

GR SILVER MINING LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021.
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

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

NOTICE TO READER

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

The condensed interim consolidated financial statements of the Company for the quarter ended March 31, 2021 have been prepared by and are the responsibility of the Company's management.

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

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

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

(Unaudited – Prepared by management)

(Expressed in Canadian Dollars)

	March 31, 2020	December 31, 2020
ASSETS		
Current		
Cash (Note 3)	\$ 2,641,761	\$ 4,893,578
Receivables (Note 4)	61,238	38,559
Prepaid	<u>207,433</u>	<u>98,019</u>
	2,910,432	5,030,156
Equipment (Note 5)	1,956,534	1,166,637
Deferred acquisition costs (Note 6)	-	158,860
Exploration and evaluation assets (Note 7)	18,377,032	3,706,680
Reclamation provision indemnification asset (Note 7 and 11)	1,544,966	-
Value added tax (Note 4)	<u>1,122,571</u>	<u>781,678</u>
	<u>\$ 25,911,535</u>	<u>\$ 10,844,011</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 1,871,869	\$ 961,297
Mexico mining concession taxes (Note 8 and 9)	<u>12,621,770</u>	<u>-</u>
	14,493,639	961,297
Non-current liabilities		
Reclamation provision (Note 7 and 11)	<u>4,320,918</u>	<u>215,461</u>
Total liabilities	<u>18,814,557</u>	<u>1,176,758</u>
Shareholders' equity		
Share capital (Note 12)	28,702,251	27,300,384
Share compensation reserve (Note 12)	3,075,790	2,489,056
Deficit	<u>(24,681,063)</u>	<u>(20,122,187)</u>
	<u>7,096,978</u>	<u>9,667,253</u>
	<u>\$ 25,911,535</u>	<u>\$ 10,844,011</u>

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

Director

"Michael Thomson"

Director

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

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

(Unaudited – Prepared by management)

(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
EXPENSES		
Amortization (Note 5)	\$ 35,303	\$ 2,579
Consulting (Note 10)	87,053	139,163
Exploration expenditures (Note 8)	2,714,636	474,334
Foreign exchange loss	34,141	69,079
Investor relations	173,529	141,220
Office	111,475	64,332
Professional fees	97,049	32,505
Property investigation	3,632	1,037
Regulatory and transfer agent	28,175	33,021
Salaries (Note 10)	210,334	-
Share-based compensation (Note 12)	1,015,093	2,066
Travel	<u>44,020</u>	<u>13,231</u>
	(4,554,439)	(972,567)
Accretion expense on restoration obligation (Note 11)	(1,613)	-
Loss on settlement of accounts payable	(5,643)	-
Other income	<u>2,819</u>	<u>5,882</u>
Loss and comprehensive loss for the period	\$ (4,558,876)	\$ (966,685)
Loss per common share		
-Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding		
-Basic and diluted	<u>130,527,862</u>	<u>73,844,503</u>

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

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (4,558,876)	\$ (966,685)
Items not affecting cash:		
Amortization	35,303	2,579
Share-based compensation	1,015,093	2,067
Accretion expenses on restoration obligations (Note 11)	1,613	-
Changes in non-cash working capital items:		
Increase (Decrease) in receivables	(7,365)	1,974
Increase in prepaids	(85,644)	(27,658)
Increase in value added tax	(258,325)	(20,731)
Increases (Decrease) in accounts payable and accrued liabilities	1,104,906	115,454
Net cash used in operating activities	<u>(2,753,296)</u>	<u>(893,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Plomosas Property (Note 7)	-	(257,160)
Acquisition of La Trinidad Property (Note 7)	(332,516)	-
Cash acquired from Plomosas acquisition (Note 7)	-	2,379
Cash acquired from Mako acquisition (Note 7)	5,467	-
Deferred acquisition costs	158,860	-
Equipment	(193,785)	(173,963)
Net cash provided by investing activities	<u>(361,974)</u>	<u>(428,744)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	870,074	21,470
Share issue costs	(6,621)	(454)
Net cash provided by financing activities	<u>863,453</u>	<u>21,016</u>
Change in cash during the period	(2,251,817)	(1,300,728)
Cash, beginning of period	4,893,578	2,049,510
Cash, end of period	\$ 2,641,761	\$ 748,782

Supplemental disclosure with respect to cash flows (Note 13)

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

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

(Expressed in Canadian Dollars)

	Share Capital		Share Compensation Reserve	Deficit	Total
	Number of Shares	Amount			
Balance, December 31, 2019	68,699,391	\$ 13,207,803	\$ 1,461,881	\$ (11,378,516)	\$ 3,291,168
Shares issued for cash					
Exercise of warrants	119,283	24,471	-	-	21,471
Share issue costs	-	(454)	-	-	(454)
Shares issued for non-cash					
Reclassification of reserves on exercise of warrants	-	20,619	(20,619)	-	-
Property acquisition	17,097,500	2,906,575	-	-	2,906,575
Share-based compensation	-	-	2,067	-	2,067
Loss for the year	-	-	-	(966,685)	(966,685)
Balance, March 31, 2020	85,916,174	\$ 16,159,014	\$ 1,443,329	\$ (12,345,201)	\$ 5,257,142
Shares issued for cash					
Private placement	33,900,000	9,153,000	-	-	9,153,000
Exercise of warrants	7,028,866	2,057,259	-	-	2,057,259
Exercise of options	925,000	231,725	-	-	231,725
Share issue costs	-	(885,890)	-	-	(885,890)
Shares issued for non-cash					
Reclassification of reserves on exercise of warrants	-	200,987	(200,987)	-	-
Reclassification of reserves on exercise of options	-	159,552	(159,552)	-	-
Property acquisition	750,000	225,000	-	-	225,000
Finder's fees – warrants issued	-	(359,258)	359,258	-	-
Debt settlement	427,375	358,995	-	-	358,995
Share-based compensation	-	-	1,047,008	-	1,047,008
Loss for the year	-	-	-	(7,776,986)	(7,776,986)
Balance, December 31, 2020	128,947,415	\$ 27,300,384	\$ 2,489,056	\$ (20,122,187)	\$ 9,667,253
Shares issued for cash					
Exercise of warrants	2,215,100	724,827	-	-	724,827
Exercise of options	509,822	145,247	-	-	145,247
Share issue costs	-	(6,621)	-	-	(6,621)
Shares issued for non-cash					
Reclassification of reserves on exercise of options	-	87,065	(87,065)	-	-
Reclassification of reserves on exercise of warrants	-	341,294	(341,294)	-	-
Debt settlement	141,097	110,055	-	-	110,055
Share-based compensation	-	-	1,015,093	-	1,015,093
Loss for the period	-	-	-	(4,558,876)	(4,558,876)
Balance, March 31, 2021	131,813,434	\$ 28,702,251	\$ 3,075,790	\$ (24,681,063)	\$ 7,096,978

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

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

MARCH 31, 2021

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

As at March 31, 2021, the Company has a working capital deficit of \$11,583,207 and an accumulated deficit of \$24,681,063. The Company expects to incur further losses in the development of its operations. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation**

The Board of Directors of the Company approved the condensed consolidated interim financial statements on May 26, 2021.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the three-month period ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

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

MARCH 31, 2021

(Expressed in Canadian Dollars)

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

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

These consolidated financial statements of the Company include the balances of its subsidiaries, Goldplay de Mexico SA de CV, Minera San Marcial SA de CV, Minera Matatan SA de CV ("Matatan") and Marlin Gold Mining Ltd. ("Marlin"), which are wholly owned subsidiaries. Mineral La Rastra SA de CV is owned 100% by Matatan and Oro Gold de S.A. de C.V. ("Oro Gold") and Marlin Gold Trading Inc. are 100% owned by Marlin.

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern its financial and operating policies. All intercompany transactions and balances are eliminated on consolidation.

New standards and interpretations adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for future accounting periods. There were no new standards adopted by the Company.

3. CASH

The Company's cash consists of the following:

	March 31, 2021	December 31, 2020
Cash held with banks in Canadian dollars	\$ 2,384,129	\$ 4,726,008
Cash held with banks in foreign currencies	257,632	167,570
Total	\$ 2,641,761	\$ 4,893,578

4. RECEIVABLES

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

	March 31, 2021	December 31, 2020
GST receivable	\$ 42,717	\$ 27,569
Other receivables	18,521	10,990
Current receivable	\$ 61,238	\$ 38,559
VAT receivable	1,122,571	781,678
Total receivable	\$ 1,183,809	\$ 820,237

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Office Equipment	Mobile Equipment	Exploration Equipment	Building	Building in Progress	Total
Cost:						
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
Additions	-	-	73,467	684,425	67,308	825,200
Balance at March 31, 2021	\$ 35,078	\$ 63,257	\$ 1,173,898	\$ 684,425	\$ 136,979	\$ 2,093,637
Accumulated Depreciation:						
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
Depreciation	1,445	2,855	31,003	-	-	35,303
Balance at March 31, 2021	\$ 20,164	\$ 11,523	\$ 105,416	\$ -	\$ -	\$ 137,103
Net Book Value:						
Balance at December 31, 2020	\$ 16,359	\$ 54,589	\$ 1,026,018	\$ -	\$ 69,671	\$ 1,166,637
Balance at March 31, 2021	\$ 14,914	\$ 51,734	\$ 1,068,482	\$ 684,425	\$ 136,979	\$ 1,956,534

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

MARCH 31, 2021

(Expressed in Canadian Dollars)

6. DEFERRED ACQUISITION COSTS

On December 12, 2019, the Company entered into a letter of intent with Mako Mining Corp. (“Mako”) to acquire, its 100% owned subsidiary, 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. During the period ended March 31, 2021 the deferred acquisition costs have been allocated to the purchase price.

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.

7. EXPLORATION AND EVALUATION ASSETS

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

	San Marcial Mexico	Nevada USA	La Trinidad Mexico	Plomosas Mexico	Total
Balance, December 31, 2019	\$ 387,500	\$ 540,111	\$ -	\$ -	\$ 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	-	560,268	-	-	367,711
Impairment	-	(560,268)	-	-	(560,268)
Balance, December 31, 2020	\$ 612,500	\$ -	\$ -	\$ 3,094,180	\$ 3,706,680
Acquisition costs					
Acquisition of La Trinidad Property	-	-	14,670,352	-	14,670,352
Total acquisition	-	-	14,670,352	-	14,670,352
Balance, March 31, 2021	\$ 612,500	\$ -	\$ 14,670,352	\$ 3,094,180	\$ 18,377,032

La Trinidad Property, Mexico

The Company entered into a share purchase agreement to acquire a 100% interest in the La Trinidad property located in the Rosario Mining District, Sinaloa, Mexico. On March 31, 2021, the Company completed the acquisition by paying \$50,000, granted a 1% net smelter royalty (“NSR”) with the NSR being subject to a buy-back for US\$2,000,000 at any time and assumed concession taxes owed in Mexico on concessions acquired as noted below.

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

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in Canadian Dollars)

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

Purchase Price	
Cash payment	\$ 50,000
Legal, regulatory, and other costs	282,516
Total purchase price	\$ 332,516
Net assets acquired and allocation	
Assets	
Cash	\$ 5,467
Receivables and prepaids	39,084
Value added tax	82,568
Buildings	747,225
Indemnification asset	1,544,966
Exploration and evaluation assets	14,670,352
Liabilities	
Accounts payable	\$ (31,533)
Mexico mining concession taxes	(12,621,770)
Reclamation provision	(4,103,844)
Total net assets acquired and allocated	\$ 332,516

Plomosas Property, Mexico

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

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

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

The Company entered into an option agreement to acquire a 100% interest in the San Marcial property located

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in Canadian Dollars)

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

in the Rosario Mining District, Sinaloa, Mexico. The option will be exercisable (exercised - Note 17) upon the Company paying an aggregate of \$2,575,000 in cash, issuing an aggregate of 3,500,000 common shares of the Company, incurring an aggregate of \$3,000,000 in exploration expenditures on San Marcial in tranches over a three-year period, granting to the vendor a NSR and the grant of equity participation rights over a one-year period, according to the following:

	Cash	Shares	Exploration Expenditures
Due within 5 business days of receipt of TSXV approval which was April 20, 2018 (issued)	\$75,000(paid)	1,250,000	-
May 9, 2019	-	-	\$500,000 (incurred)
May 9, 2020 (shares issued, valued at \$225,000)	-	750,000	\$1,000,000 (incurred)
May 9, 2021 (paid and issued Note 17)	\$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 the third anniversary of the Approval Date complete an updated resource estimate report conforming to the standards of NI 43-101. The updated resource estimate will form the basis for the NSR royalty to be granted and the purchase price related to the buy-back rights.

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

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

El Habal Property, Mexico

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

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

Golconda Summit Property, Nevada USA

The Company entered into a property option agreement to acquire a 100% interest in and to the Golconda Summit ("Golconda") property. 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)

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

MARCH 31, 2021

(Expressed in Canadian Dollars)

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

- 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.

8. EXPLORATION EXPENDITURES

Exploration expenditures for the period ended March 31, 2021 are comprised of the following:

	El Habal	San Marcial	Plomosas	Total
Concession taxes	\$ 42,089	\$ 13,856	\$ 93,278	\$ 149,223
Consulting	534	17,527	15,359	33,420
Drilling	-	-	924,963	924,963
Field	-	108,373	298,232	406,605
Geological	-	259,770	307,692	567,462
Geochemistry	-	143	243,584	243,727
Geophysical	-	283,278	-	283,278
Metallurgical	-	-	25,000	25,000
Report preparation	-	-	23,100	23,100
Survey	-	-	16,438	16,438
Topography	-	-	41,420	41,420
Total	\$ 42,623	\$ 682,947	\$ 1,989,066	\$ 2,714,636

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

MARCH 31, 2021

(Expressed in Canadian Dollars)

8. EXPLORATION EXPENDITURES (cont'd...)

Exploration expenditures for the period ended March 31, 2020 are comprised of the following:

	El Habal	San Marcial	Plomosas	Total
Assay	\$ -	\$ 2,019	\$ -	\$ 2,019
Concession taxes	4,418	14,376	-	18,794
Consulting	-	15,071	9,088	24,159
Field	-	186,232	1,450	187,682
Geological	-	94,067	-	94,067
Geochemistry	-	40,642	-	40,642
Topography	-	2,126	-	2,126
Underground development	-	104,845	-	104,845
Total	\$ 4,418	\$ 459,378	\$ 10,538	\$ 474,334

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
Trade payables	\$ 1,855,869	\$ 921,297
Accrued liabilities	16,000	40,000
	1,871,869	961,297
Mexico mining concessions taxes	12,621,770	-
	\$ 14,493,639	\$ 961,297

The Mexican mining concession taxes of \$12,621,770 are owed due to the non-payment by Mako from 2015 – 2020. The Company intends to maintain all concession taxes in good standing on the core concessions of which \$560,592 has been paid and is initiating a process to achieve satisfactory term related to the outstanding concession taxes. The Company is considering requesting a Payment Agreement by installment from the Mexican Government once an official communication for payment has been received on \$12,061,178 of outstanding concession taxes. The Company has the right to re-pay outstanding concession taxes over three years upon approval by the Mexican Government.

10. RELATED PARTY TRANSACTIONS

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

	2021	2020
Short-term benefits paid or accrued:		
Consulting fees	\$ -	\$ 90,575
Salaries	147,596	-
Director fees	33,250	-
Share-based compensation	560,504	-
Professional fees	34,036	-
Total remuneration	\$ 775,386	\$ 90,575

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

MARCH 31, 2021

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd...)

Included in accounts payable and accrued liabilities as at March 31, 2021 was \$226,449 (December 31, 2020 – \$132,422) 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 March 31, 2021 the Company's reclamation provisions are related to the dismantling and removal of buildings and the old plant site at the Company's Plomosos 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. During the period ended March 31, 2021 the Company acquired the La Trinidad property (Note 7) and added a reclamation provision of \$2,558,878 relating to the property reclamation and dismantling and removal of buildings. The reclamation is expected to be completed by November 2022 and significant activities include payment to community for occupation, topsoil and reforestation and revegetation. Mako is responsible for all costs related to the Closure Plan Activities at La Trinidad and all other matters that may be required to obtain the Closure Plan Certificate. As a result, the Company has recorded a reclamation provision of \$1,554,966 which is off set in Net Assets Acquired (Note 7) as an indemnification asset. The Mako reclamation is expected to be completed by November 2022. The amounts and timing of the reclamation will vary depending on several factors including exploration success and alternative mining plans.

	March 31, 2021	December 31, 2020
Balance as at beginning of year	\$ 215,461	\$ -
Acquisition of the Plomosos property	-	210,691
Acquisition of the La Trinidad property	2,558,878	-
Mako reclamation provision	1,544,966	-
Accretion expense	1,613	4,770
Balance as at end of period	\$ 4,320,918	\$ 215,461

12. SHARE CAPITAL AND RESERVES

Authorized – Unlimited common shares without par value

During the period ended March 31, 2021 the Company:

- The Company issued 2,215,100 common shares on the exercise of warrants for proceeds of \$724,827.
- The Company issued 509,822 common shares on the exercise of options for proceeds of \$145,247.
- Issued 141,097 common shares valued at \$110,055 as debt settlement under a drilling reg acquisition.

Share issue costs of \$6,621 were incurred and was recorded as an offset to share capital, as share issue costs.

During the year ended December 31, 2020 the Company:

- 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.

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in Canadian Dollars)

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

- 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.

Escrow Shares

At March 31, 2021, there were Nil (December 31, 2020 – 180,000) shares held in escrow with the Company's registrar and transfer agent.

At March 31, 2021, there were Nil (December 31, 2020 – 1,117,567) shares held in escrow with the Company's registrar and transfer agent.

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.

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in Canadian Dollars)

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

As at March 31, 2021, 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
1,360,356	\$0.30	March 1, 2023	1.92
450,000	\$0.30	May 7, 2023	2.10
1,145,000	\$0.22	December 19, 2023	2.72
370,000	\$0.21	August 6, 2024	3.35
217,000	\$0.20	January 29, 2027	5.84
1,170,000	\$0.185	November 25, 2024	3.66
300,000	\$0.20	April 16, 2025	4.05
1,035,000	\$0.335	May 13, 2025	4.14
1,145,000	\$0.78	September 14, 2025	4.46
2,405,000	\$0.74	January 21, 2026	4.81
300,000	\$0.75	February 24, 2026	4.91
<u>9,897,356</u>			<u>3.75</u>

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2019	6,172,178	\$ 0.24
Expired	(375,000)	0.20
Exercised	(925,000)	0.25
Granted	<u>2,830,000</u>	<u>0.50</u>
As at December 31, 2020	7,702,178	\$ 0.33
Exercised	(509,822)	0.28
Granted	<u>2,705,000</u>	<u>0.74</u>
As at March 31, 2021	9,897,356	\$ 0.45
Number of options currently exercisable	8,797,356	\$ 0.41

During the period ended March 31, 2021, the Company recognized share-based payments expense of \$1,015,093 (2020 - \$2,066), in connection with the vesting of stock options granted.

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

	March 31, 2021	December 31, 2020
Risk-free interest rate	0.48%	0.40%
Expected life of options	5	5.00
Annualized volatility	100	100%
Dividend rate	0%	0%

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

MARCH 31, 2021

(Expressed in Canadian Dollars)

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

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

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2019	5,883,777	\$ 0.24
Granted	19,308,000	0.38
Exercised	(7,148,149)	0.29
Expired	<u>(358,141)</u>	<u>0.19</u>
As at December 31, 2020	17,685,487	\$ 0.38
Exercised	<u>(4,652,600)</u>	<u>0.36</u>
As at March 31, 2021	<u>13,032,887</u>	<u>\$ 0.38</u>

The weighted average remaining contractual life of warrants outstanding at March 31, 2020 was 0.34 (December 31, 2020 – 0.55) 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
11,620,000	\$ 0.40	June 18, 2021
117,900	\$ 0.27	June 18, 2021
<u>13,032,887</u>		

The weighted average Black-Scholes inputs are as follows:

	March 31, 2021	December 31, 2020
Expected life of warrants	-	1.00
Annualized volatility	-	100%
Dividend rate	-	-
Discount rate	-	1.50%

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended March 31, 2021;

Reclassification of reserves in share capital of \$428,359.

Incurred equipment costs of \$Nil (December 31, 2020 - \$155,992) included in accounts payable.

Significant non-cash transactions during the period ended March 31, 2020;

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

Incurred a reclamation provision of \$210,691.

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(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:

	March 31, 2021	December 31, 2020
Equipment		
Mexico	\$ 1,950,427	\$ 1,160,035
Canada	6,107	6,602
Total	\$ 1,956,534	\$ 1,166,637
Exploration and evaluation assets		
Mexico	\$ 18,377,032	\$ 3,706,680
Total	\$ 18,377,032	\$ 3,706,680

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.

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in Canadian Dollars)

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

Liquidity risk

As of March 31, 2021, the Company had cash balance of \$2,636,294 to settle current liabilities of \$14,493,639 and has significant expenditure requirements pursuant to option agreements (Note 8) and Mexican concession taxes (Note 7 and 9). 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\$4,101,573 as of March 31, 2021 and accounts payable of MX\$224,738,507. A 10% change in foreign exchange rates will affect profit or loss by less than \$1,356,000.

Price risk

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

16. CAPITAL MANAGEMENT

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

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

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

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in Canadian Dollars)

17. SUBSEQUENT EVENTS

Issued 5,060,000 common shares on the exercise of warrants for proceeds of \$2,004,500.

Completed a bought deal private placement of 19,550,000 units at a price of \$0.59 per unit for gross proceeds of \$11,534,500. 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 \$0.74 per warrant to April 27, 2023. The Company paid cash finders fees of \$617,369 and issued 1,301,388 agent warrants. The Company also paid a corporate finance fee of \$22,000 and 37,000 agent warrants. Each agent warrant is exercisable at an exercise price of \$0.59 per agent warrant to April 23, 2023.

The Company closed the acquisition of 100% of the San Marcial Silver Project by making the final option payment of CDN\$2.5 M and issued 1,500,000 common shares to SSR Mining Ltd., as required under the San Marcial option agreement dated April 17, 2018. SSR Mining's subsidiary, Silver Standard México, S.A. de C.V., has also been granted a 0.75% net smelter returns royalty ("NSR"). The Company has a buy-back right on the NSR that can be exercised at any time by payment of CDN\$1.25 M. As required by applicable securities law and the policies of the TSX Venture Exchange, the shares will be subject to a hold period expiring September 6, 2021.

The Company granted incentive stock options to employees of the company and its subsidiaries to purchase up to an aggregate of 800,000 common shares of the company. These options are exercisable for a period of five years at a price of 71 cents per share. Of these options, 300,000 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.

The Company announced a debt settlement with a non-arm's-length creditor. Pursuant to the debt settlement agreement and subject to acceptance by the TSX-V, the company has settled debt of \$27,000 (U.S.) (\$32,659) in consideration for which it will issue an aggregate of 45,999 common shares at a deemed price of 71 cents per share.