

**GR SILVER MINING LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2020  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

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

## **NOTICE TO READER**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The condensed interim consolidated financial statements of the Company for the quarter ended June 30, 2020 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

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

**GR SILVER MINING LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited – Prepared by management)

(Expressed in Canadian Dollars)

	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 3)	\$ 8,452,397	\$ 2,049,510
Receivables (Note 4)	42,500	18,226
Prepaid	<u>353,139</u>	<u>38,242</u>
	8,848,036	2,105,978
<b>Equipment</b> (Note 5)	436,139	64,692
<b>Deferred acquisition costs</b> (Note 6)	50,000	54,108
<b>Exploration and evaluation assets</b> (Note 7)	4,246,791	927,611
<b>Value added tax</b> (Note 4)	<u>635,270</u>	<u>511,505</u>
	<u>\$ 14,216,236</u>	<u>\$ 3,663,894</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9 and 10)	<u>\$ 1,191,971</u>	<u>\$ 372,726</u>
<b>Total current liabilities</b>	1,191,971	372,726
<b>Non-current liabilities</b>		
Reclamation provision (Note 7 and 11)	<u>212,269</u>	<u>-</u>
<b>Total liabilities</b>	<u>1,404,240</u>	<u>-</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 12)	24,712,109	13,207,803
Share compensation reserve (Note 12)	1,968,829	1,461,881
Deficit	<u>(13,868,942)</u>	<u>(11,378,516)</u>
	<u>12,811,996</u>	<u>3,291,168</u>
	<u>\$ 14,216,236</u>	<u>\$ 3,663,894</u>

**Nature of operations and going concern** (Note 1)**Subsequent events** (Note 17)**On behalf of the Board:**“Marcio Fonseca”

Director

“Michael Thomson”

Director

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

**GR SILVER MINING LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – Prepared by management)

(Expressed in Canadian Dollars)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
<b>EXPENSES</b>				
Amortization (Note 6)	\$ 16,824	\$ 1,203	\$ 19,403	\$ 2,414
Consulting (Note 11)	152,968	76,055	292,131	202,536
Exploration expenditures (Note 9)	842,845	272,946	1,317,179	747,633
Foreign exchange (gain) loss	21,417	26,147	90,496	37,068
Investor relations	154,317	122,604	295,537	315,919
Office	33,689	46,901	98,021	106,801
Professional fees (Note 11)	49,042	76,518	81,547	99,051
Property investigation	430	-	1,467	-
Regulatory and transfer agent	26,063	11,358	59,084	28,863
Share-based compensation (Note 11 and 12)	212,202	17,220	214,268	19,328
Travel	13,252	22,845	26,483	33,504
	(1,523,049)	(673,797)	(2,495,616)	(1,593,117)
Accretion expense evaluation assets (Note 8)	(1,578)	-	-	-
Other income	886	1,294	6,768	2,020
<b>Loss and comprehensive loss for the period</b>	<b>\$ (1,523,741)</b>	<b>\$ (672,503)</b>	<b>\$ (2,490,426)</b>	<b>\$ (1,591,097)</b>
<b>Loss per common share</b>				
-Basic and diluted	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.04)
<b>Weighted average number of common shares outstanding</b>				
-Basic and diluted	91,815,078	41,898,649	80,646,198	41,454,578

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

**GR SILVER MINING LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by management)  
(Expressed in Canadian Dollars)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (2,490,426)	\$ (1,591,097)
Items not affecting cash:		
Amortization	19,403	2,414
Accretion expense on restoration obligations	1,578	-
Share-based compensation	214,268	19,328
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(13,179)	5,204
(Increase) decrease in prepaids	(314,897)	(5,211)
Increase in value added tax	(123,765)	(57,909)
Increase (decrease) in accounts payable and accrued liabilities	813,160	(24,609)
Net cash used in operating activities	<u>(1,893,858)</u>	<u>(1,651,880)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Plomosas Property (Note 8)	(257,160)	-
Cash acquired from Plomosas acquisition (Note 8)	2,379	-
Equipment	(113,885)	-
Exploration and evaluation assets	-	(27,416)
Net cash provided by investing activities	<u>(368,666)</u>	<u>(27,416)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of shares	9,503,929	1,376,250
Share issue costs	(838,518)	(37,006)
Net cash provided by financing activities	<u>8,665,411</u>	<u>1,339,224</u>
<b>Change in cash during the period</b>	<b>6,402,887</b>	<b>(304,052)</b>
<b>Cash, beginning of period</b>	<b>2,049,510</b>	<b>1,284,128</b>
<b>Cash, end of period</b>	<b>\$ 8,452,397</b>	<b>\$ 944,076</b>

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

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

**GR SILVER MINING LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

	Share Capital		Share Compensation Reserve	Deficit	Total
	Number of Shares	Amount			
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	11,010,000	1,376,250	-	-	1,376,250
Share issue costs	-	(37,006)	-	-	(37,006)
Shares issued for non-cash:					
Finder's fees – warrants issued	-	(21,262)	21,262	-	-
Debt settlement	600,000	75,000	-	-	75,000
Share-based compensation	-	-	\$ 19,328	\$ -	\$ 19,328
Loss for the year	-	-	\$ -	\$ (1,591,097)	(1,591,097)
Balance, June 30, 2019	52,615,572	10,346,327	\$ 1,052,362	\$ (9,275,483)	\$ 2,123,206
Shares issued for cash:					
Private placement	15,000,000	3,000,000	-	-	3,000,000
Share issue costs	-	(269,298)	-	-	(269,298)
Shares issued for non-cash:					
Finder's fees – warrants issued	-	(103,098)	103,098	-	-
Debt settlement	1,683,819	233,872	-	-	233,872
Share-based compensation	-	-	306,421	-	306,421
Loss for the year	-	-	-	(2,103,033)	(2,103,033)
Balance, December 31, 2019	68,699,391	\$ 13,207,803	\$ 1,461,881	\$ (11,378,516)	\$ 3,291,168
Shares issued for cash:					
Private placement	33,900,000	9,153,000	-	-	9,153,000
Exercise of warrants	1,483,046	350,929	-	-	350,929
Share issue costs	-	(838,518)	-	-	(838,518)
Shares issued for non-cash:					
Reclassification of reserves on exercise of warrants	-	66,578	(66,578)	-	-
Finder's fees – warrants issued	-	(359,258)	359,258	-	-
Property acquisition	17,847,500	3,131,575	-	-	3,131,575
Share-based compensation	-	-	214,268	-	214,268
Loss for the year	-	-	-	(2,490,426)	(2,490,426)
Balance, June 30, 2020	121,929,937	\$ 24,712,109	\$ 1,968,829	\$ (13,868,942)	\$ 12,811,996

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

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2020

(Expressed in Canadian Dollars)

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

GR Silver Mining Ltd. (the “Company” or “GR Silver”) was incorporated on November 8, 2012 under the laws of British Columbia. The Company’s head office address is 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.

As at June 30, 2020, the Company has a working capital of \$7,656,065 and an accumulated deficit of \$13,868,942. 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****Basis of presentation**

The Board of Directors of the Company approved the condensed interim consolidated financial statements on August 25, 2020.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the six-month period ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2020

(Expressed in Canadian Dollars)

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

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as held-for-trading, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting. These condensed consolidated interim financial statements are prepared in Canadian dollars.

These consolidated financial statements of the Company include the balances of its subsidiaries, Goldplay de Mexico SA de CV, Minera San Marcial SA de CV and Minera Matatan SA de CV (“Matatan”), which are wholly owned subsidiaries incorporated in Mexico and Mineral La Rastra SA de CV which is owned 100% by Matatan .

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.

**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:

- New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*: On June 7, 2017, the IASB issued IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments (“IFRIC 23”). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. There was no impact to the Company’s consolidated financial statements as a result of adopting this new standard.

**3. CASH**

The Company’s cash consists of the following:

	June 30, 2020	December 31, 2019
Cash held with banks in Canadian dollars	\$ 8,171,342	\$ 1,933,090
Cash held with banks in foreign currencies	281,055	116,420
Total	\$ 8,452,397	\$ 2,049,510

**4. RECEIVABLES**

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

	June 30, 2020	December 31, 2019
GST receivable	\$ 42,435	\$ 13,160
Other receivables	65	5,066
Current receivable	\$ 42,500	\$ 18,226
VAT receivable	635,270	511,505
Total receivable	\$ 677,770	\$ 529,731

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2020

(Expressed in Canadian Dollars)

**5. EQUIPMENT**

	Office Equipment	Exploration Equipment	Total
<b>Cost:</b>			
Balance at December 31, 2018	\$ 22,957	\$ -	\$ 22,957
Additions	-	54,738	54,738
Balance at December 31, 2019	\$ 22,957	\$ 54,738	\$ 77,695
Additions	5,138	385,712	390,850
<b>Balance at June 30, 2020</b>	<b>\$ 28,095</b>	<b>\$ 440,450</b>	<b>\$ 468,545</b>
<b>Accumulated Depreciation:</b>			
Balance at December 31, 2018	\$ 7,388	\$ -	\$ 7,388
Depreciation	5,068	547	5,615
Balance at December 31, 2019	\$ 12,456	\$ 547	\$ 13,003
Depreciation	2,667	16,736	19,403
<b>Balance at June 30, 2020</b>	<b>\$ 15,123</b>	<b>\$ 17,283</b>	<b>\$ 32,406</b>
<b>Net Book Value:</b>			
<b>Balance at December 31, 2019</b>	<b>\$ 10,501</b>	<b>\$ 54,191</b>	<b>\$ 64,692</b>
<b>Balance at June 30, 2020</b>	<b>\$ 12,972</b>	<b>\$ 423,167</b>	<b>\$ 436,139</b>

**6. 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"). The Company had incurred acquisition costs of \$4,108 and were recorded as deferred acquisition costs during the period ended December 31, 2019. During the period ended March 31, 2020 the deferred acquisition costs have been allocated to the purchase price.

**GR SILVER MINING LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

(Expressed in Canadian Dollars)

**7. 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	Plomosas Mexico	Total
Balance, December 31, 2018	\$ 35,000	\$ 387,500	\$ 192,695	\$ -	\$ -	\$ -	559,900
Acquisition costs							
Allocated from deferred costs (Note 7)	-	-	-	160,000	160,000	-	320,000
Cash	-	-	-	13,739	13,677	-	47,711
Total acquisition	-	-	-	173,739	173,677	-	367,711
Balance, December 31, 2019	\$ -	\$ 387,500	\$ 192,695	\$ 173,739	\$ 173,677	\$ -	927,611
Acquisition costs							
Shares issued	-	225,000	-	-	-	-	225,000
Acquisition of Plomosas Property	-	-	-	-	-	3,094,180	3,094,180
Total acquisition	-	225,000	-	-	-	3,094,180	3,319,180
Balance, June 30, 2020	\$ -	\$ 612,500	\$ 192,695	\$ 173,739	\$ 173,677	\$ 3,094,180	4,246,791

**GR SILVER MINING LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

(Expressed in Canadian Dollars)

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

The Company entered into a share purchase agreement to acquire a 100% interest in the Plomosas property located in the Rosario Mining District, Sinaloa, Mexico. On March 26, 2020 the Company completed the acquisition by paying \$100,000, issuing 17,097,500 common shares of the Company and granted a 2% net smelter royalty (“NSR”) with half of the NSR (i.e., 1%NSR) being subject to a buy-back for US\$1,000,000.

For accounting purposes, the Plomosas acquisition was treated as an asset acquisition. As such, effective as of the date of closing, the fair value assigned to the identifiable assets and liabilities purchased are presented below:

<b>Purchase Price</b>	
Cash payment	\$ 100,000
Common shares issued	2,906,575
Legal, regulatory, and other costs	161,268
<b>Total purchase price</b>	<b>\$ 3,167,843</b>
<b>Net assets acquired and allocation</b>	
Assets	
Cash	\$ 2,379
Receivables	11,095
Equipment	276,965
Exploration and evaluation assets	3,094,180
Liabilities	
Accounts payable	\$ (6,085)
Reclamation provision	(210,691)
<b>Total net assets acquired and allocated</b>	<b>\$ 3,167,843</b>

**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 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 (issued)	\$75,000(paid)	1,250,000	-
May 9, 2019	-	-	\$500,000 (incurred)
May 9, 2020 (issued Note 17)	-	750,000	\$1,000,000 (incurred)
May 9, 2021	\$2,500,000	1,500,000	\$1,500,000 (incurred)
<b>Total</b>	<b>\$2,575,000</b>	<b>3,500,000</b>	<b>\$3,000,000</b>

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.

**GR SILVER MINING LTD.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

(Expressed in Canadian Dollars)

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

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;

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; (paid)
- 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:

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2020

(Expressed in Canadian Dollars)

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

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.

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.

**8. EXPLORATION EXPENDITURES**

Exploration expenditures for the period ended June 30, 2020 are comprised of the following:

	Nevada Properties	El Habal	San Marcial	Plomosas	Total
Assay	\$ -	\$ -	\$ 4,889	\$ -	\$ 4,889
Concession taxes	-	4,152	13,511	-	17,663
Consulting	2,381	300	40,413	40,888	83,982
Drilling	-	-	102,687	-	102,687
Field	-	-	292,244	41,394	333,638
Geological	-	-	204,799	4,919	209,718
Geochemistry	-	-	41,394	-	41,394
Metallurgical	-	-	-	80,000	80,000
Topography	-	-	1,998	-	1,998
Underground development	-	-	441,210	-	441,210
<b>Total</b>	<b>\$ 2,381</b>	<b>\$ 4,452</b>	<b>\$ 1,143,145</b>	<b>\$ 167,201</b>	<b>\$ 1,317,179</b>

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2020

(Expressed in Canadian Dollars)

**8. EXPLORATION EXPENDITURES**

Exploration expenditures for the period ended June 30, 2019 are comprised of the following:

	El Habal	San Marcial	Nevada	Total
Assay	\$ -	\$ 9,657	\$ -	\$ 9,657
Concession taxes	36,925	14,107	-	51,032
Consulting	10,382	47,946	-	58,328
Field	9,330	276,044	5,025	290,399
Geological	3,945	209,144	-	213,089
Geochemistry	2,917	40,105	-	43,022
Geophysical	5,881	38,983	-	44,864
Report preparation	-	37,242	-	37,242
<b>Total</b>	<b>\$ 69,380</b>	<b>\$ 673,228</b>	<b>5,025</b>	<b>\$ 747,633</b>

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2020	December 31, 2019
Trade payables	\$ 1,175,971	\$ 340,726
Accrued liabilities	16,000	32,000
	<b>\$ 1,191,971</b>	<b>\$ 372,726</b>

**10. 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 period ended June 30 was:

	2020	2019
Short-term benefits paid or accrued:		
Consulting fees	\$ 142,000	\$ 127,775
Exploration expenditures	27,075	21,275
Share based compensation	177,663	-
<b>Total remuneration</b>	<b>\$ 346,738</b>	<b>\$ 149,050</b>

Included in accounts payable and accrued liabilities as at June 30, 2020 was \$138,950 (December 31, 2019 – \$99,789) owed to a director and companies controlled by a director or officer.

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.

**11. RECLAMATION PROVISIONS**

As at June 30, 2020 the Company's reclamation provisions are related to the dismantling and removal of buildings and the old plant site at the Company's Plomosas property (Note 7). The provision was calculated using an inflation rate of 3.25% and a discount rate of approximately 3.03% with the assumption that the

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**11. RECLAMATION PROVISION (cont'd...)**

reclamation would be settled in the year ended 2025. Significant activities include land rehabilitation, demolition and removal and other costs. The amounts and timing of the reclamation will vary depending on several factors including exploration success and alternative mining plans. During the period ended June 30, 2020 the balance of the reclamation provision was \$212,269 and included accretion expense of \$1,578.

**12. SHARE CAPITAL AND RESERVES**

Authorized – Unlimited common shares without par value

During the period ended June 30, 2020 the Company:

- a) The Company issued 1,483,046 common shares on the exercise of warrants for proceeds of \$350,929. Additional share issue costs of \$454 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.
- b) The Company issued 17,847,500 common shares for the acquisition of exploration and evaluation assets at a fair value of \$3,131,575.
- c) Completed a bought deal private placement of 33,900,000 units at a price of \$0.27 per unit for gross proceeds of \$9,153,000. Each Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant ("Warrant") and each whole warrant is exercisable into one common share, of the Company at an exercise price of \$0.40 per warrant to June 18, 2021. The Company paid cash finders fees of \$636,660 and issued 2,358,000 agent warrants valued at \$359,258. Each agent warrant is exercisable at an exercise price of \$0.27 per agent warrant to June 18, 2021. Additional share issue costs of \$201,404 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

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.

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

At June 30, 2020, there were 360,000 (December 31, 2019 – 540,000) 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.

At June 30, 2020, there were 2,235,134 (December 31, 2019 – 3,352,701) shares held in escrow with the Company's registrar and transfer agent. 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.

As at June 30, 2020, 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	2.67
150,000	\$0.30	March 14, 2023	2.70
450,000	\$0.30	May 7, 2023	2.85
1,445,000	\$0.22	December 19, 2023	3.47
610,000	\$0.21	August 6, 2024	4.10
217,000	\$0.20	January 29, 2027	6.59
1,370,000	\$0.185	November 25, 2024	4.41
300,000	\$0.20	April 16, 2025	4.80
1,385,000	\$0.335	May 13, 2025	4.87
<u>7,507,178</u>			<u>3.87</u>

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2018	3,847,178	\$ 0.26
Expired	(5,000)	0.22
Granted	<u>2,330,000</u>	<u>0.19</u>
As at December 31, 2019	6,172,178	\$ 0.24
Expired	(350,000)	0.20
Granted	<u>1,685,000</u>	<u>0.31</u>
As at June 30, 2020	7,507,178	\$ 0.26
Number of options currently exercisable	7,507,178	\$ 0.26

During the period ended June 30, 2020 the Company recognized share-based payments expense of \$214,268 (2019 - \$19,328), 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 period ended as follows:

	June 30, 2020	December 31, 2019
Risk-free interest rate	0.38%	1.46%
Expected life of options	5.00	5.00
Annualized volatility	100%	100%
Dividend rate	0%	0%

**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, 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	5,883,777	\$ 0.24
Exercised	(1,483,046)	0.24
Expired	<u>(333,141)</u>	<u>0.18</u>
As at June 30, 2020	23,375,590	\$ 0.36

The weighted average remaining contractual life of warrants outstanding at June 30, 2020 was 0.98 (December 31, 2019 - 1.36) years.

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

Warrants outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
304,987	\$ 0.22	March 15, 2022
1,810,276	\$ 0.25	November 30, 2020
216,608	\$ 0.25	November 30, 2020
610,719	\$ 0.25	December 7, 2020
9,000	\$ 0.25	December 7, 2020
225,000	\$ 0.15	June 26, 2022
891,000	\$ 0.25	November 6, 2022
16,950,000	\$ 0.40	June 18, 2021
2,358,000	\$ 0.27	June 18, 2021
23,375,590		

The weighted average Black-Scholes inputs are as follows:

	June 30, 2020	December 31, 2019
Expected life of warrants	1.00	3.00
Annualized volatility	100%	100%
Dividend rate	-	-
Discount rate	1.50	1.50%

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

Significant non-cash transactions during the period ended June 30, 2020;

- issued 17,847,500 common shares for the acquisition of exploration and evaluation assets at a fair value of \$3,131,575.
- incurred a reclamation provision of \$210,691 and accretion expense of \$1,578.
- issued 2,358,000 agent warrants with a fair value of \$359,258 recorded as share issuance costs.
- reclassification of reserves in share capital of \$66,578

Significant non-cash transactions during the period ended June 30, 2019;

- issued 600,000 common shares in settlement of debt in the amount of \$75,000.
- issued 228,000 agent warrants with a fair value of \$19,328 recorded as share issuance costs.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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**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:

	June 30, 2020	December 31, 2019
Equipment		
Mexico	\$ 424,076	\$ 55,260
Canada	8,017	9,432
Total	\$ 436,139	\$ 64,692
Exploration and evaluation assets		
Mexico	\$ 3,740,593	\$ 387,500
USA	540,111	540,111
Total	\$ 4,280,704	\$ 927,611

**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

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.

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

*Liquidity risk*

As of June 30, 2020, the Company had cash balance of \$8,452,397 to settle current liabilities of \$1,191,971 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\$4,759,610 as of June 30, 2020 and accounts payable of MX\$8,369,118. A 10% change in foreign exchange rates will affect profit or loss by less than \$23,000.

*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.

**16. 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.

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**17. SUBSEQUENT EVENTS**

On August settled debt

The Company issued 1,083,904 common shares on the exercise of warrants for proceeds of \$269,896.

The Company issued 400,000 common shares on the exercise of options for proceeds of \$94,975.

The Company issued 427,375 common shares to settle an aggregate debt of \$203,003.