GR SILVER MINING LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
GR Silver Mining Ltd.

Opinion

We have audited the accompanying consolidated financial statements of GR Silver Mining Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has an accumulated deficit of $20,122,187 and expects to incur further losses in the development of its operations. As stated in Note 1, these material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

April 22, 2021

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

	2020	2019
ASSETS		
Current		
Cash (Note 3)	$ 4,893,578	$ 2,049,510
Receivables (Note 4)	38,559	18,226
Prepaid	98,019	38,242
	5,030,156	2,105,978
Equipment (Note 5)	1,166,637	64,692
Deferred acquisition costs (Note 6)	158,860	54,108
Exploration and evaluation assets (Note 7)	3,706,680	927,611
Value added tax (Note 4)	781,678	511,505
	$ 10, 844,011	$ 3,663,894
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9 and 10)	$ 961,297	$ 372,726
Non-current liabilities		
Reclamation provision (Note 11)	215,461	-
Total liabilities	1,176,758	372,726
Shareholders' equity		
Share capital (Note 12)	27,300,384	13,207,803
Share compensation reserve (Note 12)	2,489,056	1,461,881
Deficit	(20,122,187)	(11,378,516)
	9,667,253	3,291,168
	$ 10,844,011	$ 3,663,894

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)

On behalf of the Board:

"Marcio Fonseca" Director *"Michael Thomson"* Director

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

GR SILVER MINING LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2020	2019
EXPENSES		
Amortization (Note 5)	$ 88,796	$ 5,615
Consulting (Note 10)	768,385	430,516
Exploration expenditures (Note 8 and 10)	4,355,090	1,797,846
Foreign exchange loss	57,108	51,326
Investor relations	732,670	554,108
Office	244,711	159,424
Professional fees (Note 10)	251,822	188,636
Property investigation	43,568	-
Share-based compensation (Note 10 and 12)	1,049,075	325,749
Transfer agent	89,171	48,520
Travel	57,153	117,627
	(7,737,549)	(3,679,367)
Accretion expense on restoration obligation (Note 11)	(4,770)	-
Impairment on exploration and evaluation assets (Note 7)	(560,268)	-
Impairment on value added tax	(302,596)	-
Loss on settlement of accounts payable (Note 12)	(155,992)	(21,000)
Other income	17,504	6,237
Loss and comprehensive loss for the year	$ (8,743,671)	$ (3,694,130)
Loss per common share		
-Basic and diluted	$ (0.09)	$ (0.07)
Weighted average number of common shares outstanding		
-Basic and diluted	102,853,476	49,581,670

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

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (8,743,671)	$ (3,694,130)
Items not affecting cash:		
Amortization (Note 5)	88,796	5,615
Accretion expense on restoration obligation (Note 11)	4,770	-
Loss on settlement of accounts payable (Note 12)	155,992	21,000
Share-based compensation (Note 10 and 12)	1,049,075	325,749
Impairment on exploration and evaluation assets (Note 7)	560,268	-
Impairment on value added tax	302,596	-
Changes in non-cash working capital items:		
Decrease in receivables	(9,238)	470
Increase in value added tax	(572,769)	(149,256)
Increase (decrease) in prepaids	(59,777)	32,170
Increase in accounts payable and accrued liabilities	669,680	306,267
Net cash used in operating activities	(6,554,278)	(3,152,115)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from Plomosas acquisition (Note 8)	2,379	-
Acquisition of Plomosas Property (Note 7)	(257,160)	-
Deferred acquisition costs	(108,860)	(50,000)
Exploration and evaluation assets	(20,157)	(47,711)
Equipment	(797,966)	(54,738)
Net cash used in investing activities	(1,181,764)	(152,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	11,466,454	4,376,250
Share issue costs	(886,344)	(306,304)
Net cash provided by financing activities	10,580,110	4,069,946
Change in cash during the year	2,844,068	765,382
Cash, beginning of year	2,049,510	1,284,128
Cash, end of year	$ 4,893,578	$ 2,049,510

Supplemental disclosure with respect to cash flows (Note 13)

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

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

	Share Capital							
	Number of shares		Amount		Share compensation reserve		Deficit		Total
Balance, December 31, 2018	41,005,572	$	8,953,345	$	1,011,772	$	(7,684,386)	$	2,280,731
Shares issued for cash:									
Private placement	26,010,000		4,376,250		-		-		4,376,250
Share issue costs	-		(306,304)		-		-		(306,304)
Shares issued for non-cash:									
Finder's fee – warrants issued	-		(124,360)		124,360		-		-
Debt settlement	1,683,819		308,872		-		-		308,872
Share-based compensation	-		-		325,749		-		325,749
Loss for the year	-		-		-		(3,694,130)		(3,694,130)
Balance, December 31, 2019	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	7,148,149		2,081,730		-		-		2,081,730
Exercise of options	925,000		231,725		-		-		231,725
Share issue costs	-		(886,344)		-		-		(886,344)
Shares issued for non-cash									
Reclassification of reserves on exercise of warrants	-		221,606		(221,606)		-		-
Reclassification of reserves on exercise of options	-		159,552		(159,552)		-		-
Finder's fees – warrants issued	-		(359,258)		359,258		-		-
Property acquisition	17,847,500		3,131,575		-		-		3,131,575
Debt settlement	427,375		358,995		-		-		358,995
Share-based compensation	-		-		1,049,075		-		1,049,075
Loss for the year	-		-		-		(8,743,671)		(8,743,671)
Balance, December 31, 2020	128,947,415	$	27,300,384	$	2,489,056	$	(20,122,187)	$	9,667,253

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

1. NATURE OF OPERATIONS AND GOING CONCERN

GR Silver Mining Ltd. (the "Company" or "GR Silver") 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 600 – 890 West Pender Street, Vancouver, B.C. V6C 1J9. 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 December 31, 2020, the Company has a working capital of $4,068,859 and an accumulated deficit of $20,122,187. The Company expects to incur further losses in the development of its operations. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

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

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on April 22, 2021.

Basis of presentation

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

Basis of consolidation

These consolidated financial statements of the Company include the balances of its subsidiaries, Goldplay de

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

Foreign currency transactions

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

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

Exploration and evaluation assets

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

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

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

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

Financial instruments

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

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

Financial assets at FVTPL

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial assets at FVTOCI

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

Financial assets at amortized cost

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

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

Impairment of financial assets at amortized cost

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

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

Financial liabilities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

as FVTPL are recognized in profit or loss.

Significant accounting estimates and judgments

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

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

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

Valuation of share-based compensation
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

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

Significant judgements include the following:

Functional currency

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

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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

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

Share capital

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

Share-based payments

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

The fair value of options granted is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

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

Related party transactions

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

Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

rehabilitation obligation is recognized at its fair value in the year in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

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

The Company had no rehabilitation obligations for the years presented.

Income taxes

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

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

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

Earnings (loss) per share

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

Equipment

Recognition and measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Depreciation

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

- Computers and office equipment – 20% to 30% declining balance basis.
- Equipment – 20% declining balance basis
- Mobile equipment – 25% declining balance basis

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

3. CASH

The Company's cash consists of the following:

	December 31, 2020	December 31, 2019
Cash held with banks in Canadian dollars	$ 4,726,008	$ 1,933,090
Cash held with banks in foreign currencies	167,570	116,420
Total	$ 4,893,578	$ 2,049,510

4. RECEIVABLES

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

	December 31, 2020	December 31, 2019
HST receivable	$ 27,569	$ 13,160
Other receivables	10,990	5,066
Current receivable	$ 38,559	$ 18,226
VAT receivable	781,678	511,505
Total receivable	$ 820,237	$ 529,731

During the year ended December 31, 2020, the Company impaired a VAT receivable due from the Government of Mexico of $302,596 (2019 - $Nil) due to uncertainty of collection.

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Office Equipment	Mobile Equipment	Exploration Equipment	Building in Progress	Total
Cost:					
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	12,121	63,257	1,045,693	69,671	1,190,742
Balance at December 31, 2020	$ 35,078	$ 63,257	$ 1,100,431	$ 69,671	$ 1,268,437
Accumulated Depreciation:					
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	6,263	8,668	73,866	-	88,796
Balance at December 31, 2020	$ 18,719	$ 8,668	$ 74,413	$ -	$ 101,800
Net Book Value:					
Balance at December 31, 2019	$ 10,501	$ -	$ 54,191	$ -	$ 64,692
Balance at December 31, 2020	$ 16,359	$ 54,589	$ 1,026,018	$ 69,671	$ 1,166,637

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 7). The former officer was appointed to the Company after the closing of the transaction.

On December 12, 2019 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 and extended to January 31, 2021 to acquire Marlin and incurred acquisition costs of $108,860 and were recorded as a deferred acquisition costs during the period ended December 31, 2020.

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 year ended December 31, 2020 the deferred acquisition costs have been allocated to the purchase price.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

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

	San Marcial Mexico	Golconda USA	Stone Cabin USA	Boldt USA	Plomosas Mexico	Total
Balance, December 31, 2018	$ 387,500	$ 172,400	$ -	$ -	$ -	$ 559,900
Acquisition costs						
Allocated from deferred costs (Note 7)	-	-	160,000	160,000		320,000
Cash	-	20,295	13,739	13,677		47,711
Total acquisition	-	-	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
Cash	-	20,157	-	-	-	20,157
Total acquisition	225,000	20,157	-	-	3,094,180	3,339,337
Impairment	-	(212,852)	(173,739)	(173,677)	-	(560,268)
Balance, December 31, 2020	$ 612,500	$ -	$ -	$ -	$ 3,094,180	$ 3,706,680

(Expressed in Canadian Dollars)

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

Plomosas Property, Mexico

In March 2020 the Company acquired a 100% interest in the Plomosas property located in the Rosario Mining District, Sinaloa, Mexico through the acquisition of Minera La Rastra S.A de C.V. by paying $100,000, issuing 17,097,500 common shares of the Company and granted a 2% net smelter returns 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 and any excess of consideration paid over net monetary assets acquired was attributed to exploration and evaluation assets. As such, effective as of the date of closing, the fair value assigned to the identifiable assets and liabilities purchased are presented below:

Purchase Price		
Cash payment	$	100,000
Common shares issued		2,906,575
Legal, regulatory, and other costs		161,268
Total purchase price	$	3,167,843
Net assets acquired and allocation		
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)
Total net assets acquired and allocated	$	3,167,843

San Marcial Property, Mexico

In April 2018 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	$75,000(paid)	1,250,000 (issued)	-
May 9, 2019	-	-	$500,000 (incurred)
May 9, 2020 (shares issued, valued at $225,000)	-	750,000	1,000,000 (incurred)
May 9, 2021	$2,500,000	1,500,000	1,500,000 (incurred)
Total	$2,575,000	3,500,000	$3,000,000

The Company must also on or before April 20, 2021 complete an updated resource estimate report conforming to the standards of NI 43-101. The updated resource estimate will form the basis for the NSR royalty to be granted and the purchase price related to the buy-back rights.

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

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

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. During the year ended December 31, 2020, the Company determined that the carrying value of its interest in the Golconda property was impaired because no additional expenditures are planned for the property. The Company incurred acquisition costs of $212,852 and accordingly wrote-off these costs as impairment of exploration and evaluation assets. 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 had entered into a property option agreement to acquire a 100% interest in and to the Stone Cabin property. During the year ended December 31, 2020 the Company terminated the property option agreement on the Stone Cabin property. The Company incurred acquisition costs of $173,739 and accordingly wrote-off costs as impairment of exploration and evaluation assets.

Boldt Property, Nevada USA

The Company had entered into a property option agreement to acquire a 100% interest in and to the Boldt property. During the year ended December 31, 2020 the Company terminated the property option agreement on the Boldt Property. The Company incurred acquisition costs of $173,677 and accordingly wrote-off these costs as impairment of exploration and evaluation assets.

(Expressed in Canadian Dollars)

8. EXPLORATION EXPENDITURES

Exploration expenditures for the year ended December 31, 2020 are comprised of the following:

	Plomosas	San Marcial	El Habal	Golconda	Boldt	Stone Cabin	Total
Assay	$ -	$ 14,096	$ -	$ -	$ -	$ -	$ 14,096
Concession taxes	92,459	27,953	82,015	10,583	16,349	14,814	244,173
Consulting	112,092	83,128	2,728	6,742	6,461	6,461	217,612
Drilling	547,114	181,830	-	-	-	-	728,944
Field	747,012	641,273	3,136	2,276	7,420	2,875	1,403,992
Geological	221,541	622,763	-	-	-	-	844,304
Geochemistry	81,765	67,441	599	-	-	-	149,805
Geophysical	10,013	-			-	-	10,013
Metallurgical	133,613	-	-	-	-	-	133,613
Report preparation	16,384	-	-	-	-	-	16,384
Survey	56,008	6,872	-	-	-	-	62,880
Topography	9,642	4,276	-	-	-	-	13,918
Underground development	30,420	484,937	-	-	-	-	515,356
Total	$ 2,058,063	$ 2,134,569	$ 88,478	$ 19,601	$ 30,230	$ 24,150	$ 4,355,090

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

	El Habal	San Marcial	Golconda	Boldt	Stone Cabin	Total
Assay	$ -	$ 11,792	$ -	$ -	$ -	$ 11,792
Concession taxes	78,661	28,392	10,609	16,375	17,737	151,774
Consulting	15,581	91,730	-	2,763	8,121	118,195
Drilling	-	239,657	-	-	-	239,657
Field	9,907	667,073	-	2,262	3,615	682,857
Geological	4,335	397,766	-	-	-	402,101
Geochemistry	2,924	91,472	-	-	-	94,396
Geophysical	5,895	53,937	-	-	-	59,832
Report preparation	-	37,242	-	-	-	37,242
Total	$ 117,303	$ 1,619,061	$ 10,609	$ 21,400	$ 29,473	$ 1,797,846

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
Trade payables	$ 844,343	$ 340,726
Accrued liabilities	40,000	32,000
	$ 884,343	$ 372,726

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 years ended December 31 was:

	2020	2019
Short-term benefits paid or accrued:		
Consulting fees	$ 500,958	$ 255,197
Exploration expenditures	49,385	53,253
Share-based compensation	727,738	164,636
Professional fees	3,473	-
Total remuneration	$ 1,281,554	$ 473,086

Included in accounts payable and accrued liabilities as at December 31, 2019 was $132,422 (December 31, 2019 – $99,789) owed to a director and companies controlled by a director or officer.

During the year ended December 31, 2020, the Company issued 60,396 (December 31, 2019 - 480,000) common shares valued at $50,733 (December 31, 2019 - $76,800) as debt settlement with officers and a director of the Company.

11. RECLAMATION PROVISIONS

As at December 31, 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 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 year ended December 31, 2020 the balance of the reclamation provision was $215,461 and included accretion expense of $4,770.

		December 31, 2020
Balance as at beginning of year	$	-
Acquisition of the Plomosas property		210,691
Accretion expense		4,770
Balance as at end of year	$	215,461

12. SHARE CAPITAL AND RESERVES

Authorized – Unlimited common shares without par value

<u>During the year ended December 31, 2020 the Company;</u>

a) Issued 7,148,149 common shares on the exercise of warrants for proceeds of $2,081,729 Additional share issue costs of $8,581 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

b) Issued 17,847,500 common shares for the acquisition of exploration and evaluation assets at a value of $3,131,575 (Note 7).

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 consisted 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 $233,776 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

d) Issued 925,000 common shares on the exercise of options for proceeds of $231,725. Additional share issue costs of $321 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

e) Issued 427,375 common shares valued at $358,995 as debt settlement including $55,468 to related parties. Additional share issue costs of $7,006 were incurred in connection with this debt settlement, and was recorded as an offset to share capital, as share issue costs.

<u>During the year ended December 31, 2019 the Company;</u>

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.

(Expressed in Canadian Dollars)

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

Escrow Shares

At December 31, 2020, there were 180,000 (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 December 31, 2020, there were 1,117,567 (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 December 31, 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
1,530,178	$0.30	March 1, 2023	2.16
450,000	$0.30	May 7, 2023	2.35
1,185,000	$0.22	December 19, 2023	2.97
370,000	$0.21	August 6, 2024	3.60
217,000	$0.20	January 29, 2027	6.08
1,270,000	$0.185	November 25, 2024	3.90
300,000	$0.20	April 16, 2025	4.29
1,235,000	$0.335	May 13, 2025	4.37
1,145,000	$0.78	September 14, 2025	4.71
7,702,178			2.88

(Expressed in Canadian Dollars)

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	2,330,000	0.19
As at December 31, 2019	6,172,178	$ 0.24
Expired	(375,000)	0.20
Exercised	(925,000)	0.25
Granted	2,830,000	0.50
As at December 31, 2020	7,702,178	$ 0.33
Number of options currently exercisable	7,702,178	$ 0.33

During the year ended December 31, 2020, the Company recognized share-based payments expense of $1,049,075 (2019 - $325,749), in connection with the vesting of stock options granted.

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

	December 31, 2020	December 31, 2019
Risk-free interest rate	0.40%	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	(522,400)	0.20
As at December 31, 2019	5,883,777	$ 0.24
Granted	19,308,000	0.38
Exercised	(7,148,149)	0.29
Expired	(358,141)	0.19
As at December 31, 2020	17,685,487	$ 0.38

(Expressed in Canadian Dollars)

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

The weighted average remaining contractual life of warrants outstanding at December 31, 2020 was 0.55 (December 31, 2019 – 1.36) years.

Warrants outstanding are as follows:

Number of Shares	Exercise Price		Expiry Date
304,987	$	0.22	March 15,2022
99,000	$	0.15	June 26, 2022
891,000	$	0.25	November 6, 2022
14,882,500	$	0.40	June 18, 2021
1,508,000	$	0.27	June 18, 2021
17,685,487			

The weighted average Black-Scholes inputs are as follows;

	Dec. 31, 2020	Dec. 31, 2018
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 year ended December 31, 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 $4,770.
- 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 $381,158.
- issued 427,375 common shares in settlement of debt in the amount of $358,995 and incurred a loss on accounts payable of $155,992.
- incurred equipment costs of $115,810 included in accounts payable.

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

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

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

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

Geographic information is as follows:

	December 31, 2020		December 31, 2019	
Equipment				
Mexico	$	1,160,035	$	55,260
Canada		6,602		9,432
Total	$	1,166,637	$	64,692
Exploration and evaluation assets				
Mexico	$	3,706,680	$	387,500
USA		-		540,111
Total	$	3,706,680	$	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.

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

Liquidity risk

As of December 31, 2020, the Company had cash balance of $4,893,578 to settle current liabilities of $961,297 and has significant expenditure requirements pursuant to option agreements (Note 7). 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$2,576,867 as of December 31, 2020 and accounts payable of MX$10,807,838. A 10% change in foreign exchange rates will affect profit or loss by less than $53,000.

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.

(Expressed in Canadian Dollars)

16. INCOME TAXES

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

	2020	2019
Loss for the year	$ (8,743,671)	$ (3,694,130)
Expected income tax (recovery)	$ (2,361,000)	$ (997,000)
Change in statutory, foreign tax, foreign exchange rates and other	(1,157,000)	(63,000)
Permanent differences	478,000	100,000
Share issue cost	(239,000)	(83,000)
Adjustments to unrecognized deductible temporary differences	-	102,000
Change in unrecognized deductible temporary differences	3,279,000	941,000
Total income tax expense (recovery)	$ -	$ -
Current income tax	-	-
Deferred tax recovery	-	-

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

	2020	2019
Deferred Tax Assets (liabilities)		
Non-capital losses available for future periods	$ 1,830,000	$ 1,121,000
Property and equipment	558,000	3,000
Share issue costs	268,000	107,000
Asset retirement obligation	58,000	-
Exploration and evaluation assets	3,116,000	1,320,000
	5,830,000	2,551,000
Unrecognized deferred tax assets	(5,830,000)	(2,551,000)
Net deferred tax liability	$ -	$ -

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

Temporary Differences	December 31, 2020	Expiry dates	December 31, 2019	Expiry dates
Exploration and evaluation assets	$ 10,526,000	No expiry date	$ 4,414,000	No expiry date
Property plant and equipment	1,859,000	No expiry date	11,000	No expiry date
Share issue cost	994,000	2040 to 2042	398,000	2039 to 2042
Asset retirement obligation	215,000	No expiry date	-	
Non-capital losses available for future years	6,667,000		4,091,000	
Canada	4,871,000	2032 - 2040	3,573,000	2032 - 2039
Mexico	1,796,000	2027 - 2030	518,000	2027 - 2029

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

17. CAPITAL MANAGEMENT

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

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

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

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company:

Issued 4,652,600 common shares on the exercise of warrants for proceeds of $1,680,327.

Issued 509,822 common shares on the exercise of options for proceeds of $145,247.

Issued 141,097 common shares valued at $104,412 to settle debt under a drilling rig acquisition.

Completed the acquisition of Marlin Gold Mining Ltd. (**"Marlin"**) from Mako Mining Corp. ("**Mako**"). Marlin owns 100% of Oro Gold de Mexico, S.A. de C.V. ("**Oro Gold**"). As consideration for all the issued and outstanding shares of Marlin, the Company paid CDN$50,000 to Mako, and Oro Gold granted Mako a 1% NSR on the concessions owned by Oro Gold. The Company and/or Oro Gold is granted the right to purchase the NSR at any time upon making a one-time payment of US$2,000,000. Mako shall be responsible for and shall pay all costs related to the Closure Plan Activities at La Trinidad and all other matters that may be required to obtain the Closure Plan Certification. The concession taxes owed due to previous non-payment by Oro Gold, from 2016, on the core concessions total approximately CDN$12.3 million. Oro Gold can request a Payment Agreement by instalments from the Mexican Government once an official communication for payment has been received on outstanding concession taxes. Currently Oro Gold has the right to re-pay outstanding concession taxes monthly over three years.

Granted 2,405,000 share purchase options to officers, directors, employees and consultants at an exercise price of $0.74 for a period of five years. Of these options, 1,450,000 options granted to certain directors and officers of the company will vest as to one-third on the date of grant and a further one-third on each of the first and second anniversaries of the date of grant.

Granted 300,000 share purchase options to an employee and a consultant at an exercise price of $0.75 for a period of five years. Of these options, 200,000 options granted will vest as to one-third on the date of grant and a further one-third on each of the first and second anniversaries of the date of grant.