Management's Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2021

RANCHEROGOLD

(FORMERLY MELIOR RESOURCES INC.)

Dated April 25, 2022

RANCHERO GOLD CORP.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Year Ended December 31, 2021

This Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations of Ranchero Gold Corp. ("**Ranchero**" or the "**Company**") constitutes management's review of the Company's financial and operating performance for the year ended December 31, 2021 and the Company's financial condition and future prospects. Except as otherwise noted, this MD&A is dated April 25, 2022 and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2021. All dollar amounts included therein and in the following MD&A are in Canadian dollars except where noted.

Additional information on the Company can be found on SEDAR at www.sedar.com.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A is intended to help the reader understand Ranchero, its operations, financial performance, current and future business environment and opportunities and risks facing the Company. Certain statements in this report incorporate forward looking information and readers are advised to review the cautionary note regarding such statements in Appendix 1 of this MD&A.

Overview – Strategy - Description of Business

Ranchero is a TSX Venture Exchange listed exploration-stage company focusing on its core concessions in Mexico's Sierra Madre Occidental.

The Company was formerly known as Melior Resources Inc ("Melior"), and the Company changed its name on October 7, 2021 as part of an amalgamation agreement with the private entity, Ranchero BC Holding Corp ("RHC").

In accordance with the terms of this transaction, the Company acquired all of the issued and outstanding securities of RHC by way of a three-cornered amalgamation in accordance with the terms and conditions of the amalgamation agreement. The transaction constituted a reverse takeover of the Company by RHC pursuant to Policy 5.2 of the Corporate Finance Manual of the TSX Venture Exchange, as following the closing of the transaction, the former shareholders of RHC own a majority of the outstanding common shares of the Company.

As a condition to closing of the transaction, the Company settled its debt of approximately $35.5 million owing to Pala Investments Limited ("Pala") through the conversion of approximately $32.0 million of the outstanding indebtedness into an aggregate of 6,449,759 common shares of Melior, and Pala forgave the remaining indebtedness of approximately $3.5 million pursuant to the terms of a debt settlement agreement between Pala and Melior.

RHC previously completed a private placement of an aggregate of 9,561,613 subscription receipts, at a price of $0.55 per subscription receipt, to raise aggregate gross proceeds of $5,258,887.

Santa Daniela

The Santa Daniela concession package in the Sierra Madre Occidental ("SMO") gold district of Sonora, Mexico. Exploration work by previous operators on this 22,267-hectare property has identified a number of new prospects, chief among them is Maíz Azul. Previous drilling at the Maíz Azul prospect intercepted significant gold mineralization including 37 meters of 1.56 g Au/t. Additionally, field mapping and sampling by Ranchero in 2020 has identified three principal near-term drill targets. No historical resource estimates have been presented for Maíz Azul or other prospects on the Santa Daniela concessions.

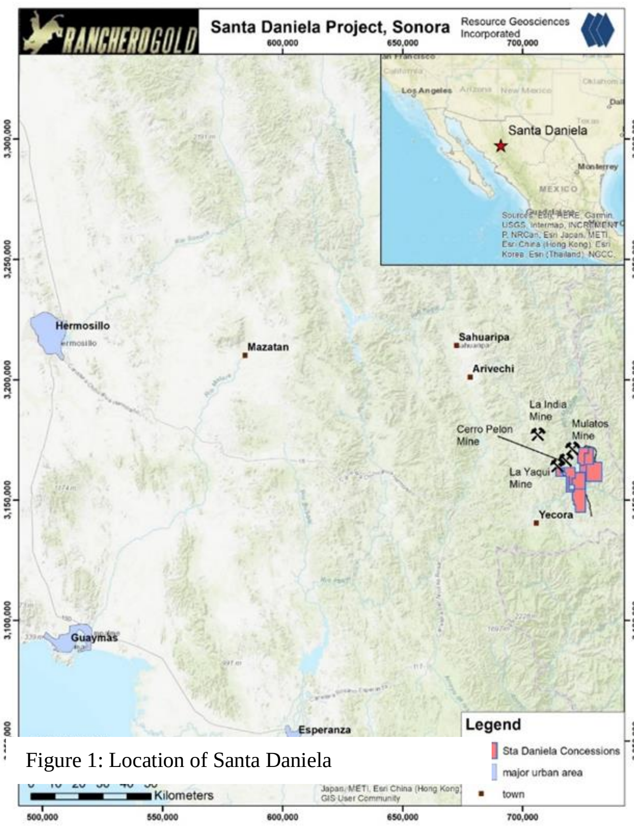

Figure 1: Location of Santa Daniela

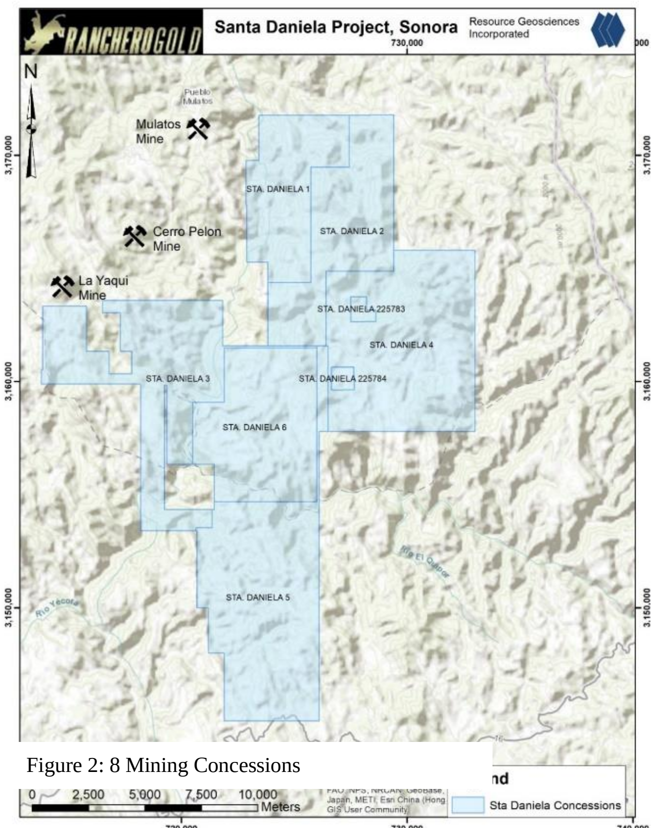

Figure 2: 8 Mining Concessions

COMPANY HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2021

During the year ended December 31, 2021, the Company:

- Completed the reverse takeover transaction ("RTO") between Melior and RHC and completed the concurrent financing, raising gross proceeds of $5,258,887 through the issuance of 9,561,613 common shares of the Company.
- Filed a filing statement dated September 30, 2021 on SEDAR under its profile relating to the RTO.
- Filed a technical report regarding the Santa Daniela property titled "CSA NI 43-101 Technical Report on the Santa Daniela Gold Project, Municipios of Sahuaripa and Yecora, Sonora, Mexico" with an effective date of August 24, 2020 (the "Technical Report").
- Completed all field studies and identified new drill targets for a planned 2021 drilling campaign.
- Prepared all drill roads and platforms required for Phase I drilling.
- Began a Phase I, 3000-meter exploration program at Maíz Azul.
- Has an on-going reconnaissance program for the full Santa Daniela concession.

Subsequent to the year ended December 31, 2021, the Company completed its Phase I drill program at Santa Daniela with total diamond core drilling of 3,112 meters which exceeded the Company's original planned drill program due to continued exploration success. Results include:

- All 16 completed drill holes intersected gold mineralization confirming widespread mineralization at Maíz Azul.

- Near surface drill results included:
    1) 4.0 g/t gold over 31.5 meters (MA 22-10);
    2) 1.2 g/t gold over 21.2 meters (MA 21-14);
    3) 1.2 g/t gold over 15.6 meters (MA 22-25); and
    4) 1.1 g/t gold over 21.0 meters (MA 21-11).

EXPLORATION REVIEW

The Santa Daniela project lies within the SMO, in Mexico. This is a regionally extensive Tertiary-age volcanic field that hosts gold mineralization at many near-by mines including Alamos Gold's Mulatos gold mining complex. Most significant metal occurrences in the SMO are hosted by rocks known as the Lower Series volcanic unit or the underlying Mesozoic strata. These units are exposed in the Santa Daniela claim block most notably at Maíz Azul area.

Drilling by previous operators encountered sub-surface gold mineralization. Ranchero geologists interpret the historic and its own 2020 work as indicating an epithermal gold occurrence. Recently, detailed mapping has determined three parallel alteration zones. These are also coincident with surface rock gold mineralization. Ranchero began testing two of the alteration zones, known as La Colmena and La Cascada, by diamond-core drilling. A third zone, called the X Structure, will be tested in the future. Reconnaissance mapping and sampling is also being conducted on all areas identified by the regional alteration study to determine new prospects on the full claim block.

MEXICO EXPLORATION

The Company has 22,267 hectares of mineral concessions in the SMO region of eastern Sonora, Mexico. These are valid until 2055 and 2057 and bestow the right to explore for and mine gold, silver and other metals. The Company operates through its 100%-owned subsidiary, Minera y Metalurgia Paika S.A. de C.V. ("Paika"), and is based in Hermosillo, Sonora, Mexico.

OUTLOOK

During October 2021 Ranchero began a new campaign to test drill targets in the Maíz Azul Area. An initial program of approximately 3,000 meters began to test the La Colmena and La Cascada targets. A subsequent Phase II drill campaign is planned.

The Company has not commenced commercial operations. It has no known resources or reserves. At present, the Company has no current operating income. Without additional financing, the Company may not be able to fund its ongoing operations and complete its development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

At the time this MD&A was prepared the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of this MD&A, there may be further significantly adverse impacts on the Company's financial position and results of operations for future periods if the pandemic is not successfully contained or the effects of which are not mitigated.

The Company's need to raise sufficient working capital to maintain operations and the uncertainty surrounding COVID-19, casts significant doubt on the Company's ability to continue as a going concern.

GENERAL DEVELOPMENT OF BUSINESS

Name Change and Consolidation

On October 7, 2021, the Company and 1274169 B.C. Ltd. were amalgamated as one company under the name Ranchero BC Holding Corp.

On October 7, 2021, the Company completed a name change from Melior Resources Inc. to Ranchero Gold Corp. in conjunction with the closing of the transaction.

Reverse Takeover Transaction

The Company completed the acquisition of all the issued and outstanding shares of a private company, Ranchero BC Holding Corp. through an RTO. Upon completion of the RTO, the shareholders of Ranchero BC Holding Corp. obtained control of the consolidated entity. Accordingly, Ranchero BC Holding Corp. was identified as the acquirer for accounting purposes, and the consolidated entity is considered to be a continuation of Ranchero BC Holding Corp, with the net assets of Melior Resources Inc. at the date of the RTO deemed to have been acquired by Ranchero BC Holding Corp. At the date of acquisition, Melior did not meet the definition of a business as there were no substantive processes in place and as a result the acquisition is treated as an issuance of shares by Ranchero for the net liabilities of Melior. The consolidated financial statements for the year ended December 31, 2021, include the results of operations of Ranchero BC Holding Corp. from January 1, 2021 and of Melior from October 7, 2021, the date of the RTO. The comparative figures are those of Ranchero BC Holding Corp.

The net liabilities acquired were as follows:

Consideration paid:		
Deemed issuance of 7,875,000 common shares	$	4,331,250
Transaction costs		487,777
		4,819,027
Identifiable net liabilities acquired:		
Cash		1,907
Accounts receivable		31,101
Accounts payable and accrued liabilities		(596,208)
		(563,200)
Reverse takeover expense	$	5,382,227

Debt Settlement and Success Fee

As a condition to closing of the amalgamation, Melior settled its debt of approximately $35.5 million owing to Pala through the conversion of approximately $32.0 million of the outstanding indebtedness into an aggregate of 6,449,759 common shares of Melior and Pala forgave the remaining indebtedness of approximately $3.5 million pursuant to the terms of a debt settlement agreement between Pala and the Company.

As Pala was a control person of the Company prior to the amalgamation, the debt settlement was a related party transaction pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company relied on the financial hardship exemptions from valuation and minority approval contained in sections 5.5(g) and 5.7(e) of MI 61-101. The debt settlement was unanimously approved by the board of directors of the Company. Prior to the debt settlement and amalgamation, Pala owned 47.3% of the issued and outstanding shares of the Company, and following the debt settlement and amalgamation, Pala owns approximately 11.6% of the issued and outstanding shares of the Company. The Company also issued an aggregate of 510,154 common shares of the Company, on a post-consolidation basis, to LACG Capital Inc. ("LACG") in consideration for LACG's assistance in introducing Ranchero to the Company.

The common shares of the Company issued to Pala and LACG are subject to a hold period expiring on February 8, 2022, and the shares issued to Pala are also subject to a TSXV Form 5D – Escrow Agreement.

Financing

During the year ended December 31, 2021, the Company completed a brokered and non-brokered private placement for the Melior amalgamation (the "Concurrent Financing") of 9,561,613 subscription receipts of Ranchero (each, a "Subscription Receipt") at a purchase price of $0.55 per Subscription Receipt for aggregate gross proceeds of $5,258,887. A total amount of 9,561,613 Subscription Receipts and 741,611 Corporate Finance Subscription Receipts are outstanding. Each Subscription Receipt and Corporate Finance Subscription Receipt were automatically converted to one common share of the Company upon the completion of the RTO.

In consideration for the services performed by Haywood Securities Inc. (the "Agent") and certain finders in connection with the concurrent financing, finder's fees of $192,087 cash, applicable taxes payable and expenses of the Agent are held in escrow pursuant to the Subscription Receipt Agreement and will be released upon satisfaction of certain escrow release conditions and 10,400 broker warrants (each, a "Broker Warrant") and 308,693 finders warrants (each, a "Finder Warrant").

Each Broker Warrant and Finder Warrant were exchanged for one warrant of the Company on completion of the RTO, which will entitle the holder thereof to acquire one of the Company's common shares at an exercise price of $0.55 per common share for a period of 24 months from the closing of the RTO.

Following the completion of the RTO, the Board of Directors ("Board") of the Company has been reconstituted to consist of Martyn Buttenshaw, Gustavo Mazón, Steven Ristorcelli and William Pincus. Management of the Company has been reconstituted to consist of William Pincus as President and CEO and Ranbir Sall as CFO and Corporate Secretary.

On October 8, 2022, the Company's common shares began trading on the TSX Venture Exchange under the symbol "RNCH".

On January 10, 2022, the Company appointed Brian Szeto as President of the Company.

On March 10, 2022, Steven Ristorcelli resigned as a Director of the Company. Chris Bradbrook and Brian Szeto, the Company's President, were appointed to its Board of Directors.

On March 10, 2022, the Company appointed Steven Ristocelli and Ken Balleweg to its Technical Advisory team.

On April 7, 2022, Ranchero completed its Phase I drill program at Santa Daniela with total diamond core drilling of 3,112 meters which exceeded the Company's original planned drill program due to continued exploration success.

Results include:

- All 16 completed drill holes intersected gold mineralization confirming widespread mineralization at Maíz Azul.

- Near surface drill results included:
    5) 4.0 g/t gold over 31.5 meters (MA 22-10);
    6) 1.2 g/t gold over 21.2 meters (MA 21-14);
    7) 1.2 g/t gold over 15.6 meters (MA 22-25); and
    8) 1.1 g/t gold over 21.0 meters (MA 21-11).

- Expansion of the combined mineralized footprint at La Colmena and La Cascada to 500 meters by 550 meters where mineralization remains open in all directions.

Qualified Person

William Pincus, Ranchero's Chief Executive Officer, is a Fellow - Society of Economic Geologists and a Certified Professional Geologist - American Institute of Professional Geologists and is a Qualified Person as defined by NI 43-101 *Standards of Disclosure for Mineral Projects,* has reviewed and has approved the disclosure of the technical information in the MD&A regarding the Company's projects.

Trends

There are significant uncertainties regarding the prices of precious and base metals and the availability of equity financing for the purposes of mineral exploration and development. For instance, the prices of gold, silver and other minerals have fluctuated widely in recent years and wide fluctuations may continue. Management is not aware of any trends, commitments, events or uncertainties that could reasonably be expected to have a material adverse effect on the Company's business, financial condition or results of operations.

FINANCIAL RESULTS OF OPERATIONS

SELECTED FINANCIAL INFORMATION

The following selected financial data is derived from the consolidated financial statements prepared in accordance with IFRS:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Total revenue	$Nil	$Nil
Loss from operations	$(1,148,420)	$(294,775)
Reverse takeover expense	$(5,382,227)	$(195,900)
Net loss and comprehensive loss	$(6,530,647)	$(410,038)
Loss per common share, basic and diluted	$(0.13)	$(0.02)
Total assets	$5,430,991	$1,642,979

QUARTERLY FINANCIAL RESULTS

Quarter Ended	2021 Dec. 31	2021 Sep. 30	2021 Jun. 30	2021 Mar. 31
General and administrative expenses	$ 333,442	$ 427,323	$ 230,966	$ 156,689
Reverse takeover expenses	5,382,227	-	-	-
Net loss for the period	(5,715,669)	(427,323)	(230,966)	(156,689)
Net loss per share basic	(0.12)	(0.01)	(0.00)	(0.00)

Quarter Ended	2020 Dec. 31	2020 Sep. 30	2020 Jun. 30	2020 Mar. 31
General and administrative expenses	$ 22,947	$ 92,108	$ 179,720	$ -
Reverse takeover expenses	65,275	-	130,625	-
Net loss for the period	(88,222)	(92,108)	(310,345)	-
Net loss per share basic	(0.01)	(0.01)	(0.00)	(0.00)

The net loss for each quarter is primarily based on the amount of administration expenditures incurred. During the three months ended December 31, 2021, the Company incurred RTO expenses of $5,382,227 (2020 - 88,222) due to the RTO transaction when the Company pursued a business combination with Melior Resources Inc. and when Paika acquired Ranchero Gold Corp. through a reverse take-over.

The summary of quarterly results for quarters prior to March 31, 2020 has not been presented because the Company was inactive, and all reportable values were $Nil.

During the year the Company was gifted 100 of its own common shares. These common shares related to the incorporation of the Company and were originally issued to a director for nominal value.

On October 7, 2021, the Company completed the acquisition of Melior, pursuant to which the Company acquired all of the issued and outstanding shares of Melior for the deemed issuance of 7,875,000 common shares of the Company in the reverse takeover transaction.

On October 7, 2021, the Company completed a private placement for proceeds of $5,258,887, issuing 9,561,613 common shares at $0.55 per share. In consideration for the services performed by Haywood Securities Inc. (the “Agent”) and certain finders in connection with this private placement, finder’s fees of $192,087 cash and

10,400 broker warrants and 308,693 finders' warrants valued at $0.32 per warrant using the Black-Scholes option pricing model. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.55 per common share for a period of 24 months.

The following assumptions were used to measure the warrants: risk-free interest rate – 0.45%; expected volatility 115%; dividend yield – nil; expected life – 2 years; and share price - $0.55.

During the year ended December 31, 2021, the Company also issued 229,645 common shares at $0.55 per share for a total fair value of $126,305 to the Chief Executive Officer, for payment of his management fees.

During the year ended December 31, 2020, the Company also issued 166,666 common shares at $0.30 per share for a total fair value of US$50,000 ($63,715) to the Chief Executive Officer, for payment of his management fees.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2021

For the three months ended December 31, 2021, the Company had a loss of $5,715,669 or $0.12 per share compared to a loss of $88,222 or $0.01 per share in the comparative period. Ranchero incurred management fees of $87,040 (2020 – $66,537) for its CEO and CFO. Consulting fees of $327,015 (2020 - $Nil) and transfer agent and filing fees of $22,500 (2020 - $10,919) were related to costs associated to the financing and for filing fees. Professional fees of $4,228 (2020 - $65,152) were incurred for and legal and audit fees. Travel of $6,967 (2020 - $Nil) was due to the increased travel to Mexico by management for completion of the phase 1 drilling. Ranchero incurred $5,382,227 (2020 - $65,275) of transaction costs in the three months ended December 31, 2021, after the completion of the RTO business combination between Ranchero BC Holdings Corp and Melior.

Year Ended December 31, 2021

For the year ended December 31, 2021, the Company had a loss of $6,530,647 or $0.13 per share compared to a loss of $490,675 or $0.02 per share in the comparative period. Ranchero incurred management fees of $335,933 (2020 – $181,175) for its CEO and CFO. Consulting fees of $528,466 (2020 - $Nil) and transfer agent and filing fees of $39,486 (2020 - $11,640) were related to costs associated to the financing and for filing fees. Professional fees of $99,106 (2020 - $94,419) were incurred for and legal and audit fees. Travel of $6,967 (2020 - $Nil) was due to the increased travel to Mexico by management for completion of the phase 1 drilling. Financing fees of $17,409 (2020 - $1,609) and foreign exchange loss of $116,482 (2020 - $2,199) increased due to the change in functional currency and the financing in CAD dollars. Ranchero also incurred transaction costs of $5,382,227 (2020 - $195,900 when Paika acquired Ranchero Gold Corp. through a reverse take-over) as the Company pursued a business combination with Melior Resources Inc.

The net loss for each quarter is primarily based on the amount of administration expenditures incurred. In February 2020, the Company acquired the Santa Daniela mineral concessions in Mexico. However, it did not record any loss from operations in the quarter ended March 31, 2020, because it capitalized all of its expenditures to exploration and evaluation assets.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

At December 31, 2021, the Company had working capital[(1)] of $495,082 (2020 – deficit of $1,033,164) which included cash of $1,666,645 (2020 - $71,968) available to meet short-term business requirements and liabilities of $1,902,070 (2020 - $1,107,552). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has no long-term debt. The Company currently will need to raise additional capital to fund its operations over the next twelve months.

(1) Non-GAAP Financial Measure:
The Company uses "working capital" to assess liquidity and general financial strength and is calculated as current assets less current liabilities. Working capital does not have any standardized meaning prescribed by IFRS and is referred to as a "Non-GAAP Financial Measure." It is unlikely for Non-GAAP Financial Measures to be comparable to similar measures presented by other companies. Working capital is calculated as current assets (December 31, 2021 - $2,397,152; December 31, 2020 – $74,388), less current liabilities (December 31, 2021 - $1,902,070; December 31, 2020 – $1,107,552).

Subsequent to the year ended December 31, 2022, the Company granted 3,700,000 stock options to directors, employees, consultants and officers of the Company. 2,700,000 of these options vest immediately. Of the 1,000,000 options granted to officers of the Company, 40% vest immediately, 30% vest on the 12-month anniversary of the date of grant, 20% on the 24-month anniversary of the date of grant and 10% on the 30-month anniversary of the date of grant. The stock options are exercisable at a price of $0.29 for a period of five years.

OUTSTANDING SHARE DATA

As at date of this MD&A, the Company has 65,737,322 common shares, 3,700,000 stock options and 319,093 warrants outstanding, which are listed on the TSX Venture Exchange under the symbol "RNCH".

RELATED PARTY TRANSACTIONS

Officers and directors are key management personnel. The aggregate value of transactions and outstanding balances relating to key management personnel are as follows:

	Years Ended December 31,	
	2021	**2020**
Management fees	$ 335,933	$ 181,175
Consulting fees	85,081	-
	$ 421,014	$ 181,175

Amounts due to related parties are included in accounts payable and accrued liabilities as at December 31, 2021 and 2020, were as follows:

Related party liabilities	Service or items	**December 31, 2021**	**December 31, 2020**
Amounts due to:			
Companies controlled by a director	Exploration and Evaluation Assets	$ 428,542	$ 473,559
Chief Executive Officer	Fees	-	31,858
Ex-Chief Financial Officer	Fees	-	450

During the year ended December 31, 2021, $363,299 (2020 - $473,855) of exploration and evaluation asset additions were incurred with companies controlled by a director of the Company.

Ranchero has a consulting agreement with the Chief Executive Officer ("CEO"). The CEO's annual fee is US$200,000 of which US$100,000 is paid in cash and US$100,000 is paid in common shares. The cash payments are to be made monthly and the common share payments are to be made quarterly.

As at December 31, 2021, the Company had a commitment to issue common shares to the CEO in the amount of US$50,000 ($63,501) (2020 - US$50,000 ($63,715)). Certain companies controlled by a director paid expenses incurred by Paika and these balances are included in accounts payable and accrued liabilities.

FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

Amortized Costs	**December 31, 2021**	**December 31, 2020**
Cash	$ 1,666,645	$ 71,968
Accounts receivables	66,583	2,420
Accounts payable and accrued liabilities	(1,902,070)	(1,107,552)
	$ (168,842)	$ (1,033,164)

Fair Value

The carrying value of cash, accounts receivables and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company has no proposed transactions.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformance with IFRS requires management to make estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical Accounting Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include the following:

Purchase Price Allocations

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangible assets acquired as part of any acquisition. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values.

Share-Based Payments

The Company uses the Black-Scholes option pricing model for valuation of share-based. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate.

Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and reserves.

Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiary. The functional currency was determined based on the currency in which funds are sourced and the currency of the main economic environment in which the Company and its subsidiary operate.

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial resources. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and some assets are likely to become impaired in future periods.

Asset acquisition versus business combination

Management had to apply judgment with respect to whether the acquisition of was an asset acquisition or business combination. This determination required management to assess the inputs, processes, and outputs of Melior at the time of acquisition. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Pursuant to the assessment, the Melior acquisition was considered to be an asset acquisition.

Going concern

The assumption that the Company will continue as a going concern is subject to critical judgments of management with respect to the assumptions surrounding the short and long-term operating budget, expected losses, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption may by inappropriate.

CHANGE OF ACCOUNTING POLICY AND FUTURE PRONOUNCEMENTS

Effective January 1, 2021, the Company changed its presentation currency from United States dollars to the Canadian dollar to better reflect the Company's ongoing transactions and market focus. Under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* the change in presentation currency represents a voluntary change in accounting policy and is applied retrospectively. The consolidated statements of loss and comprehensive loss and consolidated statements of cash flows for each year have been translated into the presentation currency using the average exchange rate prevailing during each year. All assets, liabilities and equity transactions have been translated using the exchange rate prevailing on the consolidated statements of financial position dates.

As a result of a change in the currency of the Company's financing activities, the Company determined its primary economic environment in which it operates has changed. As a result, the functional currency for the Company's parent company changed from the United States dollar to the Canadian dollar effective October 7, 2021 and has been accounted for prospectively from this date. Refer to Note 2 of the consolidated financial statements for the year ended December 31, 2021 for further information.

Management has assessed the impact of future accounting pronouncements that have been announced and noted that none will have a significant impact on the results of the Company.

RISKS AND UNCERTAINTIES

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, currency risk, and interest rate risk.

Credit Risk

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits and receivables. The Company's cash deposits are primarily held with a Canadian and Mexican banks and receivables are usually nominal and are for expense advances.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financings. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year. The Company manages liquidity risk as part of its overall "Management of Capital" as described below.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a significant portion of the Company's expenses are incurred in Canadian dollars ("CAD"), United States dollars ("USD") and Mexican pesos. A 5% change in the currency exchange rates between the Canadian dollar and the Mexican peso relative to the CAD dollar could increase or decrease the loss from operations by $26,000.

Interest Rate Risk

When the Company has sufficient cash, it is invested in term deposits which can be reinvested without penalty after thirty days should interest rates rise. Accordingly, the Company does not have significant interest rate risk.

Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the development of its exploration and evaluation assets. The Company relies mainly on equity issuances to raise new capital.

In the management of capital, the Company includes the components of shareholders' equity. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without penalty. The Company is not subject to any externally imposed capital requirements. The Company did not change its capital management policy during the year ended December 31, 2021.

Fair Values

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments and are classified according to the following hierarchy levels:

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

As at December 31, 2021, all of the Company's financial instruments were classified at amortized cost.

The carrying values of cash, accounts receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's mineral concessions do not have a known commercial ore deposit. The main responses to operating risks include ensuring ownership of and access to mineral properties by confirming that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

The Company's mineral properties are located within or near local communities. In these areas, it may be necessary as a practical matter to negotiate surface access with these local communities. There can be no guarantee in the future that, despite having the legal right to access a mineral property and carry on exploration activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners or communities for this access. Therefore, the Company may be unable to carry out exploration activities on a property. In those circumstances where a local community or landowner has denied access, the Company may need to rely on the assistance of local officials or the courts to gain access, or it may be forced to abandon the property.

Commodity Price Risk

Ranchero is exposed to commodity price risk. Declines in the market prices of gold may adversely affect Ranchero's ability to raise capital or attract joint venture partners to participate in its various exploration projects. Gold price declines could also reduce the amount the Company would receive on the disposition of its mineral properties.

Financing and Share Price Fluctuation Risks

Ranchero has limited financial resources, has no reliable source of operating cash flow, and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of the Company's project may be dependent upon the Company's ability to obtain financing through equity issues.

Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its project, which could result in the loss of its property.

Political and Currency Risks

The Company is operating in countries that currently have varied political environments. Changing political situations may affect the way the Company operates. The Company's equity financings are sourced in United States ("US") dollars, but for the most part, it incurs its expenditures in local currencies. There are no currency hedges in place. Therefore, a weakening of the US dollar against the Mexican peso could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

During exploration, development, and production on mineral properties, the Company is subject to many risks and hazards in general, including adverse environmental conditions, operational accidents, labour disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as severe weather conditions, floods, and earthquakes.

Such occurrences could result in damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to mineral properties, delays, monetary losses, and possible legal liability.

Although the Company may maintain insurance to protect itself against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results, and cause a decline in the value of the Company's securities. Some work is carried out through independent consultants, and the Company requires that all consultants carry their insurance to cover any potential liabilities because of their work on a project.

Key Personnel Risk

Ranchero's success is dependent upon the performance of key personnel working in management and administrative capacities or as consultants. The loss of the services of senior management or key personnel could have a material and adverse effect on the Company, its business, and results of operations.

Environmental Risks and Hazards

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees.

There can be no assurance that future changes in environmental regulation, if any, will not adversely affect Ranchero's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

Competition

The Company competes with many other companies and individuals that have substantially greater financial and technical resources for the acquisition and exploration of projects as well as for the recruitment and retention of qualified employees.

COVID-19

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

Additional Information

Additional information relating to the Company, is available for viewing on SEDAR at www.sedar.com and on the Company's web site at www.rancherogold.com. The Company cautions that information contained on, or accessible through, these websites is current only as at the date of such information.

APPENDIX 1

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains "forward-looking statements". Forward-looking statements reflect the Company's current views with respect to future events, are based on information currently available to the Company and are subject to certain risks, uncertainties, and assumptions, including those discussed elsewhere in this MD&A. Forward-looking statements include, but are not limited to, statements with respect to the success of mining exploration work, title disputes or claims, environmental risks, unanticipated reclamation expenses, the estimation of mineral reserves and resources and capital expenditures. In certain cases, forward-looking statements can be identified by the use of words such as "intends", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "anticipates" or "does not anticipate", or "believes", or various of such words and phrases or state certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ. Such factors include, among others, risks related to actual results of current exploration activities, changes in project parameters as plans are refined over time, the future price of gold and other precious or base metals, possible variations in minerals resources, grade or recovery rates, accidents, labour disputes, title disputes and other risks of the mining industry, fluctuation of currency exchange rates, delays in obtaining, or inability to obtain, required governmental approvals or financing or in the completion of development or construction activities, claims limitations on insurance coverage, as well as other factors discussed under "Risk Factors". Although the Company has attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained in this MD&A are made as of the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not assume the obligations to update forward-looking statements, except as required by applicable law.