

MERCADO MINERALS LTD.
(formerly Heartfield Mining Corp.)
Management Discussion and Analysis
For the nine month period ended November 30, 2024

The Management Discussion and Analysis (“MD&A”), prepared January 14, 2025 should be read in conjunction with the audited financial statements and notes thereto for the year ended February 29, 2024, and the interim financial statements for the nine month period ended November 30, 2024, of Mercado Minerals Ltd. (“Mercado” or the “Company”) which were prepared in accordance with IFRS Accounting Standards.

This MD&A may contain forward-looking information (as such term is defined under applicable securities laws) in respect of various matters including upcoming events. The results or events predicted in this forward-looking information may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

Heartfield was formed on March 24, 2021 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is Suite 615 - 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. On November 8, 2024 the Company changes its name to Mercado Minerals Ltd.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at November 30, 2024, the Company holds an interest in an early stage mineral exploration property and the Company had not yet determined whether the Company’s mineral property asset contains a deposit of minerals that is economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainty casts significant doubt upon the Company’s ability to continue as a going concern.

The Company had a deficit of \$686,108 as at November 30, 2024 which has been funded by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. The financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the financial statements.

EXPLORATION PROJECT

Exploration and evaluation assets are as follows:

	Porter Property
Acquisition Costs	
Balance, February 28, 2022	\$ 6,000
Additions – cash	6,000
Additions – shares	30,000
Balance, February 28, 2023	42,000
Additions – shares	60,000
Balance, February 29, 2024 and November 30, 2024	\$ 102,000
Exploration Costs	
Balance, February 28, 2022	\$ 85,957
Reports, surveying and sampling	78,738
Balance, February 28, 2023	164,695
Reports, surveying and sampling	45,272
Balance, February 29, 2024	209,967
Additions	465
Balance at November 30, 2024	\$ 210,432

Porter Property option

On March 24, 2021, the Company entered into a Purchase Option Agreement (the "Agreement") with an arms-length party (the "Optionor"). Pursuant to the Agreement, the Company has an option to acquire 100% interest in five mineral claims known as Porter Property located near Port Alberni on Vancouver Island, British Columbia, Canada (the "Claims") from the Optionor.

Under the terms of the Agreement, the Optionor has granted the Company the option to acquire all rights, title and interest within five kilometers of the five mineral claims. In addition, the Claims are subject to Net Smelter Return Royalty of 1.5% which can be purchased at any time for \$1,500,000 by the Optionee.

Under the Agreement, the Company will make cash payments totaling \$40,000 and issue 300,000 common shares as follows:

- made a cash payment of \$6,000 ("Initial Payment") upon execution and delivery of this agreement (paid);
- make a further cash payment of \$6,000 and issue 300,000 common shares on the date upon which the common shares are listed on a stock exchange in Canada ("Listing date") (paid and issued); and
- make a further cash payment of \$28,000 within 18 months of the Listing date.

On April 5, 2023, the Company entered into a purchase agreement to acquire the El Medio claim, which is contiguous to the Company's Porter Property, 30 kilometres west of Port Alberni, BC. In consideration for the El Medio claim, the Company issued 1,500,000 common shares of the Company to the vendor, who will retain a 1.5% net smelter returns royalty, which can be purchased by the Company at any time for a cash payment of \$1,500,000.

SELECTED ANNUAL INFORMATION

	February 29, 2024	February 28, 2023	February 28, 2022
Revenue	\$ 0	\$ 0	\$ 0
Net Loss	\$ (190,664)	\$ (214,211)	\$ (122,843)
Basic and Diluted Loss Per Share	\$ (0.01)	\$ (0.02)	\$ (0.02)
Total Assets	\$ 321,201	\$ 326,046	\$ 154,187
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

OPERATIONS**The three month period ended November 30, 2024**

During the period ended November 30, 2024 the Company reported a net loss of \$69,969 (2023 – \$63,160). Included in the determination of operating loss was \$24,500 (2023 - \$10,500) on management fees, \$6,611 (2023 - \$3,537) on office and miscellaneous, \$18,529 (2023 - \$39,122) on professional fees, \$432 (2023 - \$Nil) on travel and promotion, \$5,665 (2023 - \$2,897) on transfer agent and filing fees, \$2,282 (2023 - \$Nil) on investor relations, \$4,500 (2023 - \$Nil) on project evaluation, and \$7,450 (2023 - \$7,104) on occupancy costs.

The nine month period ended November 30, 2024

During the period ended November 30, 2024 the Company reported a net loss of \$158,390 (2023 – \$155,222). Included in the determination of operating loss was \$45,500 (2023 - \$31,500) on management fees, \$9,908 (2023 - \$3,556) on office and miscellaneous, \$50,281 (2023 - \$75,957) on professional fees, \$432 (2023 - \$1,721) on travel and promotion, \$16,935 (2023 - \$11,952) on transfer agent and filing fees, \$2,282 (2023 - \$Nil) on investor relations, \$4,500 (2023 - \$Nil) on project evaluation, and \$28,552 (2023 - \$30,536) on occupancy costs.

SUMMARY OF QUARTERLY RESULTS

(\$000's except earnings per share)

	November 30, <u>2024</u>	August 31, <u>2024</u>	May 31, <u>2024</u>	February 29, <u>2024</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (70)	\$ (42)	\$ (46)	\$ (36)
Basic and diluted Loss per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)

	November 30, <u>2023</u>	August 31, <u>2023</u>	May 31, <u>2023</u>	February 28, <u>2023</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (63)	\$ (47)	\$ (45)	\$ (59)
Basic and diluted Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash at November 30, 2024 was \$69,071.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company had incurred the following key management personnel costs from related parties:

	2024	2023
	\$	\$
Management fees	45,500	31,500

Key management includes directors and key officers of the Company, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") and family members that are considered related to key management.

Included in accounts payable is \$37,371 (2023 – \$14,700) owed to directors and a company controlled by a director.

COMMITMENTS

The Company does not have any significant commitments.

SUBSEQUENT EVENTS

Subsequent to November 30, 2024 the Company completed a private placement of 8,105,000 units at \$0.15 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.15 for a period of two years expiring December 23, 2026. The Company paid a cash finder fee of \$18,235 and issued 147,350 finders share purchase warrants.

CRITICAL ACCOUNTING ESTIMATES

Refer to the audited financial statements for the year ended February 29, 2024 for critical accounting estimates.

FINANCIAL INSTRUMENTS

International Financial Reporting Standards 13, Fair Value Measurement, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments

The Company's financial asset is cash which is classified as FVTPL and is measured at Level 1 of the fair value hierarchy. The carrying value of the Company's financial liability (accounts payable) approximates its fair value due to the relatively short period to maturity of that instrument.

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. These risks are generally outside the control of the Company. The objective of the Company is to mitigate market risk exposures within acceptable limits. The Company's market risk consists of risks from changes in currency exchange rates, interest rates and other market prices that affect its financial instruments. It is management's opinion that the Company is not exposed to material currency risk, interest rate risk or other price risk. The Company's exposure to and management of market risk has not changed materially from that of the prior year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution. The Company's exposure to and management of credit risk has not changed materially from that of the prior year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at November 30, 2024, the Company has cash of \$69,071 to settle accounts payable of \$85,773. The Company's management of liquidity risk has not changed materially from that of the prior year.

SHARE CAPITAL

Issued

The Company has 23,966,001 common shares issued and outstanding as at November 30, 2024 and 32,071,001 as at January 14, 2025.

Share Purchase Options

The Company has Nil stock options outstanding at November 30, 2024 and January 14, 2025.

Warrants

The Company had 3,666,000 share purchase warrants outstanding at November 30, 2024 and 11,771,000 as at January 14, 2025.

Escrow Shares

The Company has 750,001 common shares held in escrow as at November 30, 2024 and January 14, 2025.