GR SILVER MINING LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2020

REPORT DATE:
August 25, 2020

This Management Discussion and Analysis (the "MDA") provides relevant information on the operations and financial condition of GR Silver Mining Ltd. (the "Company") for the six-month period ended June 30, 2020.

The Company is in the business of mineral exploration. Activities include the evaluation, acquisition and exploration of mineral exploration properties in search of economic mineral deposits. Properties silver potential in Mexico is the current focus of the Company. The realization of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future profitable production or proceeds from the disposition of these assets. The carrying values of exploration and evaluation assets do not necessarily reflect their present or future values.

All monetary amounts in this MDA and in the condensed interim consolidated financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are being reported in accordance with International Financial Reporting Standards ("IFRS").

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which is it was made, with respect to the period covered by these filings, and the condensed interim consolidated financial statements together with other financial information included in these filings. The Board of Directors' approves the condensed interim consolidated financial statements and MDA and ensures that management has discharged its financial responsibilities.

The MDA should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2019.

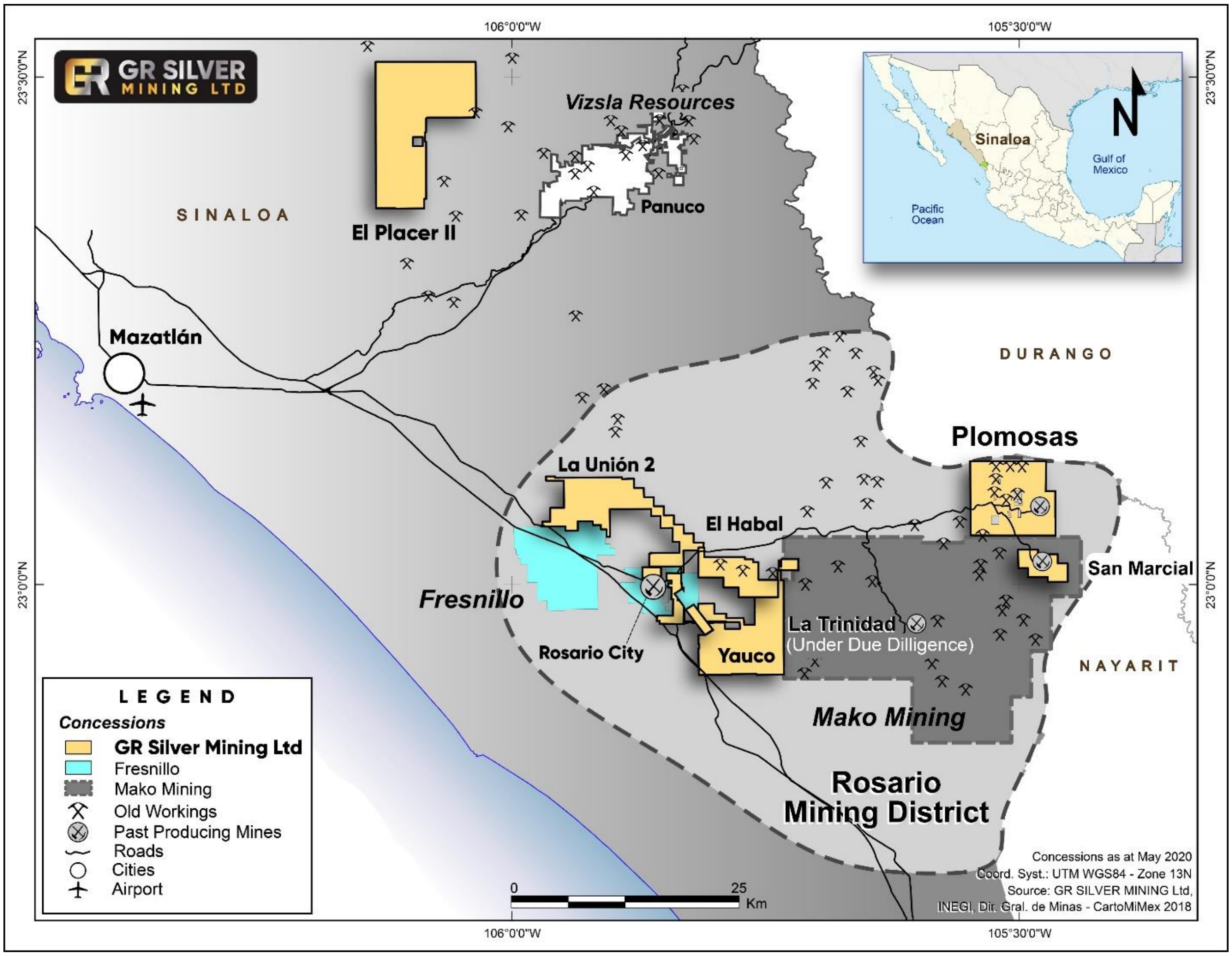
The Company is registered in the province of British Columbia. The Company's head office address is Suite 900 – 999 West Hastings Street, Vancouver B.C. V6C 2W2. The Company's registered and records office is Suite 1100 – 736 Granville Street, Vancouver, B.C. V6Z 1G3.

OVERALL PERFORMANCE

The Company is a mineral exploration and development company active in exploration in the Rosario Mining District, Sinaloa, Mexico and it is utilizing its mineral exploration knowledge, strategy and experience related to the Rosario Gold District pursuing new discoveries and resource developments. The Company continues to evaluate new opportunities, whether by staking, property acquisition or by corporate transactions. This was highlighted by the acquisition of the nearby Plomosas Project from First Majestic Silver Corp. ("First Majestic"), which was completed in March 2020. In addition, the Company signed a Letter of Intent with Mako Mining Corp., in December 2019, to acquire a significant concession package adjacent to the Company's projects, which includes the decommissioned La Trinidad gold mine.

EXPLORATION & RESOURCE DEVELOPMENT STAGE PROJECTS

The Company is a resource exploration and development company. Its principal properties are (1) the Plomosas Silver Project (previously producing underground silver mine and five additional drilled prospects); (2) San Marcial Silver Project (resource expansion and development stage); and (3) the exploration concessions close to the El Rosario historical multi-million-ounce gold-silver mine, named Rosario Project (concessions recently acquired along with the Plomosas Project), El Habal, Union II, El Habal Sur, Yauco and Placer II. The Company controls >350 sq. km of exploration concessions in the Rosario Mining District, Sinaloa, Mexico.



Plomosas Property, Sinaloa, Mexico

On March 26, 2020, the Company completed the acquisition of the Plomosas Silver Project from First Majestic.

The Plomosas Project is located within 5 km of the Company's San Marcial Project in the Rosario Mining District, Sinaloa, Mexico, bringing opportunities for cost synergies and blended development of both projects. The Plomosas Project lies in one of the most prolific geological settings for the discovery of high-grade silver-gold epithermal mineralized systems in Mexico. This is evidenced by world class deposits discovered in similar mining districts along the western edge of the Sierra Madre Occidental.

The Plomosas Project was a past producing Grupo Mexico S.A. de C.V. silver–gold–lead–zinc underground mine (Plomosas mine) within 8,515 ha of mining concessions with numerous drilled areas with potential for resource definition and future exploration. The Plomosas Project together with the San Marcial Project provides the Company control of 9,764 ha, and most of the silver-gold-lead-zinc mineralized zones in the eastern section of the Rosario Mining District.

License Name	Title Number	Type of Concession	Area (ha)
Plomosas	168698	Exploitation	12
Segunda Ampliación De Plomosas	168699	Exploitation	100
Continuacion de Plomosas	168700	Exploitation	12
La Rastra 2	183443	Exploitation	25.4275
San Juan	188174	Exploitation	25.4275
El Potrero No 2	195916	Exploitation	221
La Estrella	202188	Exploitation	261.68
El Potrero	203534	Exploitation	100
Plomosas 3	209251	Exploitation	23.2700
Plomosas 2	210152	Exploitation	83.5
Rosario 4	212656	Exploitation	239.7766
La Chispera	213510	Exploitation	10
La Rastra	214304	Exploitation	5396.0027
Rosario 1	221093	Exploitation	406.6851
Plomosas 4	225024	Exploitation	420.9633
La Chispera II	225866	Exploitation	226.0732
Los Arcos	226222	Exploitation	214.13
Rosario II	228255	Exploitation	736.1767

The Plomosas Project includes:

- Six areas at the drilling/resource stage with a total of 563 recent and historical drill holes, comprising over 100,000 m of core drilling, including a series of high-grade silver and gold intersections, which will be integrated in a 3D model aiming to define multiple resource estimations.
- 16 exploration targets and over 30,000 m of under-explored mineralized veins/structures in a prolific geological setting with approximately USD$18.0 million of exploration investment by previous owners. These exploration targets have soil and litho-geochemical sampling data, IP aero geophysical and ground geophysical data, indicating anomalies and favourable zones for future drilling.
- 20-year surface rights agreement in good standing, 20-year water and 5-year land use permits, and exploration and drilling permits for immediate infill and exploration drilling, which collectively de-risk the project for current and future developments.
- Key surface and underground facilities and infrastructure (from a past-producing 600tpd operation). This includes an underground mine with 8 km of underground development, a fully operational 60 km 33 KV power line, fully equipped offices and shops, a 120-person camp, and warehouses and ancillary facilities available for immediate use by GR Silver.

Work Program – Quarter ended June 30, 2020

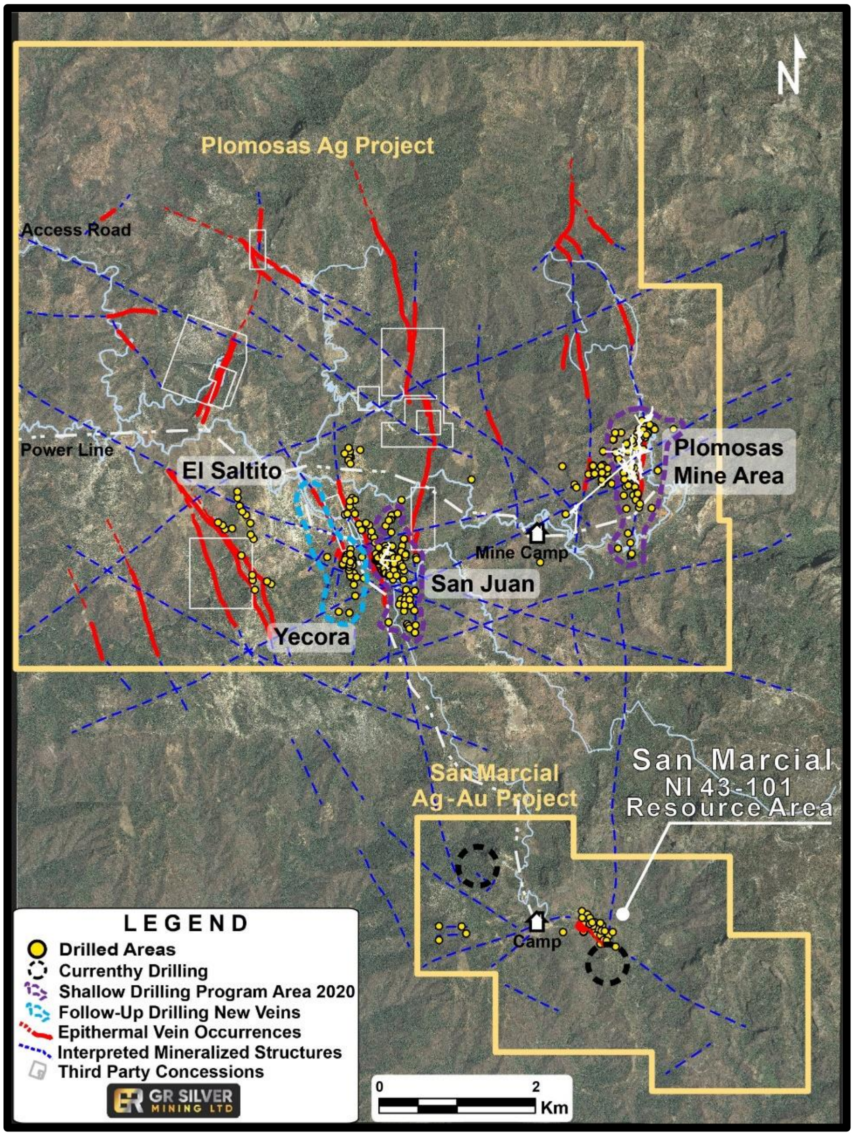
The Company has completed the following work from April 1, 2020 to June 30, 2020 on the Plomosas Property.

Plomosas Mine Area

Work Completed	**Plomosas**
Geological mapping (km^2)	0.1
Historical Drill Holes Validated Number	51
Underground Sampling	219

San Juan Area

Work Completed	**Plomosas**
Geological mapping (km^2)	1
Historical Drill Holes Validated Number	29
Underground Sampling	219



The past-producing Plomosas mine operated from 1986 to 2000, processing a total of 2.5 mt of ore in a crushing-milling flotation circuit. During the 14 years of operation, Lead (Pb) and zinc (Zn) concentrates were the main product (reported high grade silver and gold credits). The historical reports indicate annual grades for each commodity ranged from: silver (79 g/t to 338 g/t), gold (0.76 g/t to 1.74g/t), zinc (1.85% to 2.66%) and lead (1.19% to 3.37%). The historical room and pillar underground operation mined only 260 m of a polymetallic mineralized zone, and extensive drilling data shows continuity down dip and along strike. The drilling data also indicates high-grade silver and gold mineralization, particularly those located on unmined hanging wall and footwall zones around the polymetallic (Zn-Pb) zones. The Company is currently investigating the multi-commodity nature of the mineralization and high-grade silver and gold zones by studying the extensive drilling database and delineating new mineralized zones outside of the historically mined area.

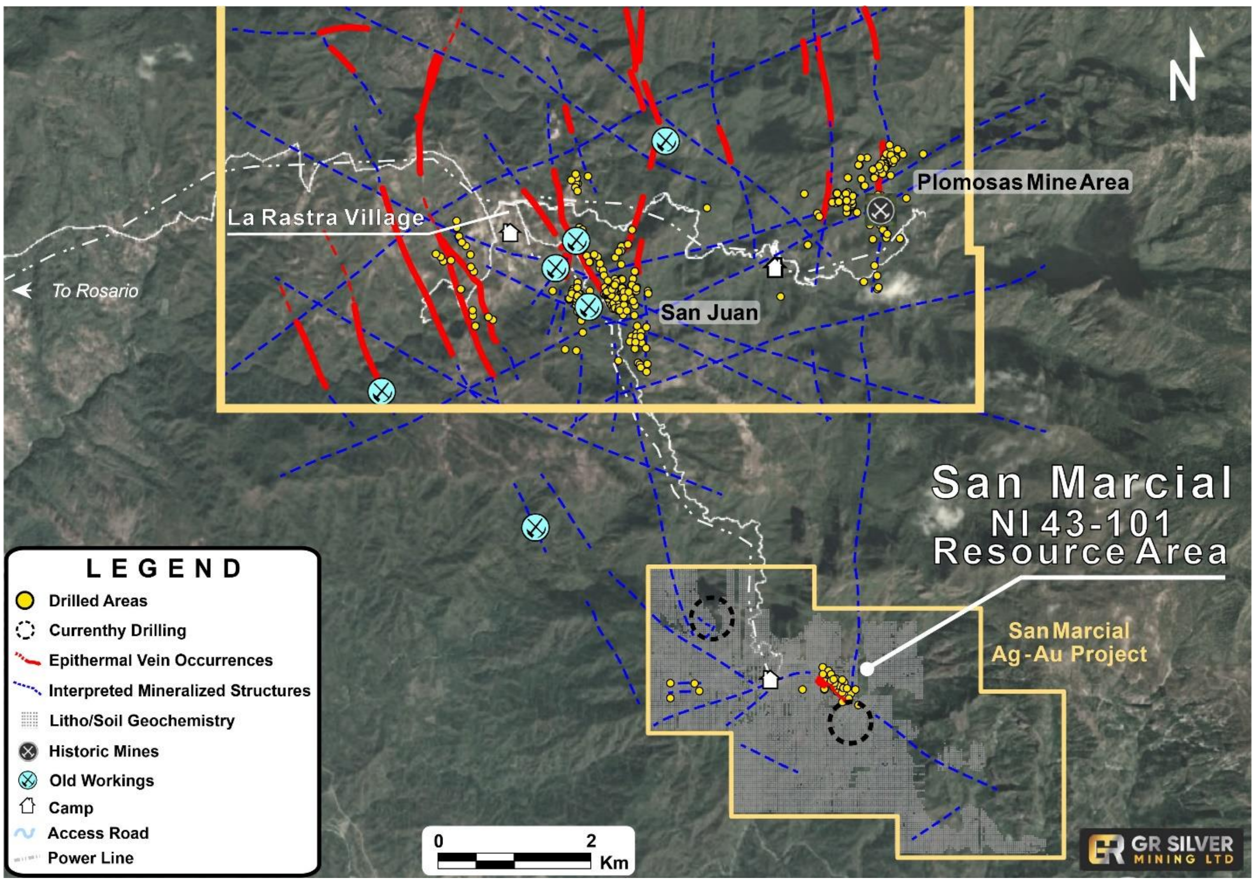
The silver and gold mineralization display the alteration, textures, mineralogy and deposit geometry characteristics of a low sulphidation epithermal silver-gold-base metal vein/breccia mineralized system. There are common occurrences of silver-gold-galena-sphalerite-rich metal assemblages associated with more than one phase of mineralization, with overprinting of the sulphide-rich mineralization on previous high-grade gold and silver mineralized zones.

San Marcial Property, Sinaloa, Mexico

On 7 May 2018, the Company received TSX Venture Exchange ("TSX.V") approval for the 3-year option agreement to acquire a 100% interest in the San Marcial Property from SSR Mining Inc. San Marcial consists of 1,250 ha of concessions located 5 km south of the Plomosas historical mine.

License Name	Title Number	Location (UTM NAD 27 Mex).	Type of Concession	Area (ha)	Date Granted	Expiry Date	Bi-Annual 2019 Fee ($US) (US$1= Mex $18.9371)
Mina San Marcial	180998	451,032.3300E 2,545,695.245N	Exploitation	119	August 13, 1987	August 13, 2037	1,039
Ampliación San Marcial	211650	451,032.3300E 2,545,695.245N	Exploitation	1,131	June 22, 2000	June 22, 2050	9,874
TOTAL				**1,250**			**10,913**

It has an attractive near-surface high-grade silver, lead, zinc and gold mineralized zone with a current *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* ("NI 43-101") (1) (link to amended report) resource estimate with an immediate opportunity for resource expansion, not only down dip, but also along an additional 6 km of the San Marcial Mineral Trend. As a result of the Company's surface exploration program on this project, eight additional drill targets have been delineated.



In February 2019, the Company released an updated NI 43-101 resource estimation, and amended on June 10, 2020 (see Table below) which continues to exhibit significant exploration upside. This latest resource update is an increase on the previous 2008 resource estimate that only consisted of 30 drill holes completed up to November 2008. An additional 22 drill holes were drilled in 2010. The total of 52 drill holes were integrated into the updated NI 43-101 resource estimate in 2019.

Class		Type	Cutoff AgEq g/t	Tonnage (000s)	Ag (g/t)	AgEq (g/t)	Zn (%)	Pb (%)	Ag (M oz.)	AgEq (M oz.)	Zn (M lbs)	Pb (M lbs)
Indicated	Breccia	Breccia (OP)	30	2,909	202	241	0.7	0.4	19	23	42	29
		Breccia (UG)	80	55	90	124	0.6	0.3	0.2	0.2	0.8	0.3
		Breccia (Total)		**2,963**	**200**	**239**	**0.7**	**0.4**	**19**	**23**	**43**	**29**
	Stockwork	Stockwork (OP)	30	4,551	64	88	0.4	0.2	9	13	42	23
		Stockwork (UG)	80	95	72	103	0.5	0.3	0.2	0.3	1	1
		Stockwork (Total)		**4,646**	**64**	**89**	**0.4**	**0.2**	**10**	**13**	**43**	**24**
			30	7,460	118	148	0.5	0.3	28	35	84	52
			80	149	79	111	0.5	0.3	0.4	1	2	1
		Indicated Total	**Total**	**7,609**	**117**	**147**	**0.5**	**0.3**	**29**	**36**	**86**	**53**
Inferred	Breccia	Breccia (OP)	30	792	131	153	0.48	0.15	3	4	8	3
		Breccia (UG)	80	638	135	165	0.80	0.06	3	3	11	1
		Breccia (Total)		**1,430**	**133**	**158**	**0.62**	**0.11**	**6**	**7**	**20**	**3**
	Stockwork	Stockwork (OP)	30	1,727	52	62	0.17	0.09	3	3	7	4
		Stockwork (UG)	80	233	121	140	0.03	0.17	1	1.1	0.1	1
		Stockwork (Total)		**1,960**	**60**	**71**	**0.16**	**0.10**	**4**	**4**	**7**	**4**
			30	2,519	77	90	0.27	0.11	6	7	15	6
			80	871	131	158	0.59	0.09	4	4	11	2
		Inferred Total	**Total**	**3,390**	**91**	**108**	**0.35**	**0.10**	**10**	**12**	**26**	**8**

The NI 43-101 resource estimate covers 500 m of a mineralized trend which is open along strike for an additional 6 km, supported by positive surface exploration results, in eight additional drill targets. The mineralization is also open down dip as most of the drilling was focused on the first 250 m below the surface in the resource estimation area. Preliminary metallurgical results from oxide, transitional and sulfide samples from San Marcial have indicated column leach test silver recoveries in the range from 82% to 94% over a 96-hour leach period.

Additional surface exploration results in the vicinity of the current resource have delineated immediate drilling targets for resource expansion, including a trench result of 56 m @ 196 g/t Ag (SMtr-001). Like the Plomosas Project, the San Marcial Project has recently also shown to be highly prospective for gold mineralization. Drilling by GR Silver Mining in 2019 intersected an interval containing 1m at 204.6 g/t gold in close proximity to the San Marcial silver resource (see figure below).

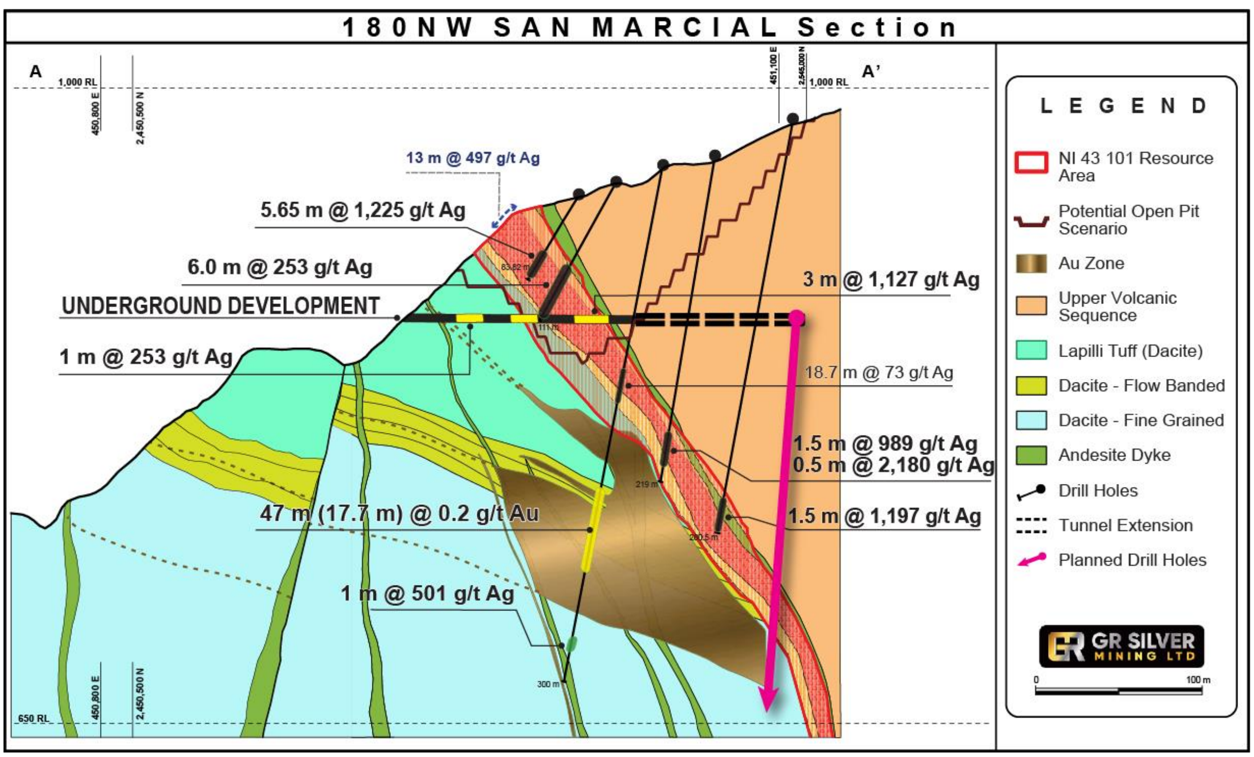
In addition to testing the eight new targets, GR Silver Mining is currently extending an old tunnel in the San Marcial resource to access new underground drill positions to test the depth potential of the resource with a fan of drill holes (see figures below). The deposit contains high grade (>1,000 g/t Ag) drill intercepts in the deepest holes indicating that the resource is open at depth.

The Ag-Zn-Pb and Au mineralization at San Marcial is typical of epithermal systems, hosted in a hydrothermal breccia and stockwork zone near the contact of the Tertiary, Upper and Lower Volcanic units in the Sierra Madre Occidental Geologic Province.

Along the 6 km mineralized trend, there are highly altered hydrothermal breccias, conglomerates, and relatively fresh dacite porphyry intrusive. Faulting is an important structural feature related to the silver, gold, zinc and lead mineralization, and the intersections of east-west with northwest-trending structures are considered the most prospective areas for exploration at San Marcial.

The company has now completed a detailed litho-geochemical sampling program covering over 60% of the San Marcial Project area with a 25 m x 25 m grid (see Figure above). All samples in this program have been analyzed by hand-held portable XRF equipment on-site, providing an extensive multi-element geochemical database of over 14,000 sample points. The data is being used by our exploration team to identify new targets for follow up, in a time and cost-efficient manner.


N
A'
2
1
A
LEGEND
Drilled Areas
Underground Adit
Tunnel Extension
New Access Road
Breccia Zone
Faisanes - Mariposa Trend
Trenches
Resource Expansion Potential
Old Underground Working
GR SILVER MINING LTD
San Marcial Tunnel Expansion(2020)
0
250
m
Road Access
Underground Development


180NW SAN MARCIAL Section
A
A'
1,000 RL
650 RL
450,800 E
2,450,500 N
451,100 E
2,450,800 N
13 m @ 497 g/t Ag
5.65 m @ 1,225 g/t Ag
6.0 m @ 253 g/t Ag
UNDERGROUND DEVELOPMENT
1 m @ 253 g/t Ag
3 m @ 1,127 g/t Ag
18.7 m @ 73 g/t Ag
1.5 m @ 989 g/t Ag
0.5 m @ 2,180 g/t Ag
1.5 m @ 1,197 g/t Ag
47 m (17.7 m) @ 0.2 g/t Au
1 m @ 501 g/t Ag
300 m
LEGEND
NI 43 101 Resource Area
Potential Open Pit Scenario
Au Zone
Upper Volcanic Sequence
Lapilli Tuff (Dacite)
Dacite - Flow Banded
Dacite - Fine Grained
Andesite Dyke
Drill Holes
Tunnel Extension
Planned Drill Holes
GR SILVER MINING LTD
0
100 m

Work Program – Quarter ended June 30, 2020

The Company has completed the following work from January 1, 2020 to June 30, 2020 on the San Marcial Property.

Work Completed	San Marcial
Upgrade access road (km)	NA
Geological mapping (km^2)	0.83
Trench openings (number)	NA
Linear metres trenched (m)	NA
Soil samples	NA
Litho-geochemistry samples	7,179
Area covered by soil sampling (km^2)	NA
Area covered by litho-geochemistry sampling (km^2)	4.75
Portable drill holes (shallow <20m)	29
Portable drill holes (Shallow <20m) (total metres)	251.13
Diamond drill holes (NQ)	9
Diamond drill holes (NQ) (total metres)	450

Rosario Property, Sinaloa, Mexico

The historical multimillion-ounce Rosario gold-silver mine was reported to have closed in 1941 after an operating life spanning over 250 years. The mine exploited precious metals from numerous veins up to 30m in width, located below the current town of Rosario.

As part of the March 2020 acquisition of the Plomosas Project from First Majestic, the Company also acquired a package of three concessions (Rosario I, Rosario II and Rosario 4) strategically located adjacent to the Rosario town and prospective for gold-silver mineralization. These concessions, totalling 1,383 hectares, may host extensions to the historical Rosario gold-silver mineralization. The key regional structural features are oriented in a NW-SE direction, parallel to the regional graben basin development and often the focus of precious metals mineralization.

The Company will be reviewing the Rosario concessions which lie along strike from, and sub-parallel to, these potential structural extensions. Considering their close proximity to the multimillion-ounce historical Rosario mine, the concessions making up the Company's Rosario Project are substantially under-explored and highly prospective.

El Habal Property, Sinaloa, Mexico

The El Habal Property comprises 3,773.7 ha in six exploration concessions located 10km to the east of the multi-million-ounce historic high-grade Au-Ag Rosario Mine. The exploration concessions are detailed as follows:

Concession #	Ownership	Township	Expiry Date	Record Date	Area (ha)	Name
229261	Goldplay de México	Rosario	March 27, 2057	March 28, 2007	1,738.9	El Habal
226963	Goldplay de México	Rosario	March 30, 2056	March 31, 2006	220.0	San Pablo 2
236078	Goldplay de México	Rosario	May 3, 2060	May 4, 2010	80.0	San Pablo
226962	Goldplay de México	Rosario	March 30, 2056	March 31, 2006	50.0	Baluarte 2
243620	Goldplay de México	Rosario y Escuinapa	November 4, 2064	November 4, 2014	1406.6	Habal Sur
232406	Goldplay de México	Rosario	August 4, 2058	August 5, 2008	278.2	Las Dos Chiquitas

Mineralization on the El Habal Gold Property consists of low sulphidation epithermal, stockwork systems, gold rich stockwork/veining and breccia exhibiting lateral zonation with higher concentrations close to intersections of major structures. The mineralization occurs mainly within a NNW striking tectonic corridor hosted not only by the Upper Volcanic Group but also the Lower Volcanic Group. There is evidence of multi-phased mineralizing events with common overprints of many stockwork systems over brecciated host rocks. The multi-phased event has produced several phases of silica with a predominance of gold mineralization over most of the El Habal Gold Property. Sulphide occurrence is limited (<2%) in some zones with no evidence of Cu, Zn and Pb mineralization.

Oxidation of host rocks and mineralized zones extends at least 80 m from surface as supported by geological mapping and sampling of well exposed mineralized zones in historical underground workings.

Successive surface exploration programs and surveys have been completed on the property over the past four years, starting in December 2015. Most of the work consisted of channel sampling for analysis of precious and base metals, topographic and old working surveys, followed up by a drilling campaign in 2018.

Other Properties:

Goldplay de Mexico S.A. de C.V., 100% owned Mexican subsidiary of the Company, also holds title to the following adjacent concessions, in the Rosario Mining District.

Concession #	Ownership	Township	Due Date	Record Date	Area (ha)	Name
228755	Goldplay de México	Huajicori	January 18, 2057	January 19, 2007	2.70	Tigra Negra Fraction II
228756	Goldplay de México	Huajicori	January 18, 2057	January 19, 2007	1.35	Tigra Negra Fraction III
228757	Goldplay de México	Huajicori	January 18, 2057	January 19, 2007	1.35	Tigra Negra Fraction IV
228758	Goldplay de México	Huajicori	January 18, 2057	January 19, 2007	1.35	Tigra Negra Fraction V
246149	Goldplay de México	Concordia	March 2, 2068	March 2, 2018	11,107.24	El Placer II
246808	Goldplay de México	Rosario	November 27, 2068	November 27, 2018	4,518.99	Yauco

Additionally, Goldplay de Mexico S.A. de C.V. holds applications over the following adjacent concessions, in the vicinity of the Rosario Mining District.

Application # File Number	Ownership	Township	Area (ha)	Name
59/7706	Goldplay de México	Huajicori,	32.77	Indio Fracc. I
59/7706	Goldplay de México	Huajicori,	0.38	Indio Fracc. II
59/7706	Goldplay de México	Huajicori,	3.89	Indio Fracc. III
95/13335	Goldplay de México	Rosario	5,555.78	La Union 2

Qualified Person and Quality Control/Quality Assurance

Marcio Fonseca, M.Sc., D.I.C, PGeo., the Company's President and Chief Executive Officer and a director and a qualified person as defined by NI 43-101, has supervised the preparation of the scientific and technical information that forms the basis for the mineral property disclosure in this MDA and has approved the disclosure herein. Mr. Fonseca is not independent of the Company, as he is an officer and director of the Company.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ended June 30, 2020.

Quarter Ended Amounts in 000's	June 30, 2020	Mar. 31, 2020	Dec. 30, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018
Net income (loss)	(1,524)	(967)	(910)	(1,193)	(672)	(919)	(1,316)	(987)
Earnings (loss) per share – basic and diluted	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)
Total assets	14,216	5,959	3,664	1,711	2,383	1,865	2,631	2,252
Working capital	7,656	348	1,787	(152)	773	60	1,023	1,112

During the quarter ended June 30, 2020 the Company completed a bought deal private placement for gross proceeds of $9,153,000. The Company incurred expenses of $1,523,741 which included $842,945 in exploration expenditures, $152,968 in consulting, $154,317 in investor relations and $212,202 in share-based compensation.

During the quarter ended March 31, 2020 the Company completed the acquisition of the Plomosas property in Mexico and for accounting purposes treated the acquisition as an asset acquisition. The Company incurred expenses of $966,685 which included $474,334 in exploration expenditures, $141,220 in investor relations, $32,505 in professional fees and $139,163 in consulting.

During the quarter ended December 31, 2019 the Company completed a private placement and received net proceeds of $2,828,400. The Company incurred expenses of $910,418 which included $383,315 in exploration expenditures, $112,488 in investor relations, $58,610 in professional fees and $132,937 in consulting.

During the quarter ended September 30, 2019 the Company incurred expenses of $1,192,625 which included $666,898 in in exploration expenditures and share based compensation of $169,596.

During the quarter ended June 30, 2019 the Company completed a private placement and received net proceeds of $1,339,244. The Company incurred expenses of $673,797 which included $272,946 in exploration expenditures, $122,604 in investor relations, $76,518 in professional fees and $76,055 in consulting.

During the quarter ended March 31, 2019 the Company incurred expenses of $918,594 which included $474,687 in exploration expenditures, $193,315 in investor relations and $22,533 in professional fees.

During the quarter ended December 31, 2018 the Company completed a private placement and received net proceeds of $1,444,234. The Company incurred expenses of $1,316,401 which included $464,430 in exploration expenditures, $273,400 in investor relations, $21,594 in professional fees and $181,032 in share-based compensation.

During the quarter ended September 30, 2018 the Company incurred expenses of $986,732 which included exploration expenditures of $576,670, investor relations of $108,045, professional fees of $65,038 and property investigation of $51,249.

Six Months ended June 30, 2020 compared to six months ended June 30, 2019

The Company's general and administrative costs were $2,495,616 (2019 - $1,591,117), and reviews of the major items are as follows:

- Exploration expenditures of $1,317,179 (2019 - $747,633) of which $4,452 (2019 - $69,380) was spent on the El Habal property, $2,381 (2019 - $5,025) on the Nevada property, $1,143,145 (2019 – 673,228) on the San Marcial property and $167,201 (2019 - $Nil) on the Plomosas property. The expenditures increased as the Company received funding and the Company became more active;

- Consulting of $292,537 (2019 - $202,536) consisting of fees paid or accrued to the CEO of $60,000 (2019 - $42,000), the CFO of $27,000 (2019 - $27,000), business development of $55,000 (2019 - $52,775), financing strategy of $32,500 (2019 - $Nil) and other of $118,037 (2019 - $80,761);

- Professional fees of $81,547 (2019 - $99,051) consists of legal of $35,216 (2019 - $59,384) and audit and accounting of $46,331 (2019 - $39,667);

- Share-based compensation of $214,268 (2019 – $19,328) for options issued;

- Regulatory and transfer agent of $59,084 (2019-$28,863) consists of transfer agent of $18,527 (2019 - $10,071), regulatory of $32,486 (2019 - $11,087) and OTCQB listing of $8,071 (2019 - $7,705); and

- Investor relations of $295,537 (2019 - $315,919) consisting of trade show and conferences of $35,080 (2019 - $39,791), promotion and advertising of $189,812 (2019 - $120,565) contract investor relations of $18,062 (2019 - $113,651) and other of $52,583 (2019 - $41,912).

Three Months ended June 30, 2020 compared to three months ended June 30, 2019

The Company's general and administrative costs were $1,523,049 (2019 – $673,797), and reviews of the major items are as follows:

- Exploration expenditures of $842,845 (2019 - $272,946) of which $34 (2019 - $5,438) was spent on the El Habal property, $2,381 (2019 - $5,025) on the Nevada property,$683,767 (2019 - $262,483) on the San Marcial property and $156,663 (2019 - $Nil) on the Plomosas property. The expenditures increased as the Company received funding and the Company became more active;

- Consulting of $152,968 (2019 - $76,055) consisting of fees paid or accrued to the CEO of $30,000 (2019 - $21,000), the CFO of $13,500 (2019 - $13,500), business development of $17,150 (2019 - $14,000), financing strategy of $32,500 (2019 - $Nil) and other of $59,818 (2019 - $27,555);

- Professional fees of $49,042 (2019 - $76,518) consists of legal of $21,650 (2019 - $59,384), audit and accounting of $27,392 (2019 - $17,134);

- Share-based compensation of $212,202 (2019 – $17,220) for options issued; and

- Regulatory and transfer agent of $26,063 (2019 - $11,358) decreased and consists of transfer agent of $7,839 (2019 - $4,395), regulatory of $14,141 (2019 - $3,067) and OTCQB listing of $4,083 (2019 - $3,896).

LIQUIDITY AND CAPITAL RESOURCES

Because of economic conditions, globally, there is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector will have limited access to capital. Although the business and assets of the Company have not changed, investors have increased their risk premium and their overall equity investment has diminished. The Company continually monitors its financing alternatives and expects to finance its fiscal 2020 operating overhead and acquisition and exploration expenditures through private placements.

The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. There can be no assurance that such funds will be available on favorable terms, or at all.

As at June 30, 2020, the Company reported cash of $8,452,397 compared to $2,049,510 as at December 31, 2019. The increase in cash on hand and working capital was the result of cash from financing activities of $8,665,411 and cash used in operating activities of $1,893,858 and investing activities of $368,666.

During the period ended June 30, 2020 and to the date of the MDA the Company completed the following;

The Company completed a bought deal private placement. The Company issued 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 and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.40 to June 18, 2021. The Company paid a cash finders fee of $636,660 and issued 2,358,000 finder warrants exercisable at $0.27 per warrant to June 18, 2021.

The Company issued 2,566,950 common shares on the exercise of warrants for proceeds of $620,823.

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

The Company issued 17,097,500 common shares for the acquisition of exploration and evaluation assets at a fair value of $2,906,575.

The Company issue 750,000 common shares for the property option payment on the San Marcial Property.

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

During the year ended December 31, 2019

The Company 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.

The Company 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.

The Company issued 1,083819 common shares valued at $212,872 to a contractor engaged under a share for service drilling contract. Additional share issue costs of $3,808 were incurred in connection with this debt settlement, and was recorded as an offset to share capital, as share issue costs.

The Company 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. 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.

The Company has no long-term debt obligations.

<u>SHARE CAPITAL</u>

(a) As of the date of the MDA the Company has 123,841,216 issued and outstanding common shares. The authorized share capital is unlimited no par value common shares.

(b) As at the date of the MDA the Company has 7,107,178 incentive stock options outstanding.

(c) As at the date of the MDA the Company has 22,291,686 share purchase warrants.

RELATED PARTY TRANSACTIONS

Key management personnel compensation for the period ended June 30, were:

	2020	2019
Short-term benefits paid or accrued:		
Consulting fees paid to Marcio Fonseca (CEO)	$ 60,000	$ 42,000
Consulting fees paid to Michael Thomson (Director)	-	3,000
Consulting fees and exploration expenditures paid to Trevor Woolfe (VP Corporate Development and Exploration)	82,075	74,050
Consulting fees paid to Blaine Bailey (CFO)	27,000	27,000
Share-based compensation	177,663	-
Total remuneration	$ 346,738	$ 149,050

Accounts payable and accrued liabilities as at June 30, 2020 included $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.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

INVESTOR RELATIONS

On March 14th, 2018, the Company entered an investor relations contract with Brisco Capital Partners Corp. ("Brisco") to provide investor relations services to the Company. The agreement was for an initial term of one year and was extended by mutual consent to June 15, 2019, June 15, 2020 and September 15, 2020. Under the agreement, Brisco was to be paid the sum of $7,500 per month and receive 150,000 stock options exercisable at $.30 per share for a period of 5 years. Brisco will be paid the sum $4,000 per month from March 15, 2019 to June 15, 2019 and a per diem rate from June 15, 2019 – September 15, 2020.

On January 1, 2019, the Company had entered an investor relations contract with Relations Publiques Paradox Inc ("Paradox") to provide investor relations services to the Company. The contract was be for an initial term of one year and either party can terminate the contract by giving thirty days written notice after the first six months of the contract. Under the contract, Paradox was be paid the sum of $7,500 per month and receive 250,000 stock options exercisable at $.20 per share for a period of 5 years. Effective January 21, 2020 the Company terminated the investor relations contract with Paradox.

PROPOSED TRANSACTIONS

Currently the Company is not a party to any material proceedings. The Company continually evaluates new opportunities, including new properties by staking, acquisition or joint venture, and corporate consolidation or merger opportunities.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amounts of revenues and expenses during the reporting year. Areas requiring the use of estimates in the preparation of the Company's condensed interim consolidated financial statements the carrying value and the recoverability of the exploration ad evaluation assets included in the Condensed Interim Consolidated Statement of Financial Position, the assumptions used to determine the fair value of share-based payments in the Condensed Interim

Consolidated Statement of Comprehensive Loss, and the estimated amounts of reclamation and environmental obligations. Management believes the estimates used are reasonable; however, actual results could differ materially from those estimates and, if so, would impact future results of operations and cash flows.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no changes in the Company's significant accounting policies during the period ended June 30, 2020 that had a material effect on its consolidated financial statements. The Company's significant accounting policies are disclosed in Note 2 to its consolidated financial statements for the year ended December 31, 2019.

New standards and interpretations

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.

RISKS AND UNCERTAINTIES

The Company's business is mineral exploration. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, mineral prices, political, and economical.

The Company will take steps to verify the title to any properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant sources of operating cash flow and no revenue from operations. Additional capital will be required to fund the Company's exploration program. The sources of funds available to the Company are the sale of equity capital or the offering of an interest in its project to another party. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

The property interests to be owned by the Company or in which it may acquire an option to earn an interest are in the exploration stages only, are without known bodies of commercial minerals and have no ongoing operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into production. If the Company's efforts do not result in any discovery of commercial minerals, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties in which it previously had no interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liabilities to the Company.

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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

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 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 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.

CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' deficiency, consisting of issued common shares, stock options and warrants included in reserves, and subscriptions receivable.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, to support the acquisition, exploration and development 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 property in which the Company currently has an interest is in the exploration stage; as such 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 we no changes to the Company's approach to capital management during the year.

FORWARD-LOOKING STATEMENTS

This MDA contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. Information concerning mineral resource/reserve estimates and the economic analysis thereof contained in preliminary economic analyses or prefeasibility studies also may be deemed to be forward-looking statements in that they reflect a prediction of the mineralization that would be encountered, and the results of mining that mineralization, if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets;

- the timing of decisions regarding the timing and costs of exploration programs with respect to, and the issuance of the necessary permits and authorizations required for, the Company's exploration programs;

- the Company's estimates of the quality and quantity of the resources and reserves at its mineral properties;

- the timing and cost of planned exploration programs of the Company and the timing of the receipt of result thereof;

- general business and economic conditions;

- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and

- the Company's expectation that it will be able to add additional mineral projects of merit to its existing property portfolio.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to raise the necessary capital to be able to continue in business and to implement its business strategies, to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, and other risks identified herein under "Risks and Uncertainties".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MDA. Such statements are based on several assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the price of commodities;
- general business and economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration;
- conditions in the financial markets generally;
- the Company's ability to attract and retain key staff;
- the nature and location of the Company's mineral exploration projects, and the timing of the ability to commence and complete the planned exploration programs; and
- the ongoing relations of the Company with its regulators.

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. The current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

DISCLOSURE OF MANAGEMENT COMPENSATION

In accordance with the requirements of Section 19.5 of TSXV Policy 3.1, the Company provides the following disclosure with respect to the compensation of its directors and officers during the period:

1. During the period ended June 30, 2020, the Company did not enter any standard compensation arrangements made directly or indirectly with any directors or officers of the Company, for their services as directors or officers, or in any other capacity, with the Company or any of its subsidiaries except as disclosed under "Related Party Transactions".

2. During the year ended June 30, 2020, officers of the Company were paid for their services as officers by the Company as noted above under "Related Party Transactions".

3. During the year ended June 30, 2020, the Company did not enter any arrangement relating to severance payments to be paid to directors and officers of the Company and its subsidiaries.

APPROVAL

The Board of Directors of the Company has approved the disclosures in this MDA.