56.26)+(Ag_ppm x 0.80)+(Pb_ppm x .0016)+(Zn_ppm x 0.0026)]/ 0.80. Metal price assumptions are Au:\$1750, Ag:\$25, Pb: \$0.75, Zn:\$1.2. 100%

recovery has been assumed for all metals. At this stage of the project, no metallurgy has been completed, and the reader is cautioned that 100% recoveries are never achieved. True thickness is assumed to be 50%-80% of downhole width.

The ongoing drill program, a continuation of the previously numbered drill holes, commenced with hole DDSA-20-33. The April 28, 2021, news release contains the results from four holes (DDSA-21-36 to 38) for a total of approximately 1496 metres.

On August 4, 2021, the company released additional results from its continuing diamond drill program at San Acacio. It has been observed from the drill program at this point in the exploration campaign, that historical stopes and higher-grade mineralized intercepts appear to primarily occur at the intersections of north-striking faults and the Veta Grande vein system. The vein system looks to contain higher grades and wider intercepts of mineralization at these intersections, as evident by the presence of substantial underground workings, high-grade historical drill results, and wide widths with high metal grades encountered in the 2021 drill program (e.g. DDSA-21-36, 37).

Proof of concept exploration success: one drill hole into the Veta Morada area discovered a previously unrecognized hanging-wall vein system with multiple elevated precious and base metal intercepts.

The drill holes in the August 4, 2021 news release were designed to test several targets at the San Acacio Project area:

Table of Results

Hole ID/Vein ID		From	To	Width (m)	Au (ppm)	Ag (ppm)	Pb, %	Zn, %	AgEq, g/t
DDSA-21-33	No Significant Results								
DDSA-21-34									
Unnamed Vein		206.90	210.05	3.15	0.09	117.56	0.06	0.23	133
	including	206.90	208.15	1.25	0.20	253.63	0.12	0.47	286
DDSA-21-39	No Significant Results								
DDSA-21-40									
Veta Blanca		214.21	216.43	2.22	0.01	138.23	0.02	0.08	143
Veta Intermedia	Old Workings	242.40	248.40						
Veta Grande		302.48	318.95	16.47	0.17	105.97	0.05	0.31	129
	including	310.67	318.95	8.28	0.17	166.32	0.06	0.28	188
		314.40	318.95	4.55	0.12	241.45	0.07	0.17	257
		314.40	317.20	2.80	0.17	315.31	0.01	0.10	337
DDSA-21-41	No Significant Results								
DDSA-21-42									
Veta Blanca	Old Workings	330.00	332.80						
Veta Intermedia	Old Workings	366.00	367.92						
Veta Grande	Old Workings	432.50	433.60						
DDSA-21-43									
Veta Grande	Old Workings	480.00	486.26	6.26	0.11	29.00	0.02	2.06	
DDSA-21-44	Hole Abandoned								

DDSA-21-45 No Significant Results

Note: Silver equivalent for the Aug 4, 2021 New Release is calculated using the following formula: Silver-Equivalent (AgEq) = $[(Au_ppm \times 56.26) + (Ag_ppm \times 0.80) + (Pb_ppm \times .0016) + (Zn_ppm \times 0.0026)] / 0.80$. Metal price assumptions are Au:\$1750, Ag:\$25, Pb: \$0.75, Zn:\$1.2. 100% recovery has been assumed for all metals. At this stage of the project, no metallurgy has been completed, and the reader is cautioned that 100% recoveries are never achieved. True thickness is assumed to be 50%-80% of downhole width.

Hole DDSA-20-34 was designed to test the Veta Morada fault at depth and intersected a new, unnamed vein with elevated Ag, Au, Pb, Zn results near the Veta Morada fault, including 1.25m (206.9-208.15m) of 253.63 g/t Ag, 0.20 g/t Au and 0.47 % Zn or 286 g/t AgEq. This was in a 3.10-metre-wide zone (206.90-210.05m) of 133 g/t AgEq. This was the first hole into a newly identified structural zone. This unnamed vein has limited information and further drill programs will continue to follow up on and delineate this vein.

Holes 33, 39, 40, and 45 were drilled on locations within the Veta Grande system that were untested by previous exploration drill holes. Hole DDSA-20-33 was the first hole drilled during this drill program. It was drilled deep underneath the system prior to the mapping team's identification the potential controlling structures. This hole does intersect the three veins of the Veta Grande vein system; however, the veins are poorly mineralized in this location. Subsequent mapping has shown that this hole was drilled into the footwall of the north-striking, east-dipping faults that appear to control the mineralization in this area. Holes drilled into the hanging-wall of this same structure tend to have significant grade-thickness.

Likewise, hole DDSA-21-39 hit vein and breccia material at the predicted location; however, this hole appears to be too far from the north-striking faults that control the new mineralization announced in the last release (holes DDSA-21-36, 37 & 38). The vein is present in DDSA-21-39 but is silica-flooded and richer in lithics rather than polyphase breccia clasts. The vein does contain sulphide mineralization, but in lesser amounts than DDSA-21-36, 37 & 38. Sulphide content progressively decreases from holes DSA-21-36 to 37 to 38 to 39 and appears to be controlled by proximity to another of these north-striking structures.

Following on this understanding, DDSA-21-40 was collared in the same location as DDSA-21-39 but drilled from the footwall into the hanging wall of a prospective north-trending fault. A large interval of substantial mineralization was encountered here. DDSA-21-40 intersected high grade and wide widths of silver on the Veta Grande vein, including 2.8 metres of 336 g/t AgEq (from 314.40-317.20m) within an 8.28-metre-wide zone of 188 g/t AgEq included in a wider interval of 16.47m of 129 g/t AgEq (from 302.48-318.95m). Historic miners did not penetrate this zone of the Veta Grande vein, though Veta Intermedia was mined in this location.

Hole DDSA-21-45 was a re-drill of hole DDSA-21-44, which was attempting to target the intersection of the Veta Grande structure and a north-striking fault farther to the east within the project area. Hole DDSA-21-44 experienced severe deviation, and the hole was abandoned and re-collared nearby as hole DDSA-21-45. Unfortunately, hole DDSA-21-45 experienced further deviation (+12 degrees) and failed to intersect the target.

Holes DDSA-21-41, 42, and 43 were drilled into the eastern extent of the most significant historical workings to understand the extent of mineralization and underground workings in this area. Hole DDSA-21-41 was drilled broadly parallel to and underneath the Refugio tunnel, confirming the lack of underground workings and the diminished sulphide content of the veins in this portion of the vein system.

Hole DDSA-21-42 was drilled directly into the area with the largest amount of historic workings mapped on the historic long-section and between two historic underground drill holes with moderate silver grades. Hole DDSA-21-42 encountered three different workings, including a set of deeper underground workings not shown on any of the historic long sections of the old mine.

Hole DDSA-21-43 targeted the intersection of a mapped north-striking fault and the projection of the Veta Grande vein; the portion of the vein targeted in this hole is down-dip from that of hole DDSA-21-42. Hole DDSA-21-43 encountered a large historic working (6+ metres) at the projection of the Veta Grande vein. These workings are also not shown on any historic long sections or level plans, but the size of the working and tenor of the remaining mineralization indicates that the structural intersection that was targeted is productive for historically mineable mineralization.

On September 6, 2021, the company released more results from its ongoing diamond drill program at San Acacio. Holes DDSA-21-46, 47, and 48 were drilled in various directions from the same pad within the northwestern zone of the San Acacio project.

Table of Results

Hole ID/Vein ID	From	To	Width (m)	Au (ppm)	Ag (ppm)	Pb, %	Zn, %	AgEq, g/t
DDSA-21-46								
Veta Blanca	225.65	228.80	3.15	0.25	9.28	1.38	4.34	212
DDSA-21-47								
Veta Grande	128.50	132.00	3.50	0.50	274.50	0.32	1.25	362
including	129.10	130.90	1.80	0.47	473.08	0.40	1.34	564
Historical stope	132.00	144.00	12.00	0.34	183.03	0.85	1.74	289
DDSA-21-48								
Veta Grande	142.20	163.17	20.97	0.11	144.00	0.38	0.49	179
including	153.27	154.90	1.63	0.23	597.29	0.48	1.14	665
including	154.30	154.90	0.60	0.38	1460.00	0.79	1.94	1574
Veta Alta	183.50	188.66	5.16	0.36	21.44	0.67	1.30	109

Note: Silver equivalent for the Sept 6, 2021 New Release is calculated using the following formula: Silver-Equivalent (AgEq) = [(Au_ppm x 56.26)+(Ag_ppm x 0.80)+(Pb_ppm x .0016)+(Zn_ppm x 0.0026)]/0.80. Metal price assumptions are Au:\$1750, Ag:\$25, Pb: \$0.75, Zn:\$1.2. 100% recovery has been assumed for all metals. At this stage of the project, no metallurgy has been completed, and the reader is cautioned that 100% recoveries are never achieved. True thickness is assumed to be 50%-80% of downhole width.

DDSA-21-47 targeted the main vein system up-dip from SAD-15-05 and in a gap between two historic 1995 drill holes [SAD95-10 and 11]; this hole targeted the area directly below the historic Almaden zone trench. Historic underground workings (~12m wide, true width unknown) were encountered broadly where expected; whilst these historically mined zones had poor recovery (~18%), grades were very high in the available sample material. The hanging-wall portion of the vein remains intact with 3.50m at 274.50 g/t Ag or 362 g/t AgEq. DDSA-21-47 drilled ~200m into the footwall to gain additional information about the geology and structure of this zone. DDSA-21-47 hit Veta Grande vein at approximately the same level as holes SAD-14-01 & 14-04, which also contains encouraging mineralization outside the area of the current resource. Further down hole, drilling encountered historical workings which resulted in poor recovery (less than 20%) that returned 12.0m of 183.03 g/t Ag or 289 g/t AgEq (from 132.00m – 144.00m)

DDSA-21-48 was drilled as a step-out hole into an area of the Veta Grande system without historic drilling, approximately 60m east of SAD-15-05 and 55m up-dip of the well-mineralised DDSA-21-36. DDSA-21-48 extends the newly located mineralization zone, Veta Alta, up-dip from the high-grade hole DDSA-21-36. DDSA-21-48 targeted the Veta Grande vein below the Purisima level, and no historic workings were encountered. Two notable intercepts are highlighted, including the known Veta Grande, and the lesser established Veta Alta. Veta Alta is base-metal rich in this location and appears to contain significant silver grades in other locations within the property.

DDSA-21-46 tested the Veta Grande vein system and a potential intersection with the Veta Morada structure. The best mineralisation was encountered on the Veta Blanca, which returned 3.15m of 212 g/t AgEq (from 225.65m – 228.80m) within a base-metal rich zone in a hole that was designed to test structural targets at depth.

San Acacio 2022 Exploration Updates

On October 25th, 2022, the Company provided an update to the ongoing drill program, including high grade Ag-Zn-Pb-Au mineralization in the heart of the Veta Grande vein system at the Zacatecas silver project, further extending the limits of mineralization below the 2014 mineral resource area.

Highlight of Results

- **DDSA-22-52** – Intersected high-grade silver, base metals, and gold over 0.9m (from 400.72m to 401.62m) of **4.18 g/t Au, 868 g/t Ag, 4.61% Pb and 17.05% Zn** or **2172 g/t AgEq** (AgEq -silver equivalent), within a larger interval of **3.38 metres of 1.96 g/t Au, 344.91 g/t Ag, 2.12% Pb and 8.01% Zn** or **956 g/t AgEq** (from 400.22m to 403.60m), representing one of the highest-grade intervals drilled to date in the main San Acacio project area. The hole was drilled approximately 50 metres below the reported high-grade intervals of DDSA-21-37, which returned **3.0m** (from 270.45m to 273.45m) of **689.7 g/t Ag** and demonstrates the continuity of this mineralized body at depth below the resource area.
- **DDSA-22-53** – Was drilled to test approximately 50m below hole DDSA-21-40 (4.55m @ 241g/t Ag from 314.4m to 318.95m). DDSA-22-53 deviated significantly from the targeted pierce point towards the western limit of the mineralized shoot. but still intercepted **2.0m of 0.51 g/t Au, 121 g/t Ag, 1.36% Pb and 4.85% Zn** or **434 g/t AgEq** (from 301.17 to 303.17m). Continued exploration in this zone further demonstrates the expanding resource potential of important structural intersections and their respective roles in resource development.

Discussion of Results

Hole DDSA-22-52 was designed to test approximately 50m below hole DDSA-21-37 and has demonstrated that the recently discovered mineralized zone extends deeper. This mineralized shoot remains open at depth and also contains the recently reported intercepts, including: 1.57m @ 2.27g/t Au, 1090 g/t Ag from 248.7m in DDSA-21-35 and 3m @ 0.42g/t Au and 689 g/t Ag from 270.45m in DDSA-21-37 (See News Release dated April 28th, 2021).

Holes DDSA-22-53 and DDSA-22-54 were designed to test another mineralized shoot east of DDSA-22-52. DDSA-22-53 was drilled to test approximately 50m below hole DDSA-21-40 (4.55m @ 241g/t Ag from 314.4m, (See News Release dated August 4th, 2021). DDSA-22-53 deviated significantly from the targeted pierce point towards the western limit of the mineralized shoot but still intercepted the mineralized zone (see Fig. 2). DDSA-22-54 was designed to test at the same level and approximately 70m west of DDSA-21-40. Hole DDSA-22-54 intercepted some grade but appears to be very close to the western limit of the mineralized zone.

Holes DDSA-22-55 & DDSA-22-58 were designed to gain further structural information east of the Veta Grande resource area as well as to confirm historic results drilled by Silver Standard in 1995. Structural complexity in this area has led to a poor understanding of the mineralization in this zone. The company is encouraged that drilling returned appreciable Ag grades and is in the process of further modelling this zone in anticipation of future drilling.

Holes DDSA-22-56 & DDSA-22-57 are pending analytical laboratory checks and will be released when data is finalized.

Table of Results

Hole ID/Vein ID	From (m)	To (m)	Interval (m)	Au (ppm)	Ag (ppm)	Pb %	Zn %	AgEq g/t
DDSA-22-52	397.46	407.62	10.16	0.70	121.18	0.72	2.86	339
including	400.22	403.60	3.38	1.96	344.91	2.12	8.01	956
including	400.22	402.00	1.78	2.79	616.02	3.35	11.38	1495
including	400.72	401.62	0.90	4.18	868.00	4.61	17.05	2172
DDSA-22-53	301.17	303.17	2.00	0.51	121.00	1.36	4.85	434
DDSA-22-53	343.02	344.14	1.12	0.52	126.66	0.23	1.02	226
DDSA-22-54	255.07	255.87	0.80	0.11	100.37	0.04	0.24	123
DDSA-22-54	280.46	282.40	1.94	0.62	29.07	0.42	1.15	150
DDSA-22-55	256.12	258.31	2.19	0.29	78.72	0.06	0.17	114
including	257.88	258.31	0.43	0.70	204.00	0.17	0.50	293
DDSA-22-58	213.28	214.32	1.04	0.07	96.14	0.02	0.25	114

Note – Silver equivalent for the Oct 25, 2022 New Release is calculated using the following formula: Silver-Equivalent (AgEq) = [(Au_ppm x 53.05)+(Ag_ppm x 0.61)+(Pb_ppm x .0018)+(Zn_ppm x 0.0028)]/ 0.61. Metal price assumptions are Au:\$1650, Ag:\$19, Pb: \$0.85, Zn:\$1.3. 100% recovery has been assumed for all metals. At this stage of the project, no metallurgy has been completed, and the reader is cautioned that 100% recoveries are never achieved. True thickness is assumed to be 50%-80% of downhole width.

Since the end of October 2022 to the end of March 2023, the Company has continued its diamond drill program completing an additional five holes totalling 1,324 meters. Results for those holes will be released once all the analyses have been completed. The Company plans to continue with its diamond drill program in 2023.

On March 16th, 2022, to provide the final results from seven drill holes drilled during the 2022 drill program. These holes were designed to improve the main Veta Grande structural model and to test splays to the Veta Grande system, including the footwall San Herculano structure.

Highlight of Results

- **DDSA-22-62** – Encountered a base metal rich portion of the Veta Grande structure, returning **2.58m of 423 g/t AgEq** (from 213.40m to 215.98m) within a wider **11.22m intercept of 152 g/t AgEq** (from 205.15m to 216.37m).
- **DDSA-22-61** – Returned 1.49m of **399 AgEq** (from 231.28m to 232.77m) within a wider interval of **4.97m of 142 g/t AgEq** (from 230.04m to 235.01m). This hole tested up dip of historical holes SAD-15-09 and SAD-15-10, and below hole DDSA-22-59 (2.42m of 123 g/t AgEq, reported in this release). Historic workings were encountered higher in the hole, while drilled mineralization occurred between the main VG structure and a hanging wall splay.
- **DDSA-22-60** – Returned **6.98m of 114 g/t AgEq** (from 31.10m to 38.08m) on the Veta Grande and encountered historic workings from a downhole depth of 33.25m to 34.75m.
- **DDSA-22-59** – From surface returned **9.57m of 175 AgEq** (from 1.38m to 10.95m). This hole drilled reportable grade in three locations: surface waste dumps, the main Veta Grande structure, and possible San Herculano structure. In-situ vein material from Veta Grande grades **2.42m of 123 g/t AgEq** (from 27.30m to 29.72m).

Discussion of Results

Defiance undertook a drill program in late 2022 to gather additional data in the San Acacio resource area. These holes were designed to improve the main Veta Grande structural model and to infill poorly drilled areas, as well as to test both hanging wall and footwall splays to the Veta Grande system. The footwall San Herculano structure was one of the main exploration targets of this phase of drilling.

Drill hole DDSA-22-59 was targeted to hit the Veta Grande vein system near surface and test the deeper San Herculano vein target. The hole was collared into surface waste material from historic mining and returned **9.57m grading 175 g/t AgEq** from 1.38m down hole. The overall grade and tonnage of waste material is unknown. The Veta Grande structure was intersected near surface (2.42m grading 117 g/t AgEq from 27.30m). An additional mineralized structure was encountered in the footwall of the Veta Grade; it is not yet clear whether this represents San Herculano or another structure.

Drill hole DDSA-22-60 was a 130 metre step out to the northwest from hole DDSA-22-59. The hole was also designed to hit the Veta Grande near surface and to test the San Herculano vein at depth. The Veta Grande structure was again intersected near surface and contained **6.98m grading 114 g/t AgEq from 31.10m** down hole. Most grade appears to be contained in remaining vein material that was not historically mined; 1.5-metre-wide workings were encountered from 33.25 to 34.75m. Anomalous structures were encountered in the San Herculano zone.

Drill hole DDSA-22-61 was designed to test hanging wall vein splays and the main Veta Grande vein. This hole tested up dip of historical holes SAD-15-09 and SAD-15-10, and below hole DDSA-22-59. Historic workings were encountered at the modelled location of the main hanging wall splay; in-situ mineralization was hit between the main VG structure and the hanging wall splay. Hanging wall splay mineralization returned **2.37m grading 250 g/t AgEq** from 230.04m, while the main Veta Grande zone returned **2.23m of 114 g/t AgEq** from 245.68m.

Drill hole DDSA-22-62 was drilled in the far NW part of the property, under Tajo Carolina, a historic surface mining area. This hole successfully intercepted both the modelled Veta Grande hanging wall splays and the main mineralized Veta Grande structure. Again, the intercepted mineralization is within and between Veta Grande and a hanging wall vein splay. The hole encountered a base metal rich portion of the Veta Grande structure, returning **2.58m of 423 g/t AgEq** (from 213.40m to 215.98m) within a wider **11.22m intercept of 152 AgEq** (from 205.15m to 216.37m).

Drill hole DDSA-22-63 was designed to test the Veta Grande footwall splay, including the San Herculano structure and did not drill the Veta Grande structure itself. Several zones of alteration and anomalous metal values were encountered in the foot wall to the Veta Grande structure in this area. Whilst none of the intercepts were reported, the style and metal assemblage of the anomalous zones is encouraging.

Drill holes DDSA-22-56 and 57 were designed to test a calcite rich outcrop 2 km to the south-east of the resource area but along the regional Veta Grande structure. Hole DDSA-22-56 intercepted hydrothermal material and alteration at the projection of the Veta Grande structure. Trace elements present in the intercepted zone suggest that the structure was hit in the upper levels of the epithermal system. Hole DDSA-22-57 deviated significantly to the east and drilled outside the target zone.

Table of Results

Hole ID/Vein ID	From (m)	To (m)	Interval (m)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	AgEq (g/t)
DDSA-22-59	1.38	10.95	9.57	157.38	0.12	0.06	0.10	175
DDSA-22-59	23.10	31.69	8.59	59.60	0.07	0.03	0.07	70
including	27.30	29.72	2.42	117.89	0.04	0.01	0.02	123
DDSA-22-59	63.00	64.15	1.15	45.42	0.34	1.32	0.64	145
DDSA-22-60	31.10	38.08	6.98	81.09	0.17	0.01	0.07	114
including	31.10	35.31	4.21	119.21	0.12	0.01	0.04	136
DDSA-22-61	230.04	235.01	4.97	133.58	0.02	0.01	0.04	142
including	230.04	232.77	2.73	236.67	0.04	0.00	0.06	250
including	231.28	232.77	1.49	377.79	0.06	0.00	0.10	399
DDSA-22-61	245.68	247.91	2.23	94.56	0.14	0.01	0.03	114
DDSA-22-62	205.15	216.37	11.22	23.98	0.34	0.69	1.69	152
including	212.97	216.37	3.40	50.45	0.71	1.72	3.85	341
including	213.40	215.98	2.58	58.02	0.85	2.25	4.88	423

Silver equivalent is calculated using the following formula: Silver-Equivalent (AgEq) = [(Au_ppm x 60.34)+(Ag_ppm x 0.70)+(Pb_ppm x .0021)+(Zn_ppm x 0.0032)]/ 0.70. Metal price assumptions are Au:\$1877, Ag:\$22, Pb: \$0.97, Zn:\$1.48. A 30-day metal price average is used to determine metal prices and 100% recovery has been assumed for all metals. At this stage of the project, reliable metallurgy has yet to be completed, and the reader is cautioned that 100% recoveries are never achieved. True thickness is assumed to be 50%-80% of downhole width.

Continuing San Acacio program in 2023

Planned 2023 drilling at the Zacatecas project includes programs for resource expansion, (including metallurgical testing), brownfields exploration, and greenfields exploration, including:

1. Resource expansion drilling that will be focused in the current resource area, designed to delineate additional tonnage of mineralisation outside of the current resource estimate.

2. Brownfields exploration designed to test newly recognized hanging wall and footwall vein splays, offset structures at depth, and additional targets in close proximity to the historical workings.
3. Additional follow-up drill targets at San Acacio targets include metallurgical drilling as a component of data needed for the planned resource estimate.
4. Initiate a program of trenching over selected portions of the Veta Grande vein to provide additional data for the planned resource estimate.
5. Permits will be submitted for additional exploration holes as a follow up to the property-wide surface geochemistry and mapping program at San Acacio.

Lagartos Project

Defiance has the Lagartos database covering an additional 135,000 hectares in the Zacatecas silver district providing the opportunity to acquire further concessions. All of the Lagartos concessions are located within the Zacatecas silver district, which has produced an estimated 700 million ounces of silver, principally before 1895. Zacatecas lies along the “Fresnillo Silver Trend” a regional structural zone that has yielded over 5 billion ounces of silver. The four largest districts along the trend; Guanajuato, Zacatecas, Sombrerete and Fresnillo are all characterized by multiple sets of parallel silver-gold veins with high-grade oreshoots located periodically along their lengths. The Zacatecas District is characterized by six major sets of such parallel veins. This consolidation gives Defiance control of over 65% of the Veta Grande vein, which historically produced an estimated 200 million oz of silver within the district. A number of the other newly acquired Lagartos concessions are adjacent to other important vein systems in the Zacatecas Silver District including: the Malanoche vein system currently being mined by Capstone Mining Corp.; the Cantera - El Bote vein system; and the Panuco vein system controlled by Zacatecas Silver Corp. and Pan American Silver Corp. It is believed that all the known deposits were found in outcrop 350 to 500 years ago, while new “blind” vein systems remain to be discovered.

MAG’s exploration programs successfully identified a number of broad (10s of meters wide) hydrothermal alteration zones along structures up to 4 kilometers long that appear to represent the upper-level manifestations of deeper Zacatecas and/or Fresnillo (Juanicipio)-style epithermal vein mineralization. Selected grab samples are not necessarily representative of the mineralization hosted on the property.

Highlights of the Lagartos acquisition:

- 800 hectares of mining rights in 14 concessions
- Exploration digital data bank including a drill hole database totaling 90 holes, extensive geochemistry, geophysics, satellite imagery, and detailed drill logs from over 135,000ha of ground stretching from the Zacatecas Silver District to the Fresnillo Silver District
- All core drilled by MAG Silver in the district.

2023 Exploration plans at the Lagartos project area

- 1) Detailed surface mapping to integrate the mineral system into a geologic model.
- 2) Permit applications for surface diamond drilling.

Lucita Project

On November 30, 2020, the Company entered into a definitive option agreement with Pan American Silver Corp. ("Pan American") to acquire a 100% interest in Pan American's Lucita property consisting of 28 mining concessions, located adjacent to the Company's San Acacio project. The property is subject to a 2% NSR payable to the vendors on production from the property. The payment terms are as follows:

	Option Payment		
November 30, 2020	USD	100,000	(paid)
November 30, 2021		100,000	(paid)
November 30, 2022		500,000	(paid)
November 30, 2023		800,000	
Total		USD 1,500,000	

Highlights of the Acquisition Include:

- Defiance's Zacatecas District landholding interests increased from 1,600 Ha to over 4,300 Ha, including more than 10 known veins that returned drill results including 3.25m of 325 g/t Ag and 1.25m of 775 g/t Ag.
- Acquired the on-strike extension of Zacatecas Silver Corporation's 19-million-ounce Ag-Equivalent Panuco Deposit (2016 Mineral Resource Estimate, Panuco Deposit, Zacatecas Mexico for SantaCruz Silver Mining by V. Bui and G. Giroux). Note that Defiance Silver's qualified person and technical team have been unable to verify this information, and that the information is not necessarily indicative of the mineralization on the Lucita property.
- Lucita hosts the undrilled Palenque vein structure, a 12-metre-wide structure that has a 4km strike length and has return historical in situ grab and dump samples ranging from 25g/t Ag to over 700g/t Ag.
- Other priority high-grade vein structures also exist on the southern license area.

The 2,674 Ha Lucita property consists of the Panuco zone in the north, the central Lucita zone (Palenque vein system), and the southern Lucita zone adjacent to Defiance's San Acacio project. The mineralization within the Lucita land package is characterized as a low to intermediate sulfidation epithermal Ag-Au vein, breccia, and stockwork system. While historical work in the central Lucita area has been limited to first-pass regional geological mapping and sampling, the northern license area of Panuco has historical high-grade drill results and multiple drill ready exploration targets.

Pan American Silver previously conducted geological mapping, sampling, and two drilling campaigns in the Panuco license area. Historical drilling of veins from 20 holes completed by Pan American in 2011-2012 returned encouraging results including 3.35m of 325 g/t Ag from hole LU11-16 (Veta Lucero) and 1.25m of 775 g/t Ag from hole LU11-9 (Veta San Andres). Phase I drilling in 1996 comprised 10 holes and 1,409.85 metres of drilling. Phase II drilling was carried out in late 2011 and early 2012, comprising 20 drill holes with 3,693.41 metres drilled. Both drill campaigns intersected mineralized veining typical of a high-level epithermal system.

Within the northern license area of Panuco, there are at least 10 known mineralized structures over a strike length of more than 4km, including the on-strike extension of the Panuco and Panuco Norte (Tres Cruces)

vein systems currently being explored by Zacatecas Silver Corp (TSX-V: ZAC). Zacatecas Silver Corp. recently released a series of high-grade drill results on the Panuco Norte (Tres Cruces vein system) within 500m to the northwest of Defiance's property boundary. Given the proximity of these high-grade drill holes on the Panuco Norte (Tres Cruces) and the mapped continuation of mineralized Panuco Norte (Tres Cruces) vein system onto the Lucita property, the extension of the Panuco Norte vein system represents a prospective exploration target for Defiance Silver.

Within the central Lucita Palenque vein system, work limited to surface sampling and first pass mapping had been completed prior to Defiance's involvement. Defiance has since completed extensive geological mapping and sampling and first pass drilling on the central Lucita project (Palenque). Work to date on central Lucita has shown that there are number of prospective structures suited for follow up exploration, including drilling.

In early November 2021, the Company commenced the first-ever regional drill program on the central Lucita land package. To date, the Company has completed over 4,750 metres of regional drilling at the central Lucita land package. The drill program is the first ever to be completed at the central Lucita asset (Palenque vein system), which is currently under option from Pan American Silver Corp (See News Release dated December 2nd, 2020). First phase drilling has been completed, with further assays pending for an additional 8 holes (DDL-21-06 to DDL-21-13). The initial results presented are highly encouraging and warrant extensive follow-up exploration work.

On April 13, 2022, the Company released the results from a portion of the first 4,750m of drilling.

Highlights:

- DDSA-21-50 returned a downhole interval of 1.15m of 1,603.90 g/t Ag, within a downhole interval of 3.33m grading 709.04 g/t Ag (from 115.82m to 119.15m).
- DDLU-21-05 returned multiple results greater than 100 g/t Ag, including 3.48m of 513.57 g/t Ag (from 152.52m to 156.00m), with a high-grade interval of 1.90m of 940.18 g/t Ag (from 154.10m to 156.00m). Individual intercepts in this interval grade up to 3,260 g/t Ag (from 154.10m to 154.35m).
- The inaugural drill program at Lucita central (Palenque vein system) confirmed the presence of high-grade, near surface, Fresnillo-style, low to intermediate-sulfidation epithermal silver mineralization consisting of pyrargyrite (high-level sulfosalt) and silver sulfides that potentially indicate the higher-level setting of a zoned epithermal system.

Select Table of Results

Hole ID	From	To	Interval	Au, g/t	Ag, g/t
DDSA-21-50	115.82	119.15	3.33	0.06	709.04
including	116.25	117.40	1.15	0.11	1603.90
DDL-21-01	171.06	172.00	0.94	0.11	106.82
DDL-21-04	114.95	117.68	2.73	0.16	102.07
including	114.95	116.53	1.58	0.11	134.00

DDL-21-05	152.52	156.00	3.48	0.02	513.57
including	154.10	156.00	1.90	0.03	940.18
including	154.10	154.35	0.25	0.07	3260.00
DDL-21-05	164.40	165.45	1.05	0.19	317.00
DDL-21-05	219.53	223.62	4.09	0.10	137.40
including	219.53	220.13	0.60	0.28	618.00
DDL-21-05	229.35	230.86	1.51	0.76	191.92

Table 1 - Drill Results: *True thicknesses are unknown at this time but are assumed to be between 50%-90% of the core length. **Drill holes DDSA-21-49, DDSA-21-51, DDLU-21-01, DDLU-21-02, DDSA21-03 did not return significant mineralization.

Discussion of Results:

The dominant silver mineralization consists of pyrrargyrite-proustite, acanthite, and argentite hosted in polyphase quartz and calcite veins, breccias, and stockwork veinlet zones. As is common in the Zacatecas and Fresnillo districts, at least two structural events are evident, as well as wide zones of shallow-level alteration with elevated pathfinder element geochemistry. The style of mineralization in the central portion of the Palenque vein system is dominantly silver and gold, with little to no lead and zinc. This metal assemblage differs from the Veta Grande system in Defiance's San Acacio project (See [New Release](#) dated April 28th, 2021) which has a more polymetallic signature. Initial interpretations are that the central portion of Palenque is a shallow, low-sulfidation epithermal-style vein system. Future exploration and analysis of results will expand on the genesis of the vein systems at the company's Zacatecas district project.

DDSA-21-50 – The first hole of the campaign was drilled at the Tahures vein system. It encountered near-surface, high-grade silver mineralization. Wide zones of hydrothermal alteration and veinlets were also encountered within the holes, indicating significant fluid flow and potentially highlighting a target at depth.

DDSA-21-51 – This hole was the second hole drilled in the Tahures area, designed to follow up on the shallow results encountered in hole DDSA-21-50. However, the hole did not encounter significant mineralization. Updated modelling indicates that the drill hole did not intersect the target structure due to the proximity of high-angle offset faulting, though wide-spread alteration and veining similar to hole DDSA-21-50 were encountered.

DDL-21-01 – This was the first hole in the central Lucita area, which tested the Palenque vein below historic workings. A mineralized vein was encountered at the predicted projection of the vein structure, as informed from surface mapping, but did not carry adequate grade at this elevation.

DDL-21-02 & DDL-21-03 – These holes followed up on early results from DDL-21-01. A vein system was also encountered here at the predicted vein projection; however, as in DDL-21-01, it was not well mineralized at this elevation.

DDL-21-04 – This hole stepped out to the east along strike of the Palenque vein, where historic workings and an interesting cross-structure were mapped at surface. This drill hole encountered several prospective intervals near the projection of the mapped Palenque vein, with the deepest interval yielding the best silver grade.

DDL-21-05 – Encouraging results from DDL-21-04 prompted the western and deeper step over for this hole. Targeting under this less-exposed part of the vein and at a slightly deeper target depth yielded the highest-grade silver to date in the Palenque vein system. This hole intersected multiple intervals of silver-bearing quartz-calcite veins, breccias, and stockwork veinlet zones.

On August 9, 2022, the Company released the results from the balance of the drilling included in the first 4,750m of drilling at Lucita. This release summarized the results from an additional 8 holes (DDL-21-06 to DDL-21-13).

Highlights:

- DDSA-22-10 discovered several different styles of mineralization, including a new blind high-grade interval at depth. The hole returned multiple results over 100 g/t Ag, and individual intercepts grade up to 737 g/t Ag (from 398m). Intercepts include 3.05m of 264 g/t Ag and 0.20 g/t Au (from 370.23 to 373.28m), 4.01m of 166 g/t Ag and 0.37 g/t Au (from 388.56 to 392.57m), and 2.25m of 235 g/t Ag (from 398 to 400.25m).
- DDSA-22-10 also returned highly anomalous Ag mineralization from 370.23m to the end of the hole at 420.1m, with a 49.87m interval returning a weighted average of 58.79 g/t Ag. This new zone is open for expansion and will be a key follow up target in future drill programs.
- DDSA-22-09 was drilled prior to DDSA-22-10 and hit anomalous veins but was stopped short of the mineralized zones encountered in DDSA-22-10. Additional targeting work will be completed, and deeper follow up drilling will be planned with the goal of reaching the newly discovered zone of mineralization.
- DDL-22-12 returned high-grade Zn-Pb mineralization and moderate grade Ag mineralization over narrow widths (0.28m of 86.30 g/t Ag, 2.63% Pb, and 8.08% Zn from 364.54 to 364.82m) and represents a follow-up drill target once additional targeting and modeling work has been completed.
- Further exploratory drilling in the Palenque central zone (DDL-22-13) encountered narrow zones of high-grade mineralization, including up to 843 g/t Ag & 0.2 g/t Au at from 184.0m to 184.30m

Select Table of Results

Hole ID	From	To	Interval	Au, g/t	Ag, g/t
DDL-22-10	370.23	373.28	3.05	0.20	264.29
including	371.13	371.90	0.77	0.19	668.00
DDL-22-10	388.56	392.57	4.01	0.37	166.32
Including	388.56	391.28	2.72	0.57	228.83
Including	390.06	391.28	1.22	1.13	416.00
DDL-22-10	398.00	400.25	2.25	0.08	235.29
including	398.00	398.53	0.53	0.19	737.00
DDL-22-10	412.41	413.16	0.75	0.03	189.00

DDLU-22-10	415.20	416.08	0.88	0.04	108.00
DDLU-22-13	110.59	112.16	1.57	0.04	146.64
DDLU-22-13	184.00	186.00	2.00	0.04	149.66
including	184.00	184.30	0.30	0.20	843.00
DDLU-22-13	229.85	231.00	1.15	0.09	109.43

Drill Results. *True thicknesses are unknown at this time but are assumed to be between 50%-90% of the core length. **Drill holes DDLU-21-06, DDLU-21-07, DDLU-21-08, DDLU-22-09, DDLU-22-11, and DDLU-22-12 did not return reportable results.

Discussion of Results:

The inaugural drill program at Lucita central (Palenque vein system) confirmed the presence of high-grade, Fresnillo-style, low to intermediate-sulfidation epithermal silver mineralization, consisting of mainly of pyrrargyrite (high-level sulfosalt) and silver sulfides that potentially indicate the higher-level setting of a zoned epithermal system. The drill holes reported in the Aug 9th, 2022, release encountered a blind, newly discovered contact-style mineralization at depth. The encountered mineralization is open along strike and both up and down dip from the released results, which are highly encouraging and warrant extensive follow-up exploration work, including diamond drilling.

DDLU-21-06, DDLU-21-07 & DDLU-21-08 – These holes were designed to step west along the Palenque vein system from holes DDLU-21-01 to 05. Holes DDLU-21-06 and 07 were targeted under mapped outcropping veins with silver grade and historic workings at surface. However, the two shallow holes failed to intersect the vein. This is likely due to displacement from a low-angle structure or steepening of the vein; further structural data collection and interpretation is underway to generate follow-up targets. DDLU-21-08 was similarly designed to test under mapped veins with historic workings and evidence of mineralization at surface. However, no significant intervals were intersected.

DDLU-22-09 – This hole was designed to intercept a mapped calcite-rich but low-grade portion of the Palenque vein system, with old workings nearby. The vein successfully intersected the steeply dipping veins with anomalous Ag and Au grades, including deep in the hole. Results were encouraging to follow up with a deeper hole, DDLU-22-10.

DDLU-22-10 – Interesting results from DDLU-22-09 prompted a deeper hole underneath the encountered veins. Hole DDLU-22-10 successfully encountered multiple calcite and quartz veins with anomalous to high-grade Ag ± Au mineralization. A blind intercept in a low-angle fault between the volcano sedimentary package and underlying black shales also yielded a high-grade Ag ± Au intercept. Several small but higher-grade Ag intercepts continued further into the black shales. This new style of mineralization related to the black shale, as well as the targeted vein-hosted intercepts, will be followed up with future exploration effort.

DDLU-22-11 and 12 – Encouraging results from DDLU-22-10 prompted step overs to the west. DDLU-22-11 encountered the same thick, calcite-rich veins as hole DDLU-22-10 with narrow intervals of mineralization, including 0.7 m @ 86.70 g/t Ag and 0.53 m @ 83.60 g/t Ag, at 248.81 m and 249.92 m depth, respectively. These results are encouraging evidence for the presence of similar mineralization along the same vein system. Likewise, black shale contact was encountered with moderately anomalous results.

Hole DDLU-22-12 continued to test the western limit of the Palenque system within the license area. Results included several small veinlets with anomalous but not reportable values. A surprising intercept of 0.28 m of high-grade Zn-Pb mineralization and moderate-grade Ag was encountered in the underlying sediments

at 364.54 m with 86.30 g/t Ag, 2.63% Pb and 8.08% Zn. This interval is encouraging and is a target for future follow-up.

DDL-22-13 – The last hole in the initial Lucita drilling campaign aimed to follow up on the success of DDL-22-05. DDL-22-13 was planned east of holes DDL-21-05 and 04, underneath a calcite-rich portion of the Palenque vein. Several narrow but high-grade intercepts (up to 843 g/t Ag) were encountered. These results warrant follow up exploration in this portion of the Palenque vein.

Discussion of the Lucita Exploration Model:

The dominant silver mineralization at Lucita consists of pyrrargyrite (with lesser acanthite, proustite and stephanite), hosted in polyphase calcite and quartz veins, breccia veins and stockwork veinlets. As is common in the Zacatecas and Fresnillo districts, mineralization is often hosted in steeply dipping veins with typical epithermal-style textures. The main commodity at the level of current drilling is silver with minor gold. This differs from the Veta Grande system at the company's San Acacio project which has a more polymetallic signature.

Initial interpretations are that the west-striking Palenque vein system are part of a low-to-intermediate-sulfidation epithermal-style vein system. Holes DDL-22-10 and 11, also encountered two additional styles of silver-dominant mineralization, including a flat-lying faulted contact as well as fine veinlet arrays within underlying shales. Future exploration will target these new styles of mineralization at the Company's Zacatecas projects.

2023 Exploration plans at Lucita

- 1) The Company continues to advance the geological understanding of the district and views the Lucita option as being a key greenfield exploration target.
- 2) Ongoing work consists of property wide geological mapping and geochemical sampling.
- 3) Additional diamond drilling program is planned on selected portions of the Lucita property based on the drill results reported to date.
- 4) Permits are being submitted for additional exploration holes as a follow up to the encouraging drill results reported to date.
- 5) Greenfields exploration that will be a combination of follow up drilling on the recent first-pass success at Palenque and first pass drilling on regional targets including the northern Zacatecas district at Pánuco.

Minerva property

During the year ended June 30, 2012, the Company applied for a mining claim located in Coahuila State, Mexico, known as the Minerva property. As of March 31, 2023, the application was still pending approval by the Mexican mining authorities.

Tepal Project

Acquisition of Valoro Resources Inc.

Effective November 5, 2018, the Company and ValOro Resources Inc. ("Valoro") signed a Definitive Arrangement Agreement to complete a transaction whereby the Company acquired all of the issued and outstanding Valoro shares (the "Transaction").

The Company and Valoro completed the Transaction under the Business Corporations Act (British Columbia) on December 31, 2018. Former Valoro shareholders received 0.71 Defiance shares for each Valoro share held.

As consideration, the Company issued 15,421,520 common shares at a value of \$3,855,380. As part of the arrangement, all unexercised Valoro stock options and warrants were replaced with 1,371,011 stock options and 1,357,708 warrants of the Company at the exchange ratio of 0.71 and a total Black Scholes value of \$93,134. The Company incurred \$27,409 in transaction costs and \$260,630 in severance costs relating to the acquisition, and these costs were capitalized as part of the acquisition. The acquisition of Valoro has been treated as an acquisition of exploration and evaluation assets.

(See Note 7 - Acquisition of the June 30, 2019, Financial Statements).

At the time of completion, the Company had 118,773,341 common shares outstanding, of which shareholders of Defiance owned 87% and the former shareholders of Valoro owned approximately 13%.

Highlights of the Transaction

- The Tepal Gold Copper Project has a 2017 Preliminary Economic Assessment ("PEA") estimating a pre-tax NPV5% of \$299 million and a 36% IRR with a 1.6-year payback period and a post-tax NPV5% of \$169 million and a 24% IRR with a 2.4-year payback period. The PEA is based on an estimated Measured and Indicated Resource containing 4 M oz. gold equivalent.
- Proven management team: Extensive experience in all critical mining and exploration disciplines with demonstrated capabilities in financing, acquiring, developing and operating mines and a proven track record of exploration successes.
- Enhanced market presence: The larger merged company is expected to appeal to a broader institutional shareholder base and improve share trading liquidity.
- Compelling value proposition: Significant leverage among junior Mexico explorer's equities and attractive relative valuation based on net asset value.

On June 22, 2022, the Company became aware that certain mineral concessions from its Tepal Project have been transferred to a third-party individual without the Company's knowledge or consent. The Company has commenced legal action and is confident that its rightful ownership will be restored in due course.

Qualified Person

The disclosure of technical information on the Tepal Project has been approved by George Cavey, P.Geo., Vice President of Exploration for the Company and a Consultant of the Company, a 'qualified person' for the

purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"). He has verified that the data disclosed is in accordance with the published results of the reports described under the Tepal Project.

The Tepal Gold/Copper Project ("**Tepal Project**") is located in Michoacán State, Mexico.

Information on the Tepal Project in this MD&A is summarized or extracted from the following reports and news releases as reported by Valoro Resources Inc. ("Valoro") (formerly Geologix Explorations Inc.), previous to the completion of the merger:

- *Technical Report on the Mineral Resources of the Tepal Gold-Copper Project Michoacán State, Mexico* with an effective date of March 29th, 2012 (the "**2012 Resource Report**") of David K. Makepeace, M.Eng., P.Eng. of Micon International Limited, an independent 'qualified person' as defined in NI 43-101;
- *Technical Report on the Prefeasibility Study of the Tepal Project Michoacán State, Mexico* with an effective date of March 19th, 2013 (the "**2013 PFS Study**") of Matt R. Bender, P.E. et al. of JDS Energy & Mining Inc., each of whom are 'qualified persons' for the purpose of NI 43-101;
- *Technical Report on the Preliminary Economic Assessment on the Tepal Project, Michoacán, Mexico* with an effective date of January 19, 2017 (the "**2017 PEA Study**") of Gord Doerksen, P.E. et al. of JDS Energy & Mining Inc., each of whom are 'qualified persons' for the purpose of NI 43-101;
- News releases dated February 23, 2012, March 27, 2012, June 13, 2012, July 16, 2012, August 29, 2012, November 8, 2012, February 4, 2013, March 19, 2013, May 7, 2013, July 24, 2013, October 23, 2013, April 8, 2014, January 19, 2017, February 27, 2017, August 31, 2017, and March 15, 2018.

For a complete description of the assumptions, qualifications, and procedures associated with the following information, reference should be made to the full text of the 2012 Resource Report, the 2013 PFS Study, the 2017 PEA Study and all relevant news releases detailed above. All financial information disclosed in this MD&A and referenced from the 2012 Resource Report, 2013 PFS Study and 2017 PEA Study are stated in US dollars, unless specifically noted. The geological and other non-financial disclosure which follows is a summary of the geological and technical results as at the filing date of this MD&A.

A chronology of Tepal Project milestones completed by Valoro are as follows:

- March 2012 Resource Report containing Measured and Indicated category of 187.8 million tonnes ("t.") grading 0.30 g/t gold ("**Au.**") and 0.20 % copper ("**Cu.**"), containing 1.80 million ounces ("**oz.**") Au and 813 million pounds Cu, for a gold equivalent ("**Au Eq.**") of 4.04 million oz. and an Inferred category of 35.7 million t. grading 0.16 g/t Au and 0.15 % Cu, containing 182,000 oz. Au and 120 million lbs. Cu for an AuEq of 512,000 oz.
- Detailed mapping, extensive soil (1,064 samples) and rock chip (1,263 samples) sampling completed over seven airborne geophysical anomalies highlighting five high priority areas for exploration drill testing.

- A reverse circulation (“RC”) drill program was completed with the purpose of drill testing prospective zones of mineralization as outlined by geophysical, soil and rock chip sampling anomalies. The drill program consisted of 34 drill holes with a total drilled of 4,906 metres (“m.”).
- Archeological Permit for construction granted by Mexican authorities.
- Metallurgical and comminution laboratory work.
- Field studies in preparation for the 2013 PFS Study.
- The 2013 PFS Study was completed on March 19, 2013.
- Pilot plant utilizing 12 tonnes of project material in September 2013.
- Environmental permit application and risk assessment submitted to SEMARNAT in September 2013. Tepal permit resolution received from the Mexican mining authority SEMARNAT for the project based on the PFS Study in April 2014.
- The 2017 PEA Study was completed on January 19, 2017.
- The results of the 2017 exploration program which identified new potential at Tepal were reported in the March 15, 2018, News Release.

2017 Exploration Program

The 2017 exploration program was initiated in the third quarter of 2017. The objectives of the 2017 exploration program were to evaluate new higher-grade and/or bulk tonnage exploration targets with resource expansion potential as well as assess the potential for new discoveries. Key results are summarized as follows:

- Valoro geologists developed a new structurally controlled exploration model for Tepal that is a departure from the long-held porphyry exploration model, with upside implications for both property-scale and regional exploration.
- The 2017 work program successfully tested the updated model via surface mapping and sampling, alteration and structural surveys, core re-logging and 3D geophysical modeling. Exploration was extended into the 2018 calendar year to generate new drill-ready resource expansion and new exploration targets with potential for making a new discovery.
- The updated model identified under-drilled areas within and surrounding the three proposed PEA pits where there is excellent potential to improve the existing gold-copper resource through additional infill and step-out drilling targeting known structural controls to mineralization that remain under drilled.
- Importantly, the 2017 exploration program directly resulted in the discovery of a previously unknown and untested epithermal system underlying the Tepal property, with characteristics of a high sulphidation system that will be advanced for drilling, representing an important new discovery potential for Tepal.

2017 PEA Study

The 2017 PEA Study was completed during the first quarter of 2017. The purpose of the 2017 PEA Study was to revise and update the 2013 PFS Study and to generate an optimized mining development scenario based

on updated capital and operating costs and new economic base case metal prices. The 2013 PFS Study was prepared using base case metals prices of \$1,390/oz. gold, \$3.44/lb. copper, and \$26.03/oz. silver (\$1,400/oz. gold, \$3.15/lb. copper and \$26.00/oz. silver for pit design), which reflected the 4-year trailing average metals prices as of February 28, 2013. The 2017 PEA Study was prepared using more conservative base case metals prices of \$1,250/oz. gold, \$2.50/lb. copper, and \$18.00/oz. silver (\$1,250/oz. gold, \$2.25/lb. copper, and \$20.00/oz. silver for pit design). As of May 23, 2017, spot metals prices as quoted on COMEX were \$1,261.40/oz. gold, \$2.60/lb. copper, and \$17.19/oz. silver.

The 2017 PEA Study work included: a revised Whittle pit optimization, which applied estimates of metals prices, mining dilution, process recovery, off-site costs, geotechnical constraints (slope angles), and royalties to the current resource estimation (2012 Resource Report) in order to generate economic pit shells; a revised process flow sheet consisting primarily of reduction of the sulphide flotation throughput from an average 37,000 tonnes per day (“t/d”) to 22,000 t/d, change from batch grinding oxide material in the SAG and ball mills to an independent oxide crushing and grinding circuit; and increase of oxide carbon-in-leach (CIL) retention time from 8 hours to 24 hours; a revised mining schedule based on changes to the process plant; updated mining operating costs based on contractor mining rates; and updated capital and operating cost estimates (CAPEX and OPEX) based on revised designs and more recent equipment budgetary pricing. Engineering, metallurgical, environmental, and geotechnical studies were completed for the 2013 PFS Study and the 2017 PEA study relies upon this previous work. Permitting applications have been prepared and have in some instances already been approved by the Mexican Authorities (e.g. archeological and environmental permits). Community relations strategies are being developed and implemented as part of the 2017 work program.

Valoro continued discussions with the local communities in an effort to continually assess the environmental, social, and political risks or issues related to the project. Ongoing community relations and education programs were initiated as a means of informing the immediately surrounding communities as to the status and progress of the project to date.

The positive results of the 2017 PEA Study were announced on January 19, 2017, and the technical report was filed on SEDAR on February 24, 2017. Completion of the 2017 PEA Study involved evaluating design input parameters and mineral processing requirements, performing mining and processing optimizations and trade-off studies, estimating facilities, infrastructure and operating costs, and generating project economics associated with the potential development of the Tepal mineral resource.

Mine planning studies were completed for fleet sizing and costing utilizing contractor mining, vs. an owner-operator fleet in the 2013 PFS Study. It is planned to mine the three deposits at Tepal (North, South and Tizate) via conventional open pit (“OP”) methods. Processing options were evaluated and resulted in the decisions to utilize independent circuits for processing oxide and sulphide material, increase the oxide CIL retention time from eight to 24 hours, and establish process throughput rates of 5,500 t/d for oxide material and 22,000 t/d for sulphide material.

Updated capital and operating cost estimates (CAPEX and OPEX) were prepared based on revised designs and more recent equipment budgetary pricing.

The 2017 PEA Study results are outlined below:

- Pre-tax: NPV5% of \$299 million and 36% IRR with a 1.6-year payback period¹

- After-tax: NPV5% of \$169 million and 24% IRR with a 2.3-year payback period¹
- Production averages 79,000 oz. of gold and 32 Mlbs of copper over a 10-year mine life
- Life of mine (“LOM”) average cash cost of \$313/oz. gold and LOM average cash cost plus sustaining cost of \$396/oz. gold (net of copper and silver by-product credits)¹
- Initial capital costs estimated at \$214 million with a 2-year pre-production period
- LOM sustaining and closure capital costs estimated at \$87 million

¹ Using base case metals prices: \$1,250/oz. for gold, \$2.50/lb for copper, \$18.00/oz. for silver

Summary Economics

Summary 2017 PEA Study economics are detailed below. The base case economic evaluation used metals prices that are close to current spot prices and near the median of current medium to long term analyst forecasts. After-tax economics were prepared using the following assumptions: a 2.5% Net Smelter Return (NSR) royalty, 0.5% Mexican royalty based on precious metals revenue, 7.5% Mexican royalty based on EBITDA, 12% annual depreciation rate, accumulated tax loss carry forward of US\$22.4 million, and a 30% Mexican income tax rate.

Operating Assumptions/Highlights	(Currency in USD)
Mine Life	9.8 years
Total Material Mined	142.9 million tonnes
Strip Ratio	0.6 : 1
Average Plant Throughput (Sulphide + Oxide)	9.6 Mtpa
Average Au Sulphide Head Grade	0.33 g/t
Average Cu Sulphide Head Grade	0.21%
Average Au Oxide Head Grade	0.45 g/t
LOM Average Au Sulphide Recovery (combined Flotation & CIL)	77%
LOM Average Cu Sulphide Recovery	87%
LOM Average Au Oxide Recovery	81%
Total Au Ounces Recovered	766,248 oz.
Total Cu lbs Recovered	308.0 Mlbs
Total AuEq. Ounces Recovered ⁽¹⁾	1,417,618 oz.
Average Au Production (Years 1-5)	108,390 oz.
Average Cu Production (Years 1-5)	37.3 Mlbs
Average AuEq. Production (Years 1-5) ⁽¹⁾	184,923 oz.
LOM Average Au Production	78,572 oz.
LOM Average Cu Production	31.6 Mlbs
LOM Average AuEq. Production ⁽¹⁾	145,239 oz.
Pre-Production Capital Cost	\$214.2 million
LOM Sustaining and Closure Capital Cost	\$86.7 million
LOM Average Cash Cost ⁽²⁾ per Au Ounce (net of by-products)	\$313/oz.
LOM Average Cash Cost ⁽²⁾ plus Sustaining Cost per Au Ounce (net of by-products)	\$396/oz.

(1) Using US\$1,250/oz. Au, US\$2.50/lb. Cu and US\$18.00/oz. Ag prices

(2) Cash cost includes all mining, milling & refining, transport, mine-level G&A, and royalty costs

2020

The company completed a strategic desktop analysis of all historical drilling and test work done at Tepal with plans on advancing the current targets to a drill-ready state. Areas of focus include the recently defined Mid Zone, a zone of advanced alteration located adjacent to the North and South conceptual pits; The Off-Tizate and North Tizate targets represent high-grade “feeder” targets that have demonstrated high grade Au-Ag results in drilling and are underlain by a strong IP Chargeability response.

During the year ended June 30, 2021, the Company entered into an option agreement to repurchase the existing 2.5% NSR on the Tepal Project from Minera Tepal, S.A. de C.V (“Minera Tepal”) over four years for total consideration of USD \$4.85 million. During the period ended December 31, 2022, the Company renegotiated and extended the terms of its Tepal NSR repurchase option agreement by a year and a half from December 16, 2024 to June 30, 2026 and an additional option payment of 100,000 USD was paid on January 15, 2023 bringing the total consideration over the term of the agreement to \$4.95 million. As a result of the amending agreement, the payment terms are as follows:

	Option Payment		
January 10, 2021	USD	150,000	(paid)
June 16, 2021		150,000	(paid)
December 16, 2021		300,000	(paid)
June 16, 2022		300,000	(paid)
January 15, 2023		100,000	(paid)
June 30, 2024		550,000	
December 31, 2024		550,000	
June 30, 2025		600,000	
December 31, 2025		600,000	
June 30, 2026		1,650,000	
Total		USD 4,950,000	

2023

Based on the computer desktop work done to date, Tepal has been sub-divided into 3 structural and alteration domains. Within these structural domains, 11 exploration targets have been identified. Criteria that have been used for target selection include: rock and soil geochem (pathfinder elements and anomalous metals), geophysical survey (aeromagnetics, 3D inversions of aeromagnetics, IP survey chargeability and resistivity, 3D inversion of resistivity, radiometrics), alteration (new short-wave infrared processing and interpretation, historic mapping), geology (from historic government work), structures (new interpretation from previous various data sets), drilling (geochem and metal distribution, ore deposit styles), terrain, and others.

- 1) The company plans to continue its desktop modelling and detailed geological evaluation of the past exploration completed on the project. The new targets that have been developed will require additional modelling and onsite follow up.

- 2) In June 2022, the company announced (See Press Release dated June 24th, 2022) the discovery that certain mineral concessions concerning its Tepal Project had been illegally and fraudulently transferred to a third party without the Company's knowledge or consent. The company has initiated legal proceedings to have the concessions restored to the company and is confident that its rightful ownership will be reinstated.
- 3) The company plans a surface exploration program consisting of detailed mapping, geochemistry, and core re-logging in the future.
- 4) The company will compile and integrate these surface works into an updated geologic model.

Results of Operations

Summary of Quarterly Results

The following quarterly financial data is derived from the unaudited condensed consolidated interim financial statements of Defiance as at (and for) the three-month periods ended on the dates indicated below. The data should be read in conjunction with the Company's financial statements for the corresponding periods and the notes thereto.

The following tables summarize information derived from the Company's financial statements for each of the eight most recently completed quarters:

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the period	(557,781)	(976,580)	(462,180)	(948,180)
Exploration and evaluation assets	31,703,613	29,904,988	27,991,838	26,761,921
Total assets	42,156,612	42,276,735	42,715,175	41,560,054
Loss per share	(0.00)	(0.00)	(0.00)	(0.02)

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the period	(1,200,912)	(926,746)	(783,802)	(1,020,972)
Exploration and evaluation assets	24,899,380	23,527,032	20,807,245	19,920,805
Total assets	41,379,869	41,849,838	42,255,341	43,039,243
Loss per share	(0.01)	(0.01)	(0.00)	(0.01)

Three months ended March 31, 2023

The Company's loss for the three months ended March 31, 2023, totaled \$557,781 (\$0.00 per share) as compared to a loss \$1,200,912 (\$0.01 per share) for the three months ended March 31, 2022.

Expense details are as follows:

- a) Investor Relations fees of \$109,765 (2022 - \$91,416) – Investor relations fees reflect the cost of services for consultants engaged to provide media and investor relations services.
- b) Legal and audit fees of 25,288 (2022 – \$31,808) – Accounting and audit fees reflect accrued expenses for the Company's annual external audit and income tax preparation. Legal fees relate to general corporate matters.
- c) Management and consulting fees \$206,560 (2022 – \$166,661) - The amount reflects management fee as well as fees paid to consultants engaged by the Company in the current period.
- d) Share-based compensation of \$337,847 (2022 – \$855,281) – The stock based-compensation expense is primarily affected by the number of options granted and vesting during the period, the strike price at grant date and stock-price volatility calculations used in the Black-Scholes option pricing model.

Nine months ended March 31, 2023

The Company's loss for the nine months ended March 31, 2023, totaled \$1,996,541 (\$0.01 per share) as compared to a loss \$2,909,401 (\$0.01 per share) for the nine months ended March 31, 2022.

Expense details are as follows:

- a) Investor Relations fees of \$329,057 (2022 - \$439,884) – The decrease is a result of a consultant that was not engaged to provide media and investor relations services in the current fiscal year.
- b) Legal and audit fees of \$297,280 (2022 – \$230,344) – Accounting and audit fees reflect accrued expenses for the Company's annual external audit and income tax preparation. Legal fees relate to general corporate matters and the litigation costs with respect to the Tepal project.
- c) Management and consulting fees \$610,539 (2022 – \$487,296) - The changes reflect management fee as well as fees paid to consultants engaged by the Company in the current period.
- d) Share-based compensation of \$832,351 (2022 – \$1,449,623) – The stock based-compensation expense is primarily affected by the number of options granted and vesting during the period, the strike price at grant date and stock-price volatility calculations used in the Black-Scholes option pricing model.

Value added tax (VAT)

The Company, through its wholly-owned subsidiaries in Mexico, has a total of \$3,132,652 in VAT receivable as of March 31, 2023 (2022 – \$2,130,412).

Outstanding Share Data

As at the date of this MD&A, the Company has 229,002,219 shares issued and outstanding, 10,852,400 shares issuable under stock options, 20,392,738 shares issuable under share purchase warrants, 672,391 shares issuable under compensation options, and 406,252 shares issuable under RSU. The fully diluted outstanding share count at the date of this MD&A is 261,326,000.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at March 31, 2023 or as of the date of this report.

Related Party Transactions

Related party personnel are those who have the authority and responsibility for planning, directing, and controlling activities of the Company directly or indirectly. Related parties include the Board of Directors, officers, close family members and entities that are controlled by these individuals.

At March 31, 2023, accounts payable and accrued liabilities included \$174,588 (June 30, 2022 - \$250,396) payable to directors, officers and companies controlled or related to directors and/or officers. Amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.

During the period ended March 31, 2023, related party transactions include the following payments:

	PERIOD ENDED	
	MARCH 31,	
	2023	2022
Management and consulting fees ⁽¹⁾	\$ 908,889	\$ 970,932
Share-based payments ⁽²⁾	227,464	1,449,623
	<u>\$ 1,136,353</u>	<u>\$ 2,420,555</u>

(1) Included in management and consulting fees was \$641,170 (June 30, 2022 - \$954,100) capitalized as exploration and evaluation assets.

(2) Share-based compensation expense is the fair value of options, RSUs, DSUs, and PSUs granted which have been calculated as disclosed in Note 9.

Proposed Transactions

At the present time, there are no new proposed transactions that should be disclosed.

Significant Accounting Policies

The preparation of the financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements at June 30, 2022.

Risks and Uncertainties

Investment Considerations and Risk Factors

An investment in securities of the Company involves a high degree of risk and must be considered highly speculative due to the nature of the Company's business and the present stage of exploration and development of its properties. In addition to information set out or incorporated by reference in this MD&A, prospective investors should carefully consider the risk factors set out below. Any one of such risk factors could materially affect the Company's financial condition and future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Exploration and Mining Risks

Resource exploration and development and mining operations are highly speculative and characterized by a number of significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but from finding mineral deposits which, though present, are insufficient in quantity and quality to be mined profitably. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development programs will result in any discoveries of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered, a mineral property will be brought into commercial production.

Substantial expenditures are required to establish and upgrade mineral resources, to establish mineral reserves, to develop metallurgical processes to extract metals from mineral resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that the funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size and grade; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Unsuccessful exploration and development programs could have a material adverse impact on the Company's operations and financial condition.

Factors beyond the Company's Control

The mining exploration business is subject to a number of factors beyond the Company's control including changes in economic conditions, intense industry competition, variability in operating costs, changes in government and in rules and regulations of various regulatory authorities. An adverse change in any one of such factors would have a material adverse effect on the Company, its business and results of operations which might result in the Company not identifying a body of economic mineralization, completing the

development of a mine according to specifications in a timely, cost-effective manner or successfully developing mining activities on a profitable basis.

Uncertainty in the Estimation of Mineral Resources

The figures for mineral resources contained in this MD&A are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved. Actual resources may not conform to geological, metallurgical, or other expectations, and the volume and grade may be below the estimated levels.

There are numerous uncertainties inherent in estimating mineral resources and reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. If the Company's actual mineral resources and reserves are less than current estimates, or if the Company fails to develop its resource and reserve base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected.

Re-evaluation of resources occurs from time to time, and they may change depending on further geological interpretation, drilling results and metal prices. The category of inferred resource is often the least reliable resource category and is subject to the most variability. The Company regularly evaluates its resources, and it often determines the merits of increasing the reliability of its overall resources.

Reliance on Independent Contractors

The Company's success depends to an extent on the performance and continued service of certain independent contractors. The Company has contracted the services of professional drillers and others for exploration, environmental, engineering, and other services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on the Company, its business and results of operations and result in the Company failing to meet its business objectives. Nevertheless, the Company will continue to rely upon the advice and work of consultants and others for exploration, development, construction, and operating expertise.

Write downs and Impairments

Mining interests are the most significant assets of the Company and represent capitalized expenditures related to the development of the Company's Projects and related plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with the property are allocated to exploration and evaluation assets and include acquired interests in the exploration stage property representing the fair value at the time the property was acquired. The value of such mineral property is primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in the property to which they relate.

The Company reviews and evaluates its mining interests for impairment on a quarterly basis or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable, which becomes more of a risk in the global economic conditions that exist currently. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets.

An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating mineral resources. Differences between management's assumptions and market conditions could have a material effect on the future on the Company's financial position and results of operation.

In addition, with a weaker global economy, there is a larger risk surrounding inventory levels. The assumptions used in the valuation of work in process inventories by the Company include estimates of minerals recovered, assumptions of the amount of minerals that will be crushed for concentrate, assumptions of the amount of minerals in these mill circuits and an assumption of the mineral prices expected to be realized when the minerals are recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its work in process inventories, which would reduce the Company's earnings and working capital.

Foreign Operations

The Company's mineral exploration and development operations are currently conducted in the foreign jurisdictions of Mexico, and, as such, the Company's operations are exposed to various levels of political, economic, regulatory and other such risks and uncertainties as military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war, violence, terrorism or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in fiscal regimes, changes in royalty and taxation policies; uncertainty regarding enforceability of contractual rights and judgments; restrictions on foreign exchange and repatriation; changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

In the past, Mexico has been subject to political instability, changes, and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. Mexico's status as a developing country may make it more difficult for the Company to obtain any required financing for its projects.

The Company's operations and property are subject to a variety of governmental regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters.

The Company's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company's activities or the maintenance of its properties.

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Company's operations and financial condition. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and financial condition.

Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities on the Company's property or in respect of any other projects in which the Company becomes involved. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties, or other liabilities.

Title Risks

Although the Company believes that it has taken reasonable measures to ensure that title to the Company's properties are held by the Company, including obtaining title opinions, there is no guarantee that title to any of the claims comprising the Company's property will not be challenged or impaired.

The Company's properties may be subject to prior unregistered agreements, interests or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of any of the claims comprising the Company's property that, if successful, could impair development or operations. A defect could result in the Company losing all or a portion of its right, title, estate and interest in and to the property to which the title defect relates.

Additional Funding Required

Further exploration on, and development of, the Company's projects, will require significant additional financing. Accordingly, the continuing development of the Company's property will depend upon the Company's ability to obtain financing through equity financing, debt financing, the joint venturing of projects or other external sources. Failure to obtain sufficient financing may result in a delay or an indefinite postponement of exploration, development, or production on the Company's property, or even a loss of property interest, or have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition or result in the substantial dilution of its interests in its property. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Debt financing will expose the Company to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that the Company will be successful in overcoming these risks or any other problems encountered in connection with such financings. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company has and will continue to have negative operating cash flow until one of the properties commences commercial production should exploration and development efforts demonstrate that commercial production from such mineral property is feasible.

Global Financial Conditions

Current global financial conditions have been subject to increased volatility. The Company is exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities or equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the common shares could be adversely affected.

Fluctuations in Metal Prices and Currencies

The Company raises its equity in Canadian dollars and maintains its accounts in Canadian dollars. Foreign expenditures by the Company are subject to foreign currency fluctuations which may materially and adversely affect the Company's financial operations. The Company does not engage in any hedging or other transactions to protect itself against such currency fluctuations.

Market Price of Common Shares

The trading price of the Company's common shares is likely to be significantly affected by short term changes in mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the common shares include the following: the extent of analytical coverage available to investors concerning the Company's business; the lessening in trading volume and general market interest in the Company's securities (which may affect an investor's ability to trade significant numbers of common shares); and the price of the common shares and size of the Company's public float (which may limit the ability of some institutions to invest in the Company's securities).

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company could be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution to Common Shares

During the life of the Company's outstanding common share purchase warrants, as well as options and other rights granted or assumed by the Company, if any, the holders are given an opportunity to profit from a rise in the market price of the common shares. The Company's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the common shares. The holders of common share purchase warrants, options and other rights of the Company may exercise such securities at a time when the Company would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights.

The increase in the number of common shares in the market and the possibility of sales of such shares may have a depressive effect on the price of the common shares. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be diluted.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of common shares in the public markets could decrease the trading price of the common shares and impair the Company's ability to raise capital through future sales of common shares.

Volatility of Share Price

The price of the shares of resource companies tends to be volatile, as has been particularly evidenced during recent economic crisis and price volatilities in the commodity markets. The market price of the Company's common shares has experienced wide fluctuations which may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Fluctuations in the market price for precious metals and other elements which are beyond the control of the Company could materially affect the price of the securities of the Company.

Future Profits or Losses and Production Revenues and Expenses

There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses, and capital expenditures may increase in subsequent years as required consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties and any other properties that the Company may acquire are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, if any, and the Company's acquisition of additional properties, in addition to other factors, many of which are beyond the Company's control.

The Company expects to incur expenditures and losses unless and until such time as the Company's current property or future properties may achieve a sufficient level of commercial production and revenues to fund continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability, nor can there be any assurance that the underlying assumed levels of expenses will prove to be accurate.

Labour and Employment Matters

While the Company has good relations with its employees, its operations are dependent upon the efforts of its employees. In addition, relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's operations and financial condition.

Acquisitions and Integration

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material orebody may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Competition

The Company's business is intensely competitive in all of its phases and the Company will compete with other mining companies for natural resource acquisition opportunities, many of which have greater resources and technical facilities than the Company. Competition in the mining industry is primarily for mineral rich properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the skilled labour to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals, but also conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable to (i) acquire desired properties, (ii) recruit or retain qualified employees or (iii) raise or generate the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources could have a material adverse effect on its operations, financial condition, and trading price of the securities of the Company.

Loss of Key Employees

The Company depends on the business and technical expertise of a number of key personnel, including its directors and executive officers and key personnel working full-time in management and administrative capacities or as consultants. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's exploration and development activities expand, it will require additional key personnel. The Company does not maintain life insurance for such personnel. The loss of any key personnel, or the failure to retain such personnel, could have a material adverse effect on the Company's operations and financial condition.

Environmental Regulations

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions 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 the imposition of fines and penalties. In addition, 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. Future legislation and regulations could cause additional expenses, capital expenditures, restrictions, liabilities, and delays in the development of the Company's properties, the extent of which cannot be predicted. 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.

Litigation and Tax Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

The Company conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price. In addition, the use of foreign subsidiaries could give rise to tax risks and obligations for the Company.

Enforcement of Civil Liabilities

Two directors of the Company reside outside of Canada and, similarly, a majority of the assets of the Company are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the director not residing in Canada. It may also not be possible to enforce against the Company and certain of its directors and officers' judgments obtained in Canadian courts.

Operating Hazards and Risks

Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, pit-wall failures, cave-ins, seismic activity, rock bursts, pollution, accidents relating to historical workings, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are several of the hazards and risks involved in the operation of mines and the conduct of exploration programs, any of which could result in damage to or destruction of mines and other producing facilities, personal injury or death, damage to property, environmental damage and possible legal liability for any or all damage.

Any future milling operations will be subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

The Company maintains insurance against risks in the operation of its business in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage and the Company's insurance may not cover all potential risks associated with a company with operations of the nature of those of the Company. There can be no assurance that any such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk. Losses resulting from any uninsured events may cause the Company to incur significant costs that could have a material adverse effect on the Company's operations and financial condition.

Infrastructure

Mining, development, and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and financial condition.

No History of Dividends

Investors cannot expect to receive a dividend on their investment in the foreseeable future, if at all. Accordingly, it is likely investors will not receive any return on their investment in the Company's securities other than possible capital gains.

Activities of the Company may be impacted by the spread of COVID-19

The Company's business could be significantly and adversely affected by the effects of the Covid-19 pandemic, which is a widespread global outbreak of a contagious disease-causing respiratory illness. The Company cannot accurately predict the impact the Covid-19 pandemic will have on either the Company's operations or on third parties' abilities to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine and economic restrictions imposed by governments of affected countries. In particular, the continued spread of the Covid-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions to planned drill programs, and other factors that will depend on future developments beyond the Company's control. In addition, a significant outbreak of a contagious disease such as Covid-19 in the human population generally could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could negatively impact the Company's operating results, its ability to conduct exploration programs, and its ability to raise capital.

Conflicts of Interest

Certain directors and officers of the Company are also directors or officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing, and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Directors and officers with conflicts of interests will be subject to, and will follow the procedures set out in, applicable corporate and securities legislation. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the Company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the risk to which the Company may be exposed and its financial position at that time.

These risk factors could materially affect the Company's future results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Certain statements contained in this document constitute "forward-looking" statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.

Disclosure For Venture Issuers Without Significant Revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended June 30, 2022, to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company is disclosed in the consolidated financial statements for the year ended June 30, 2022, to which this MD&A relates.

Contingencies

The Company was named in a lawsuit filed in October 2020 (the "Action") by Avalos y Abogados, S.C. ("Avalos"), former legal counsel for Minera Santa Remy S.A. de C.V. ("Santa Remy"), which resigned as legal counsel in January 2020. Avalos seeks to recover an alleged debt owing under invoices issued to Santa Remy. In conjunction with the lawsuit, a prejudgment garnish order was served on the Company which resulted in \$388,560 being held by the BC Supreme Court pending the outcome of the lawsuit. The total claim made by

Avalos is \$388,480. This amount has been recorded in the records of the Company. The Board of Directors retained legal counsel and intends to vigorously defend the Action.

During the year ended June 30, 2022, the Company had certain mineral concession from its Tepal Project transferred to a third-party individual without the Company's knowledge or consent. The Company expects to incur approximately \$400,000 USD over the course of the litigation proceedings.

Internal Controls Over Financial Reporting

Changes in Internal Control over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

Management's Responsibility For Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Other MD&A Requirements

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.

Recent Accounting Policies

Please refer to the June 30, 2022, Audited consolidated financial statements on www.sedar.com.

Financial Instruments

Please refer to the June 30, 2022, Audited consolidated financial statements on www.sedar.com