

**GR SILVER MINING LTD.**  
(formerly Goldplay Exploration Ltd.)

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
GR Silver Mining Ltd. (formerly Goldplay Exploration Ltd.)

### *Opinion*

We have audited the accompanying consolidated financial statements of GR Silver Mining Ltd. (formerly Goldplay Exploration Ltd.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has an accumulated deficit of \$11,378,516 and expects to incur further losses in the development of its operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 23, 2020

**GR SILVER MINING LTD.**  
(formerly Goldplay Exploration Ltd.)  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31**  
(Expressed in Canadian Dollars)

	2019	2018
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 4)	\$ 2,049,510	\$ 1,284,128
Receivables (Note 5)	18,226	18,696
Prepaid	<u>38,242</u>	<u>70,412</u>
	2,105,978	1,373,236
<b>Equipment</b> (Note 6)	64,692	15,569
<b>Deferred acquisition costs</b> (Note 7)	54,108	320,000
<b>Exploration and evaluation assets</b> (Note 8)	927,611	559,900
<b>Value added tax</b> (Note 5)	<u>511,505</u>	<u>362,249</u>
	<u>\$ 3,663,894</u>	<u>\$ 2,630,954</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 10 and 11)	<u>\$ 372,726</u>	<u>\$ 350,223</u>
<b>Shareholders' equity</b>		
Share capital (Note 12)	13,207,803	8,953,345
Share compensation reserve (Note 12)	1,461,881	1,011,772
Deficit	<u>(11,378,516)</u>	<u>(7,684,386)</u>
	<u>3,291,168</u>	<u>2,280,731</u>
	<u>\$ 3,663,894</u>	<u>\$ 2,630,954</u>

**Nature of operations and going concern** (Note 1)

**Subsequent events** (Note 18)

**On behalf of the Board:**

\_\_\_\_\_  
*"Marcio Fonseca"* Director      \_\_\_\_\_  
*"Michael Thomson"* Director

The accompanying notes are an integral part of these consolidated financial statements.

**GR SILVER MINING LTD.**

(formerly Goldplay Exploration Ltd.)

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

FOR THE YEAR ENDED DECEMBER 31

(Expressed in Canadian Dollars)

	2019	2018
<b>EXPENSES</b>		
Amortization (Note 6)	\$ 5,615	\$ 5,272
Consulting (Note 11)	430,516	381,842
Exploration expenditures (Note 9 and 11)	1,797,846	1,829,552
Foreign exchange loss	51,326	74,172
Investor relations	554,108	582,892
Office	159,424	206,342
Professional fees (Note 11)	188,636	304,192
Property investigation	-	132,722
Share-based compensation (Note 11 and 12)	325,749	705,782
Transfer agent	48,520	79,342
Travel	117,627	228,282
	<u>(3,679,367)</u>	<u>(4,530,419)</u>
Recovery on exploration and evaluation assets (Note 8)	-	65,000
Loss on settlement of accounts payable	(21,000)	-
Other income	6,237	14,320
Listing expense (Note 3)	-	<u>(1,289,202)</u>
<b>Loss and comprehensive loss for the year</b>	<b>\$ (3,694,130)</b>	<b>\$ (5,740,301)</b>
<b>Loss per common share</b>		
-Basic and diluted	\$ (0.07)	\$ (0.18)
<b>Weighted average number of common shares outstanding</b>		
-Basic and diluted	49,581,670	31,482,172

The accompanying notes are an integral part of these consolidated financial statements.

**GR SILVER MINING LTD.**  
(formerly Goldplay Exploration Ltd.)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31**  
(Expressed in Canadian Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (3,694,130)	\$ (5,740,301)
Items not affecting cash:		
Amortization	5,615	5,274
Listing expense	-	1,289,202
Loss on settlement of accounts payable	21,000	-
Share-based compensation	325,749	705,786
Recovery on exploration and evaluation assets	-	(65,000)
Changes in non-cash working capital items:		
Decrease in receivables	470	72,448
Increase in value added tax	(149,256)	(362,249)
Increase (decrease) in prepaids	32,170	(70,412)
Increase in accounts payable and accrued liabilities	306,267	59,874
Net cash used in operating activities	<u>(3,152,115)</u>	<u>(4,105,377)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash acquired from reverse acquisition (Note 3)	-	809,621
Deferred acquisition costs	(50,000)	-
Exploration and evaluation assets	(47,711)	(75,000)
Equipment	(54,738)	(5,985)
Recovery on exploration and evaluation assets	-	100,000
Net cash provided by (used) in investing activities	<u>(152,449)</u>	<u>828,636</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of shares	4,376,250	4,680,972
Share issue costs	(306,304)	(245,524)
Proceeds from loan payable	-	50,000
Repayment of loan payable	-	(50,000)
Net cash provided by financing activities	<u>4,069,946</u>	<u>4,435,448</u>
<b>Change in cash during the year</b>	<b>765,382</b>	<b>1,158,707</b>
<b>Cash, beginning of year</b>	<u>1,284,128</u>	<u>125,421</u>
<b>Cash, end of year</b>	<b>\$ 2,049,510</b>	<b>\$ 1,284,128</b>

**Supplemental disclosure with respect to cash flows** (Note 13)

The accompanying notes are an integral part of these consolidated financial statements.

**GR SILVER MINING LTD.**

(formerly Goldplay Exploration Ltd.)

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

	Share Capital		Subscriptions received in advance	Share compensation reserve	Deficit	Total
	Number of shares	Amount				
Balance, December 31, 2017	15,833,333	\$ 2,277,153	\$ 50,000	\$ 143,870	\$ (1,944,085)	\$ 526,938
Shares issued for cash:						
Private placement	17,319,239	4,650,372	(50,000)	-	-	4,600,372
Share issue costs	-	(245,524)	-	-	-	(245,524)
Exercise of options	403,000	80,600	-	-	-	80,600
Shares issued for non-cash:						
Reclassification of reserves on exercise of options	-	46,264	-	(46,264)	-	-
Property acquisition	1,250,000	312,500	-	-	-	312,500
Shares to Soleil shareholders for RTO	6,200,000	1,860,000	-	-	-	1,860,000
Finder's fee – warrants issued	-	(28,020)	-	28,020	-	-
Warrants to Soleil shareholders	-	-	-	75,455	-	75,455
Options to Soleil shareholders	-	-	-	104,904	-	104,904
Share-based compensation	-	-	-	705,787	-	705,787
Loss for the year	-	-	-	-	(5,740,301)	(5,740,301)
Balance, December 31, 2018	41,005,572	\$ 8,953,345	\$ -	\$ 1,011,772	\$ (7,684,386)	\$ 2,280,731
Shares issued for cash:						
Private placement	26,010,000	4,376,250	-	-	-	4,376,250
Share issue costs	-	(306,304)	-	-	-	(306,304)
Shares issued for non-cash:						
Finder's fee – warrants issued	-	(124,360)	-	124,360	-	-
Debt settlement	1,683,819	308,872	-	-	-	308,872
Share-based compensation	-	-	-	325,749	-	325,749
Loss for the year	-	-	-	-	(3,694,130)	(3,694,130)
Balance, December 31, 2019	<u>68,699,391</u>	<u>\$ 13,207,803</u>	<u>\$ -</u>	<u>\$ 1,461,881</u>	<u>\$ (11,378,516)</u>	<u>\$ 3,291,168</u>

The accompanying notes are an integral part of these consolidated financial statements.



## **1. NATURE OF OPERATIONS AND GOING CONCERN**

GR Silver Mining Ltd. (the “Company” or “GR Silver”) formerly Goldplay Exploration Ltd. (“Goldplay”) was incorporated on November 8, 2012 under the laws of British Columbia. The Company’s head office address is Suite 900 – 999 West Hastings Street, Vancouver, BC, V6C 2W2. The Company’s registered and records office is Suite 1100 – 736 Granville Street, Vancouver, B.C. V6Z 1G3. To date, the Company has not earned operating revenue. The Company trades on the TSX Venture Exchange (TSX-V) under the trading system GRSL.

On March 1, 2018, Soleil Capital Corp. (“Soleil”) acquired all the issued and outstanding common shares of GR Silver by an Amalgamation Agreement (the “Transaction”) by issuing 15,833,333 common shares of Soleil. Because of the Transaction, GR Silver obtained a majority interest of the issued and outstanding shares of Soleil which constituted a reverse acquisition of Soleil by GR Silver, (the “Reverse Acquisition”) for accounting purposes with GR Silver being identified as the accounting acquirer, and accordingly, the Company is considered a continuation of GR Silver. The net assets of Soleil at the date of the reverse acquisition are deemed to have been acquired by GR Silver (Note 3). These consolidated financial statements include the results of operations of Soleil from March 1, 2018. The comparative figures are those of GR Silver prior to the reverse acquisition, except for adjusting retroactively the capital of GR Silver to reflect the capital of the Company.

As at December 31, 2019, the Company has a working capital of \$1,787,360 and an accumulated deficit of \$11,378,516. The Company expects to incur further losses in the development of its operations. 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. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

The Company is in the process of acquiring and exploring exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated 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 thus 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 these financial statements.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and business disruptions, can all have an impact on the Company’s operations and access to capital. There can be no assurance that the Company will not be further impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce resource prices, share prices and financial liquidity and thereby severely limit the financing capital available in the mineral exploration sector.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with IAS 1 ‘Presentation of Financial Statements’ (“IAS 1”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

These consolidated financial statements were authorized for issue by the Board of Directors on April 23, 2020.

**Basis of presentation**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Basis of consolidation**

These consolidated financial statements of the Company include the balances of its subsidiaries, Goldplay de Mexico SA de CV and Minera San Marcial SA de CV, which are wholly owned subsidiaries incorporated in Mexico.

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern its financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

**Foreign currency transactions**

The Company's reporting currency and the functional currency of all its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

**Exploration and evaluation assets**

Exploration and evaluation assets include all costs related to the acquisition of exploration and evaluation assets. All costs related to exploration and evaluation incurred during the exploration and evaluation phase are expensed as incurred and recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments**

The Company recognizes financial assets and financial liabilities when it becomes a party to a contract.

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Financial assets at FVTPL*

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Cash is classified as FVTPL.

*Financial assets at FVTOCI*

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

*Financial assets at amortized cost*

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income. Receivables and value added taxes are classified as amortized cost.

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2019, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

**Significant accounting estimates and judgments**

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include evaluating the potential impairment of exploration and evaluation assets, and share-based payments.

Economic recoverability and probability of future economic benefits of exploration and evaluation assets  
Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits, including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. 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 equity reserves.

Collectability of value added tax

The Company pays VAT on expenditures that it incurs in Mexico. Such VAT payments are considered to be refundable, however the timing and successful recovery includes estimation uncertainty. Management has estimated and accrued the likely refundable amount.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

Significant judgements include the following:

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Reverse acquisition

Acquisition method accounting in the reverse acquisition requires judgement as to whether the transaction constitutes a business according to the definition in IFRS 3, *Business Combinations* or is alternatively accounted for using guidance from IFRS 2, *Share-based Payments* (Note 3).

**Impairment**

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

**Share-based payments**

The fair value of options or compensatory warrants granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserve to share capital.

The fair value of options granted is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payments to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured, and are recorded at the date the goods or services are received.

**Related party transactions**

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.

**Provisions**

*Rehabilitation provisions*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the year in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no rehabilitation obligations for the years presented.

**Income taxes**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Earnings (loss) per share**

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Equipment**

*Recognition and measurement*

On initial recognition equipment is valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, except for land, which is not depreciated.

*Depreciation*

Depreciation is recognized in profit or loss at the following annual rates:

- Computers and office equipment - 20% to 30% declining balance basis.
- Equipment – 20% declining balance basis

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**New standards and interpretations adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for future accounting periods. The following have been adopted by the Company:

- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The adoption of this new standards did not have a significant impact on the Company's consolidated financial statements.

### 3. REVERSE ACQUISITION

As described in Note 1, on March 1, 2018, Soleil and GR Silver completed a Transaction which constituted a reverse acquisition. Because of the Transaction, the shareholders of GR Silver obtained control of the combined entity by obtaining control of the voting power of the combined entity and the resulting power to govern the financial and operating policies of the combined entities. The Transaction constitutes a reverse acquisition

of Soleil by GR Silver and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based Payments* and IFRS 3, *Business Combinations*. As Soleil did not qualify as a business according to the definition in IFRS 3, this reverse acquisition does not constitute a business combination; rather it is treated as an issuance of shares by GR Silver for the net assets of Soleil and Soleil's listing status, and GR Silver as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the transaction as it does not constitute a business.

For accounting purposes, GR Silver was treated as the accounting parent company (legal subsidiary) and Soleil has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As GR Silver was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Soleil's results of operations have been included from March 1, 2018.

<b>Net assets of Soleil acquired:</b>	\$
Cash	809,621
Trade payable and accrued liabilities	(58,464)
<b>Net assets acquired</b>	<b>751,157</b>
<b>Consideration provided in reverse acquisition of Soleil:</b>	\$
Fair value of 6,200,000 common shares at \$0.30 per share <sup>(1)</sup>	1,860,000
Transaction costs – non-cash <sup>(2)</sup>	180,359
<b>Total consideration paid</b>	<b>2,040,359</b>
<b>Net assets acquired</b>	<b>(751,157)</b>
<b>Listing expense</b>	<b>1,289,202</b>

<sup>(1)</sup> The Transaction was measured at the fair value of the shares that GR Silver would have had to issue to shareholders of GR Silver, to give shareholders of Soleil the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of GR Silver acquiring Soleil.

<sup>(2)</sup> Non-cash transaction costs include the following:

- The fair value of the 500,000 agents' warrants (Note 10(c)) assumed from Soleil of \$75,455;
- The fair value of the 619,998 stock options (Note 10(b)) assumed from Soleil of \$104,904.

The fair values of the agents' warrant and options assumed from Soleil were estimated, using the Black-Scholes option pricing model with the following weighted average inputs:

	2018
Risk-free interest rate	1.84%
Expected life of warrants	2.23 years
Annualized volatility	100%
Dividend rate	0%



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The listing expense charged to profit or loss reflects the difference between the fair value of the consideration paid by GR Silver, and the fair value of the net assets acquired from in accordance with IFRS 2 *Share-based payment*.

**4. CASH**

The Company's cash consists of the following:

	December 31, 2019	December 31, 2018
Cash held with banks in Canadian dollars	\$ 1,933,090	\$ 1,264,866
Cash held with banks in foreign currencies	116,420	19,262
<b>Total</b>	<b>\$ 2,049,510</b>	<b>\$ 1,284,128</b>

**5. RECEIVABLES**

The Company's receivable primarily arises from refundable sales tax receivables from government taxation authorities in Canada and Mexico.

	December 31, 2019	December 31, 2018
HST receivable	\$ 13,160	\$ 15,769
Other receivables	5,066	2,927
Current receivable	\$ 18,226	\$ 18,696
VAT receivable	511,505	362,249
<b>Total receivable</b>	<b>\$ 529,731</b>	<b>\$ 380,945</b>

**6. EQUIPMENT**

	Computer Equipment	Exploration Equipment	Total
<b>Cost:</b>			
Balance at December 31, 2017	\$ 16,972	\$ -	\$ 16,972
Additions	5,985	-	5,985
Balance at December 31, 2018	\$ 22,957	\$ -	\$ 22,957
Additions	-	54,738	\$ 54,738
<b>Balance at December 31, 2019</b>	<b>\$ 22,957</b>	<b>\$ 54,738</b>	<b>\$ 77,695</b>
<b>Accumulated Depreciation:</b>			
Balance at December 31, 2017	\$ 2,114	\$ -	\$ 2,114
Depreciation	5,274	-	5,274
Balance at December 31, 2018	\$ 7,388	\$ -	\$ 7,388
Depreciation	5,068	547	5,615
<b>Balance at December 31, 2019</b>	<b>\$ 12,456</b>	<b>\$ 547</b>	<b>\$ 13,003</b>
<b>Net Book Value:</b>			
<b>Balance at December 31, 2018</b>	<b>\$ 15,569</b>	<b>\$ -</b>	<b>\$ 15,569</b>
<b>Balance at December 31, 2019</b>	<b>\$ 10,501</b>	<b>\$ 54,191</b>	<b>\$ 64,692</b>

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**7. DEFERRED ACQUISITION COSTS**

The Company entered into an advisory service agreement with a company owned by a former officer of GR Silver relating to the acquisition of three Nevada exploration projects. The Company issued common shares valued at \$480,000 of which \$160,000 was allocated to acquisition cost of the Golconda property during the year ended December 31, 2018. The balance of \$320,000 was allocated to the Boldt and Stone Cabin properties as the acquisitions were completed during the year ended December 31, 2019 (Note 8). The former officer was appointed to the Company after the closing of the transaction.

The Company entered into a letter of intent with Mako Mining Corp. to acquire, its 100% owned subsidiary, Marlin Gold Mining Ltd. ("Marlin") relating to the acquisition of the La Trinidad mine facility and concessions in Mexico. The Company paid \$50,000 for an exclusive right to December 31, 2020 to acquire Marlin and was recorded as a deferred acquisition costs.

The Company completed the acquisition of the Plomosas Silver Project from First Majestic Silver Corp. ("First Majestic") subsequent to December 31, 2019. The Company incurred acquisition costs of \$4,108 and have been recorded as deferred acquisition costs.

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**8. EXPLORATION AND EVALUATION ASSETS**

The Company's capitalized acquisition expenditures on its exploration and evaluation assets are as follows:

	El Habal Mexico	San Marcial Mexico	Golconda USA	Stone Cabin USA	Boldt USA	Total
Balance, December 31, 2017	\$ 35,000	\$ -	\$ 172,400	\$ -	\$ -	\$ 207,400
Acquisition costs						
Shares issued	-	312,500	-	-	-	312,500
Cash	-	75,000	-	-	-	75,000
Total acquisition	-	387,500	-	-	-	387,500
Recovery during the period	(35,000)	-	-	-	-	(35,000)
Balance, December 31, 2018	\$ -	\$ 387,500	\$ 172,400	\$ -	\$ -	\$ 559,900
Acquisition costs						
Allocated from deferred costs (Note 7)	-	-	-	160,000	160,000	320,000
Cash	-	-	20,295	13,739	13,677	47,711
Total acquisition	-	-	20,295	173,739	173,677	367,711
Balance, December 31, 2019	\$ -	\$ 387,500	\$ 192,695	\$ 173,739	\$ 173,677	\$ 927,611

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)****San Marcial Property, Mexico**

The Company entered into an option agreement to acquire a 100% interest in the San Marcial property located in the Rosario Mining District, Sinaloa, Mexico. The option will be exercisable upon the Company paying an aggregate of \$2,575,000 in cash, issuing an aggregate of 3,500,000 common shares of the Company, incurring an aggregate of \$3,000,000 in exploration expenditures on San Marcial in tranches over a three-year period, granting to the vendor a net smelter returns royalty ("NSR") and the grant of equity participation rights over a one-year period, according to the following:

	Cash	Shares	Exploration Expenditures
Due within 5 business days of receipt of TSXV approval which was April 20, 2018	\$75,000(paid)	1,250,000 (issued)	-
May 9, 2019	-	-	\$500,000 (incurred)
May 9, 2020	-	750,000	\$1,000,000 (incurred)
May 9, 2021	\$2,500,000	1,500,000	\$1,500,000
Total	\$2,575,000	3,500,000	\$3,000,000

The Company must also on or before the third anniversary of the Approval Date complete an updated resource estimate report conforming to the standards of NI 43-101. The updated resource estimate will form the basis for the NSR royalty to be granted and the purchase price related to the buy-back rights.

The NSR granted will be between 0.5% and 1.5% based on a NI 43-101 report.

The Company granted the vendor the right to purchase common shares in any future equity financing that the Company may complete during the one-year period following the Approval Date. This grant of participation rights provided the vendor the right to purchase that number of common shares being offered by the Company in such financing as is equal to the vendor's then percentage interest in the issued share capital of the Company, for the consideration and on the same terms and conditions as offered to the other potential subscribers under such financing.

**El Habal Property, Mexico**

The Company acquired all 100% of the rights, title and interest in the El Habal Property by issuing 474,423 common shares of the Company valued at \$35,000. The property is subject to an NSR between 1.0% and 1.5%.

During fiscal 2018 the Company entered into an option agreement and royalty agreement for total sale proceeds of up to US\$2,000,000 + CAN\$100,000. Pursuant to these agreements, the Company received \$100,000 for the option to purchase a 1% NSR on the property and for a 1% royalty on four concessions adjacent to the property resulting in a recovery of \$65,000. Under the terms of the option agreement, the option agreement can be exercised to purchase up to a total 1% NSR royalty on the property by paying the Company US\$1,000,000 per 0.5% NSR, for a total option exercise price of US\$2,000,000 for a 1% NSR.

**Golconda Summit Property, Nevada USA**

The Company entered into a property option agreement to acquire a 100% interest in and to the Golconda Summit ("Golconda") property. The property is subject to a 1% NSR which may be repurchased for a cash payment of US\$1,000,000. To exercise the option the Company is required to;

**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Make cash payments, of US\$335,000 as follows:

- pay US\$10,000 (paid) on the execution of the Agreement;
- pay US\$15,000 on or before August 11, 2019; (paid)
- pay US\$15,000 on or before August 11, 2020;
- pay US\$20,000 on or before August 11, 2021;
- pay US\$25,000 on or August 11, 2022;
- pay US\$50,000 on or before each August 11, 2023, August 11, 2024, August 11, 2025 and August 11, 2026.

The Company may accelerate the exercise of the option at any time during the term of the option by paying a lump sum cash payment equal to US\$1,000,000 less any annual option payments paid by the Company prior to the date thereof.

**Stone Cabin Property, Nevada USA**

The Company entered into a property option agreement to acquire a 100% interest in and to the Stone Cabin property. The property is subject to a 1% NSR which may be repurchased for a cash payment of US\$1,000,000. To exercise the option the Company is required to:

Make cash payments, of US\$335,000 as follows:

- pay US\$10,000 on the execution of the agreement; (paid)
- pay US\$15,000 on or before January 12, 2021;
- pay US\$15,000 on or before January 12, 2022;
- pay US\$20,000 on or before January 12, 2023;
- pay US\$25,000 on or January 12, 2024;
- pay US\$50,000 on or before each January 12, 2025, January 12, 2026, January 12, 2027, January 12, 2028 and January 12, 2029.

The Company may accelerate the exercise of the option at any time during the term of the option by paying a lump sum cash payment equal to US\$1,000,000 less any annual option payments paid by the Company prior to the date thereof.

**Boldt Property, Nevada USA**

The Company entered into a property option agreement to acquire a 100% interest in and to the Boldt property. The property is subject to a 1% NSR which may be repurchased for a cash payment of US\$1,000,000. To exercise the option the Company is required to:

Make cash payments, of US\$335,000 as follows:

- pay US\$10,000 on the execution of the agreement; (paid)
- pay US\$15,000 on or before January 12, 2021;
- pay US\$15,000 on or before January 12, 2022;
- pay US\$20,000 on or before January 12, 2023;
- pay US\$25,000 on or January 12, 2024;
- pay US\$50,000 on or before each January 12, 2025, January 12, 2026, January 12, 2027, January 12, 2028 and January 12, 2029.

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

The Company may accelerate the exercise of the option at any time during the term of the option by paying a lump sum cash payment equal to US\$1,000,000 less any annual option payments paid by the Company prior to the date thereof.

**9. EXPLORATION EXPENDITURES**

Exploration expenditures for the year ended December 31, 2019 are comprised of the following:

	El Habal	San Marcial	Golconda	Boldt	Stone Cabin	Total
Assay	\$ -	\$ 11,792	\$ -	\$ -	\$ -	\$ 11,792
Concession taxes	78,661	28,392	10,609	16,375	17,737	151,774
Consulting	15,581	91,730	-	2,763	8,121	118,195
Field	9,907	906,730	-	2,262	3,615	922,514
Geological	4,335	397,766	-	-	-	402,101
Geochemistry	2,924	91,472	-	-	-	94,396
Geophysical	5,895	53,937	-	-	-	59,832
Report preparation	-	37,242	-	-	-	37,242
<b>Total</b>	<b>\$ 117,303</b>	<b>\$ 1,619,061</b>	<b>\$ 10,609</b>	<b>\$ 21,400</b>	<b>\$ 29,473</b>	<b>\$ 1,797,846</b>

Exploration expenditures for the year ended December 31, 2018 are comprised of the following:

	El Habal	San Marcial	Golconda	Total
Assay	\$ 20,642	\$ 27,094	\$ -	\$ 47,736
Concession taxes	63,092	14,259	8,955	86,306
Consulting	41,134	160,002	1,528	202,664
Drilling	286,544	-	-	286,544
Environmental	5,838	2,040	-	7,878
Field	178,353	295,670	1,500	475,523
Geological	160,395	189,646	-	350,041
Geochemistry	85,301	82,046	-	167,347
Geophysical	160,058	1,450	-	161,508
Geotechnical	-	-	-	-
Report preparation	-	11,395	-	11,395
Topography	3,971	28,638	-	32,609
<b>Total</b>	<b>\$ 1,005,328</b>	<b>\$ 812,240</b>	<b>\$ 11,983</b>	<b>\$ 1,829,551</b>

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2019	December 31, 2018
Trade payables	\$ 340,726	\$ 317,223
Accrued liabilities	32,000	33,000
	<b>\$ 372,726</b>	<b>\$ 350,223</b>

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**11. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the years ended December 31 was:

	2019	2018
Short-term benefits paid or accrued:		
Consulting fees	\$ 255,197	\$ 241,825
Exploration expenditures	53,253	39,375
Share-based compensation	164,636	656,410
Professional fees	-	<u>88,652</u>
<b>Total remuneration</b>	<b>\$ 473,086</b>	<b>\$ 1,026,262</b>

Included in accounts payable and accrued liabilities as at December 31, 2019 was \$99,789 (December 31, 2018 – \$100,023) owed to a director and companies controlled by a director or officer.

During fiscal 2018 the CEO loaned the Company \$50,000. The loan was unsecured and bore a 10% per annum interest rate. The loan plus interest of \$562 was repaid during fiscal 2018.

During the year ended December 31, 2019, the Company issued 480,000 common shares valued at \$76,800 as debt settlement with officers and a director of the Company.

**12. SHARE CAPITAL AND RESERVES**

Authorized – Unlimited common shares without par value

During the year ended December 31, 2019 the Company:

- a) Completed a private placement of 11,010,000 common shares at a price of \$0.125 per common share for gross proceeds of \$1,376,250. The Company paid cash finders fees of \$28,500 and issued 228,000 agent warrants valued at \$21,262. Each agent warrant is exercisable for a period of three years at an exercise price of \$0.15 per agent warrant. Additional share issue costs of \$19,952 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.
- b) Completed a brokered private placement of 15,000,000 common shares at a price of \$0.20 per common share for gross proceeds of \$3,000,000. The Company paid cash finders fees of \$171,600 and issued 891,000 agent warrants valued at \$103,098. Each agent warrant is exercisable for a period of three years at an exercise price of \$0.25 per agent warrant. Additional share issue costs of \$79,319 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.
- c) Issued 600,000 common shares valued at \$96,000 as debt settlement including \$76,800 to related parties. Additional share issue costs of \$3,125 were incurred in connection with this debt settlement, and was recorded as an offset to share capital, as share issue costs (Note 11).
- d) Issued 1,083,819 common shares valued at \$212,872 to a contractor to settle debt under a drilling contract. Additional share issue costs of \$3,808 were incurred with this debt settlement, and was recorded as an offset to share capital, as share issue costs.

**12. SHARE CAPITAL AND RESERVES (cont'd...)**

During the year ended December 31, 2018 the Company:

- a) Completed a subscription receipt financing of 7,501,239 subscription receipts at \$0.30 per subscription receipts, for gross proceeds of \$2,250,372 of which \$50,000 were subscriptions received in advance. The Company also paid a cash finder's fee of \$30,446 and issued 41,066 compensation warrants, valued at \$6,516. Additionally, professional fees of \$145,317 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs. Concurrent with the closing of the Transaction the subscription receipts were converted to Company shares.
- b) Completed a private placement of 3,000,000 common shares at \$0.30 per common share for gross proceeds of \$900,000.
- c) Issued 401,000 common shares on the exercise of stock options proceeds of \$80,600
- d) Completed a private placement of 6,818,000 units at a price of \$0.22 per unit for gross proceeds of \$1,500,000. Each unit consists of one common share and one-half of one common share purchase warrant ("warrant") and each whole warrant is exercisable into one common share, of the Company, for a period of two years at an exercise price of \$0.25 per warrant. The Company paid cash finders fees of \$55,766 and issued 225,608 agent warrants valued at \$21,504. Each agent warrant is exercisable for a period of two years at an exercise price of \$0.25 per agent warrant. Additionally, professional fees of \$13,995 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

**Escrow Shares**

At December 31, 2019, there were 540,000 (December 31, 2018 – 900,000) shares held in escrow with the Company's registrar and transfer agent. On March 26, 2018, 120,000 shares were released from escrow and equal tranches of 180,000 common shares beginning on September 5, 2018 and every six months thereafter.

In connection with the reverse acquisition (Note 3), 7,450,447 shares were subject to an escrow agreement. As at December 31, 2019 3,352,701 common shares remain held in escrow. The common shares are subject to timed releases as follows:

- 10% released upon the date of listing on the TSX-V (listed on March 26, 2018)
- 15% released every six months thereafter until all escrow shares have been released (thirty-six months following the date of listing on the TSX-V).

**Stock Options**

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, at its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Vesting of stock options is at the discretion of the Board of Directors. Stock options are exercisable for a maximum of 10 years, and the exercise price of the stock options is set in accordance with the policies of the TSX-V.



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**12. SHARE CAPITAL AND RESERVES (cont'd...)**

As at December 31, 2019, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date	Weighted Average Life Remaining
1,580,178	\$0.30	March 1, 2023	3.17
150,000	\$0.30	March 14, 2023	3.20
450,000	\$0.30	May 7, 2023	3.35
1,445,000	\$0.22	December 19, 2023	3.97
250,000	\$0.20	January 10, 2024	4.03
710,000	\$0.21	August 6, 2024	4.60
217,000	\$0.20 (Note 3)	January 29, 2027	7.08
1,370,000	\$0.185	November 25, 2024	4.91
<b>6,172,178</b>			<b>4.09</b>

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2017	-	\$ -
Granted	3,800,000	0.27
Options of Soleil (Note 3)	619,998	0.20
Expired	(169,822)	0.30
Exercised	(402,998)	0.20
As at December 31, 2018	3,847,178	\$ 0.26
Expired	(5,000)	0.22
Granted	2,330,000	0.19
As at December 31, 2019	6,172,178	\$ 0.24
Number of options currently exercisable	6,034,678	\$ 0.24

During the year ended December 31, 2019, the Company recognized share-based payments expense of \$325,749 (2018 - \$705,787), in connection with the vesting of stock options granted.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options modified and granted during the year ended December 31, 2019:

	2019	2018
Risk-free interest rate	1.46%	2.02%
Expected life of options	5.00	5.00
Annualized volatility	100%	100%
Dividend rate	0%	0%

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**12. SHARE CAPITAL AND RESERVES (cont'd...)**

**Warrants**

The following common shares purchase warrants entitle the holder thereof to purchase one common share for each warrant. Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2017	<u>1,111,505</u>	\$ 0.20
Agent warrants	266,674	0.26
Replacement warrants of Soleil Warrants	500,000	0.20
	<u>3,408,998</u>	<u>0.25</u>
As at December 31, 2018	5,287,177	\$ 0.24
Agent warrants	1,119,000	0.23
Expired	<u>(522,400)</u>	<u>0.20</u>
As at December 31, 2019	<u>5,883,777</u>	\$ 0.24

Share-based compensation charges for the year ended December 31, 2019 was related to compensatory warrants issued and totalled \$Nil (2018 - \$28,020).

The weighted average remaining contractual life of warrants outstanding at December 31, 2019 was 1.36 (December 31, 2018 – 1.96) years.

Warrants outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
677,747	\$ 0.22	March 15, 2022
433,758(*)	\$ 0.18	March 1, 2020
18,666(*)	\$ 0.30	March 1, 2020
2,786,916	\$ 0.25	November 30, 2020
216,608	\$ 0.25	November 30, 2020
622,082	\$ 0.25	December 7, 2020
9,000	\$ 0.25	December 7, 2020
228,000	\$ 0.15	June 26, 2022
891,000	\$ 0.25	November 6, 2022
<u>5,883,777</u>		

(\*) warrants were exercised or expired subsequent to year end (note 18)

The weighted average Black-Scholes inputs are as follows;

	Dec. 31, 2019	Dec. 31, 2018
Expected life of warrants	3.00	2.00
Annualized volatility	100%	100%
Dividend rate	-	-
Discount rate	1.50%	2.01%

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions during the year ended December 31, 2019:

- issued 1,683,819 common shares in settlement of debt in the amount of \$308,872.
- incurred deferred acquisition costs of \$4,108 included in accounts payable.
- allocated deferred costs of \$320,000 to exploration and evaluation assets.
- issued 1,119,000 agent warrants with a fair value of \$124,360 recorded as share issuance costs.

Significant non-cash transactions during the year ended December 31, 2018:

- allocation of subscriptions received in advance of \$50,000
- upon completion of the Transaction, the Company issued 6,200,000 common shares with a fair value of \$1,860,000 (Note 3)
- issued 266,674 agent warrants with a fair value of \$28,020 recorded as shares issuance costs
- reclassification of reserves in share capital of \$46,264
- issued 1,250,000 common shares valued at \$312,500 for acquisition of exploration and evaluation assets

**14. SEGMENTED INFORMATION**

The business of the Company is the acquisition and exploration of mineral properties which is considered one business segment.

Geographic information is as follows:

	December 31, 2019	December 31, 2018
Equipment		
Mexico	\$ 55,260	\$ 2,095
Canada	9,432	13,474
<b>Total</b>	<b>\$ 64,692</b>	<b>\$ 15,569</b>
Exploration and evaluation assets		
Mexico	\$ 387,500	\$ 387,500
USA	540,111	172,400
<b>Total</b>	<b>\$ 927,611</b>	<b>\$ 559,900</b>

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables and value added tax and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, receivables and value added tax. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions. Credit risk with respect to value added taxes is considered to be low as they are due from a government agency. Value added taxes are subject to review and potential adjustment by taxation authorities.

*Liquidity risk*

As of December 31, 2019, the Company had cash balance of \$2,049,510 to settle current liabilities of \$372,726 and has significant expenditure requirements pursuant to option agreements (Note 8). The Company is exposed to liquidity risk.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

*Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

*Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in foreign currency. Amounts exposed to foreign currency risk include cash of MX\$1,691,659 as of December 31, 2019 and accounts payable of MX\$1,755,371. A 10% change in foreign exchange rates will affect profit or loss by less than \$5,000.

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

**GR SILVER MINING LTD.**  
(formerly Goldplay Exploration Ltd.)  
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**16. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
Loss for the year	\$ (3,694,130)	\$ (5,740,750)
Expected income tax (recovery)	\$ (997,000)	\$ (1,550,000)
Change in statutory, foreign tax, foreign exchange rates and other	(63,000)	(134,000)
Permanent differences	100,000	539,000
Share issue cost	(83,000)	(66,000)
Adjustments to unrecognized deductible temporary differences	102,000	-
Change in unrecognized deductible temporary differences	941,000	1,211,000
Total income tax expense (recovery)	\$ -	\$ -
Current income tax	-	-
Deferred tax recovery	-	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statements of financial position as follows:

	2019	2018
Deferred Tax Assets (liabilities)		
Non-capital losses available for future periods	\$ 1,121,000	\$ 774,000
Property and equipment	3,000	1,000
Share issue costs	107,000	55,000
Exploration and evaluation assets	1,320,000	780,000
	2,551,000	1,610,000
Unrecognized deferred tax assets	(2,551,000)	(1,610,000)
Net deferred tax liability	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	December 31, 2019	Expiry dates	December 31, 2018	Expiry dates
Exploration and evaluation assets	\$ 4,414,000	No expiry date	\$ 2,581,000	No expiry date
Property plant and equipment	11,000	No expiry date	3,000	No expiry date
Share issue cost	398,000	2039 to 2042	205,000	2038 to 2041
Non-capital losses available for future years	4,091,000		2,850,000	
Canada	3,573,000	2032 - 2039	2,489,000	2032 - 2038
Mexico	518,000	2027 - 2029	361,000	2027 - 2028

Tax attributes are subject to review and potential adjustment by tax authorities.

**17. CAPITAL MANAGEMENT**

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

**18. SUBSEQUENT EVENTS**

The Company completed the acquisition of the Plomosas Silver Project from First Majestic Silver Corp. ("First Majestic"). In consideration the Company paid \$100,000 and issued 17,097,500 common shares of the Company to First Majestic and granted, to a subsidiary of First Majestic, a 2% NSR. The Company has a buy back option to buy half of the NSR for US\$1,000,000.

The Company had 350,000 share purchase options expired unexercised.

The Company had 387,360 warrants expired unexercised and issued 119,283 common shares on the exercise of warrants for proceeds of \$21,470.