

GR SILVER MINING LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022.
(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, 2022 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, 2022	December 31, 2021
ASSETS		
Current		
Cash (Note 3)	\$ 6,103,507	\$ 3,077,796
Receivables (Note 4)	43,976	25,519
Prepaid	<u>313,129</u>	<u>263,408</u>
	6,460,612	3,366,723
Equipment (Note 5)	1,903,373	1,807,195
Exploration and evaluation assets (Note 6)	19,777,764	19,777,764
Reclamation provision indemnification asset (Note 6 and 10)	1,246,610	1,246,610
Value added tax receivable (Note 4)	<u>2,304,292</u>	<u>2,229,168</u>
	<u>\$ 31,692,651</u>	<u>\$ 28,427,460</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8 and 9)	\$ 1,494,812	\$ 1,665,656
Mexico mining concession taxes (Note 6 and 8)	<u>13,272,078</u>	<u>12,844,788</u>
	14,766,890	14,510,444
Non-current liabilities		
Reclamation provision (Note 10)	<u>2,655,581</u>	<u>2,653,918</u>
Total liabilities	<u>17,422,471</u>	<u>17,164,362</u>
Shareholders' equity		
Share capital (Note 11)	52,154,360	45,492,226
Share compensation reserve (Note 11)	4,467,032	4,090,302
Deficit	<u>(42,351,212)</u>	<u>(38,319,430)</u>
	<u>14,270,180</u>	<u>11,263,098</u>
	<u>\$ 31,692,651</u>	<u>\$ 28,427,460</u>

Nature of operations and going concern (Note 1)**Subsequent events** (Note 16)**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, 2022	Three Months Ended March 31, 2021
EXPENSES		
Amortization (Note 5)	\$ 130,170	\$ 35,303
Consulting	26,519	87,053
Exploration expenditures (Note 7)	3,422,600	2,714,636
Foreign exchange (gain) loss	(100,206)	34,141
Investor relations	134,755	173,529
Office	147,957	111,475
Professional fees	145,125	97,049
Property investigation	-	3,632
Regulatory and transfer agent	42,905	28,175
Salaries (Note 9)	630,067	210,334
Share-based compensation (Note 11)	254,775	1,015,093
Travel	27,895	44,020
	<u>(4,862,562)</u>	<u>(4,554,439)</u>
Accretion expense on restoration obligation (Note 10)	(1,663)	(1,613)
Gain on concession taxes (Note 8)	831,621	-
Loss on settlement of accounts payable	-	(5,643)
Other income	822	2,819
	<u>822</u>	<u>2,819</u>
Loss and comprehensive loss for the period	\$ (4,031,782)	\$ (4,558,876)
Loss per common share		
-Basic and diluted	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding		
-Basic and diluted	167,523,485	130,527,862

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, 2022	Three Months Ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (4,031,782)	\$ (4,558,876)
Items not affecting cash:		
Amortization	130,170	35,303
Gain on concession taxes	(831,621)	-
Share-based compensation	254,775	1,015,093
Accretion expenses on restoration obligations (Note 10)	1,663	1,613
Changes in non-cash working capital items:		
Increase (Decrease) in receivables	(18,457)	(7,365)
Increase in prepaids	(49,721)	(85,644)
Increase in concession taxes payable	1,258,911	-
Increase in value added tax	(75,124)	(258,325)
Increases (Decrease) in accounts payable and accrued liabilities	(170,844)	1,104,906
Net cash used in operating activities	<u>(3,532,030)</u>	<u>(2,753,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of La Trinidad Property (Note 6)	-	(332,516)
Cash acquired from Mako acquisition (Note 6)	-	5,467
Deferred acquisition costs	-	158,860
Equipment	(226,348)	(193,785)
Net cash provided by investing activities	<u>(226,348)</u>	<u>(361,974)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	7,421,021	870,074
Share issue costs	(636,932)	(6,621)
Net cash provided by financing activities	<u>6,784,089</u>	<u>863,453</u>
Change in cash during the period	3,025,711	(2,251,817)
Cash, beginning of period	<u>3,077,796</u>	<u>4,893,578</u>
Cash, end of period	<u>\$ 6,103,507</u>	<u>\$ 2,641,761</u>

Supplemental disclosure with respect to cash flows (Note 12)

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	Special Warrants	Amount			
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
Shares issued for cash						
Private placement	19,550,000	-	11,534,500	-	-	11,534,500
Exercise of warrants	13,937,900	-	5,540,333	-	-	5,540,333
Exercise of options	339,822	-	91,297	-	-	91,297
Share issue costs	-	-	(994,994)	-	-	(994,994)
Shares issued for non-cash						
Reclassification of reserves on exercise of warrants	-	-	(111,540)	111,540	-	-
Reclassification of reserves on exercise of options	-	-	85,733	(85,733)	-	-
Property acquisition	1,500,000	-	933,000	-	-	933,000
Finder's fees – warrants issued	-	-	(471,463)	471,463	-	-
Commission shares	255,000	-	150,450	-	-	150,450
Debt settlement	45,999	-	32,659	-	-	32,659
Share-based compensation	-	-	-	517,242	-	517,242
Loss for the year	-	-	-	-	(13,638,367)	(13,638,367)
Balance, December 31, 2021	167,442,155	-	\$ 45,492,226	\$ 4,090,302	\$ (38,319,430)	\$ 11,263,098
Shares issued for cash						
Special warrants (Note 11(b))	-	27,236,755	7,353,924	-	-	7,353,924
Exercise of warrants	304,987	-	67,097	-	-	67,097
Share issue costs	-	-	(636,932)	-	-	(636,932)
Shares issued for non-cash						
Reclassification of reserves on exercise of warrants	-	-	68,889	(68,889)	-	-
Finder's fees – warrants issued	-	-	(190,844)	190,844	-	-
Share-based compensation	-	-	-	254,775	-	254,775
Loss for the period	-	-	-	-	(4,031,782)	(4,031,782)
Balance, March 31, 2022	167,747,142	27,236,755	\$ 52,154,360	\$ 4,467,032	\$ (32,351,212)	\$ 14,270,180

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, 2022

(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, 2022, the Company has a working capital deficit of \$8,306,278 and an accumulated deficit of \$42,351,212. 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 condensed interim 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 March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. Since the declaration, the COVID-19 pandemic has adversely affected workforces, economics, and financial markets globally. The spread of COVID-19 resulted in temporary travel restrictions to Mexico and in Canada, which made work more challenging, however disruptions were minimal to our business.

The extent to which COVID-19 may impact the Company’s business and operations will depend on future developments that are highly uncertain and cannot be accurately estimated at this time, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

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

The Board of Directors of the Company approved the condensed consolidated interim financial statements on May 30, 2022.

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, 2021, 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, 2022, are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

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

MARCH 31, 2022

(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 which are not expected to have a material effect on the Company’s consolidated financial statements. There were no new standards adopted by the Company during the period having a material effect on the Company’s condensed interim consolidated financial statements.

3. CASH

The Company’s cash consists of the following:

	March 31, 2022	December 31, 2021
Cash held with banks in Canadian dollars	\$ 6,032,478	\$ 2,731,429
Cash held with banks in foreign currencies	71,029	346,367
Total	\$ 6,103,507	\$ 3,077,796

4. RECEIVABLES

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

	March 31, 2022	December 31, 2021
GST receivable	\$ 33,406	\$ 12,335
Other receivables	10,570	13,184
Current receivable	\$ 43,976	\$ 25,519
VAT receivable	2,304,292	2,229,168
Total receivable	\$ 2,348,268	\$ 2,254,687

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Office Equipment	Mobile Equipment	Exploration Equipment	Buildings	Building in Progress	Total
Cost:						
Balance at December 31, 2020	\$ 35,078	\$ 63,257	\$ 1,100,431	\$ -	\$ 69,671	\$ 1,268,437
Transfer to buildings	-	-	-	69,671	(69,671)	-
Additions	40,527	-	187,396	817,247	-	1,045,170
Balance at December 31, 2021	\$ 75,605	\$ 63,257	\$ 1,287,827	\$ 886,918	\$ -	\$ 2,313,607
Additions	40,449	-	185,900	-	-	226,349
Balance at March 31, 2022	\$ 116,055	\$ 63,257	\$ 1,473,727	\$ 886,918	\$ -	\$ 2,539,956
Accumulated Depreciation:						
Balance at December 31, 2020	\$ 18,719	\$ 8,668	\$ 74,413	\$ -	\$ -	\$ 101,800
Depreciation	4,674	12,475	141,915	245,548	-	404,612
Balance at December 31, 2021	\$ 23,393	\$ 21,143	\$ 216,328	\$ 245,548	\$ -	\$ 506,412
Depreciation	4,772	3,858	53,672	67,868	-	130,170
Balance at March 31, 2022	\$ 28,165	\$ 25,002	\$ 270,000	\$ 313,416	\$ -	\$ 636,583
Net Book Value:						
Balance at December 31, 2021	\$ 52,212	\$ 42,114	\$ 1,071,499	\$ 641,370	\$ -	\$ 1,807,195
Balance at March 31, 2022	\$ 87,890	\$ 38,255	\$ 1,203,726	\$ 573,502	\$ -	\$ 1,903,373

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

MARCH 31, 2022

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

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

	San Marcial Mexico	La Trinidad Mexico	Plomosas Mexico	Total
Balance, December 31, 2020	\$ 612,500	\$ -	\$ 3,094,180	\$ 3,706,680
Acquisition costs				
Shares issued	933,000	-	-	933,000
Acquisition of La Trinidad Property	-	12,638,084	-	12,638,084
Cash	2,500,000	-	-	2,500,000
Total acquisition	3,433,000	12,638,084	-	16,071,084
Balance, March 31, 2022 and December 31, 2021	\$ 4,045,500	\$ 12,638,084	\$ 3,094,180	\$ 19,777,764

La Trinidad Property, Mexico

The Company entered into a share purchase agreement to acquire a 100% interest in Marlin and its wholly owned subsidiary which own 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 acquisition of Marlin 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	\$ 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	1,246,610
Exploration and evaluation assets	12,638,084
Liabilities	
Accounts payable	\$ (31,533)
Mexico mining concession taxes (Note 8)	(11,963,059)
Reclamation provision (Note 10)	(2,431,930)
Total net assets acquired and allocated	\$ 332,516

As part of the acquisition, the Company assumed responsibility for estimated mining taxes owing (Note 8 as well as an estimated reclamation liability for which the vendor has agreed to remediate and indemnify the Company (Note 10). The Company entered into an agreement on non-core concessions (Note 8) that has not yet completed.

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

(Expressed in Canadian Dollars)

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

The Company entered into a share purchase agreement to acquire a 100% interest in Matatan and its wholly owned subsidiary which own 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 (valued at \$2,906,575) 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 acquisition of Matatan 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 owns a 100% interest in the San Marcial property located in the Rosario Mining District, Sinaloa, Mexico. As consideration, the Company paid \$2,575,000 in cash, issued 3,500,000 common shares with a fair value of \$1,470,500 and incurred \$3,000,000 in exploration expenditures. The vendor has been granted a 0.75% NSR and the Company has a buy back right on the NSR that can be exercised at any time by paying \$1,250,000.

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, 2021, the Company sold the property

GR SILVER MINING LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

(Expressed in Canadian Dollars)

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

option agreement to a third party and received \$70,796 in consideration.

7. EXPLORATION EXPENDITURES

Exploration expenditures for the period ended March 31, 2022, are comprised of the following:

	El Habal	La Trinidad	San Marcial	Plomosas	Total
Concession taxes	\$ 62,733	\$ 1,746,185	\$ 15,215	\$ 103,625	\$ 1,927,758
Drilling	-	-	90,244	218,130	308,374
Field	-	66,349	79,004	431,737	577,090
Geological	-	-	219,759	230,373	450,132
Geochemistry	-	1,659	27,428	59,524	88,611
Metallurgical	-	51,092	-	-	51,092
Survey	-	-	250	250	500
Topography	-	-	7,424	11,619	19,043
Total	\$ 62,733	\$ 1,865,285	\$ 439,324	\$ 1,055,258	\$ 3,422,600

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

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	December 31, 2021
Trade payables	\$ 1,390,479	\$ 1,569,655
Accrued liabilities	104,333	96,000
	1,494,812	1,665,655
Mexico mining concessions taxes	13,272,078	12,844,788
	\$ 14,768,890	\$ 14,510,443

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

MARCH 31, 2022

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (cont'd...)

As part of the acquisition of Marlin (Note 6) the Company assumed liabilities for unpaid Mexican mining concession taxes of \$11,963,059 for the years 2015 – 2020. During the quarter ended March 31, 2022, a portion of the concession taxes became statute barred and are no longer payable resulting in the Company incurring a gain on concession tax forgiveness of \$831,621 (2021 – \$Nil).

During fiscal 2021 the Company entered into an agreement to sell the El Salto and El Salto Sur non-core concessions within the La Trinidad Property in an arm's length transaction that will result in the vendor being responsible for \$7,074,951 (December 31, 2021 - \$6,489,455) of the concession taxes owed upon completion of the transaction.

9. 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:

	2022	2021
Short-term benefits paid or accrued:		
Salaries	448,987	147,596
Director fees	8,000	33,250
Share-based compensation	-	560,504
Professional fees	96,055	34,036
Total remuneration	\$ 553,042	\$ 775,386

Included in accounts payable and accrued liabilities as at March 31, 2022 was \$141,488 (December 31, 2021 – \$74,862) owed to a director and companies controlled by a director or officer.

10. RECLAMATION PROVISIONS

As at March 31, 2022 the Company's reclamation provisions are related to the Company's La Trinidad and Plomosas properties (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 restoration costs. On March 31, 2021, the Company acquired the La Trinidad property (Note 7) and added a reclamation provision of \$2,431,930 relating to the property reclamation and dismantling and removal of buildings, salvaged topsoil replacement and recontouring and grading. Mako is responsible for certain costs estimated at \$1,246,610 which has been recorded as an indemnification asset. The amounts and timing of the reclamation will vary depending on several factors including exploration success and alternative mining plans.

	March 31, 2022	December 31, 2021
Balance as at beginning of year	\$ 2,653,918	\$ 215,461
Acquisition of the La Trinidad property (Note 6)	-	2,431,930
Accretion expense	1,663	6,527
Balance as at end of year	\$ 2,655,581	\$ 2,653,918

11. SHARE CAPITAL AND RESERVES

Authorized – Unlimited common shares without par value

During the period ended March 31, 2022 the Company:

- a) The Company issued 304,987 common shares on the exercise of warrants for proceeds of \$67,097. Share issue costs of \$360 were incurred and was recorded as an offset to share capital, as share issue costs.
- b) Completed a private placement by issuing 27,236,755 special warrants (the “Special Warrants”) at a price of \$0.27 per Special Warrant for gross proceeds of \$7,353,924. Each Special Warrant is exercisable for one unit of the Company comprised of one common share and one-half of one common share purchase warrant. Each whole warrant shall be exercisable to acquire one share at an exercise price of \$0.37 per share to March 29, 2025. The Company paid cash finders fees of \$422,931 and issued 1,566,410 special agent warrants, each of which is exercisable for one broker warrant at no additional cost to the holder thereof. Each broker warrant is exercisable for one common share until March 29, 2025, at an exercise price of \$0.27 per share. The agent warrants were valued at \$190,844. Additional share issue costs of \$213,641 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

The Special Warrants shall be automatically exercised, without any further action or payment of additional consideration by the holder thereof, on the date that is the earlier of: (i) the date that is five (5) business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities for a (final) short form prospectus (“Final Prospectus”) qualifying distribution of the shares and warrants underlying the Special Warrants, and (ii) July 30, 2022.

If the Company has not received a receipt from the applicable securities regulatory authorities for the Final Prospectus by June 7, 2022, each unexercised Special Warrant shall thereafter be exercisable for one Penalty Unit, with each Penalty Unit being comprised of one share and one full warrant (in place of one-half of one warrant).

During the year ended December 31, 2021, the Company:

- c) Issued 16,153,000 common shares on the exercise of warrants for proceeds of \$6,265,160.
- d) Issued 849,644 common shares on the exercise of options for proceeds of \$236,544.
- e) Issued 187,096 common shares valued at \$142,714 as debt settlement including \$32,659 to a related party, resulting in a loss on settlement of \$3,015.
- f) Issued 1,500,000 common shares for acquisition of exploration and evaluation assets at a value of \$933,000.
- g) 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, issued 1,301,388 agent warrants and issued 255,000 units valued at \$150,450. 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 agent warrants were valued at \$431,714 and the warrants on the units at \$39,749. Additional share issue costs of \$223,796 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

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

Additional share issue costs of \$10,083 were incurred in connection with the exercise of options and warrants and shares issued for debt settlement, and was recorded as an offset to share capital, as share issue costs.

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 March 31, 2022, 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
1,186,534	\$0.30	March 1, 2023	0.92
450,000	\$0.30	May 7, 2023	1.10
1,090,000	\$0.22	December 19, 2023	1.72
370,000	\$0.21	August 8, 2024	2.35
217,000	\$0.20	January 26, 2027	4.84
1,040,000	\$0.185	November 27, 2024	2.66
300,000	\$0.20	April 16, 2025	3.29
985,000	\$0.335	May 13, 2025	3.12
985,000	\$0.78	September 14, 2025	3.46
2,275,000	\$0.74	January 21, 2026	3.81
200,000	\$0.75	February 24, 2026	3.91
500,000	\$0.71	May 13, 2026	4.12
130,000	\$0.29	October 5, 2021	4.52
<u>9,728,534</u>			<u>2.84</u>

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2020	7,702,178	\$ 0.33
Expired	(429,000)	0.67
Exercised	(849,644)	0.28
Granted	<u>3,660,000</u>	<u>0.72</u>
As at December 31, 2021	10,083,534	\$ 0.46
Expired	<u>(355,000)</u>	<u>0.69</u>
As at March 31, 2022	<u>9,728,534</u>	<u>\$ 0.46</u>
Number of options currently exercisable	<u>9,178,534</u>	<u>\$ 0.44</u>

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

During the period ended March 31, 2022, the Company recognized share-based payments expense of \$254,775 (2021 - \$1,015,093) 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 granted during the period ended as follows:

	March 31, 2022	December 31, 2021
Risk-free interest rate	-	0.61%
Expected life of options	-	5
Annualized volatility	-	100%
Dividend rate	-	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, 2020	17,685,487	\$ 0.38
Granted	11,240,888	0.72
Expired	(237,500)	0.40
Exercised	<u>(16,153,000)</u>	<u>0.39</u>
As at December 31, 2021	12,535,875	\$ 0.67
Granted	1,556,410	0.27
Exercised	<u>(304,987)</u>	<u>0.22</u>
As at March 31, 2022	12,787,298	\$ 0.64

The weighted average remaining contractual life of warrants outstanding at March 31, 2022 was 1.25 (December 31, 2021 – 01.25) years.

Warrants outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
99,000	\$ 0.15	June 24, 2022
891,000	\$ 0.25	November 6, 2022
9,902,500	\$ 0.74	April 27, 2023
1,338,388	\$ 0.59	April 27, 2023
1,556,410	\$ 0.27	March 29, 2025
<u>13,787,298</u>		

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

The weighted average Black-Scholes inputs are as follows:

	March 31, 2022	December 31, 2021
Expected life of warrants	3.00	2.00
Annualized volatility	75.93%	100%
Dividend rate	-	-
Discount rate	2.34%	0.33%

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended March 31, 2022;

Reclassification of reserves in share capital of \$68,889.

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.

13. 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, 2022	December 31, 2021
Equipment		
Mexico	\$ 1,899,097	\$ 1,802,574
Canada	4,276	4,621
Total	\$ 1,903,373	\$ 1,807,195
Exploration and evaluation assets		
Mexico	\$ 19,777,764	\$ 19,777,764
Total	\$ 19,777,764	\$ 19,777,764

14. 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:

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

- 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.

Liquidity risk

As of March 31, 2022, the Company had cash balance of \$6,103,507 to settle current liabilities of \$14,766,890 and has significant expenditure requirements pursuant to Mexican concession taxes (Note 6 and 8). The Company is exposed to liquidity risk. The funds raised (Note 11(b)) are not sufficient to cover its current liabilities as of March 31, 2022, and additional financing will be required. Additional funds will be required for property expenditures, retention of essential personnel, general and administration and to maintain its listing on the TSX.V

Market risk

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

Interest rate risk

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

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in foreign currency. Amounts exposed to foreign currency risk include cash of MX\$1,131,398 as of March 31, 2022, and accounts payable of MX\$229,757,905. A 10% change in foreign exchange rates will affect profit or loss by less than \$1,435,000.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined

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

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.

15. 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.

16. SUBSEQUENT EVENTS

- a) Granted 920,000 share purchase options to employees in its Mexican subsidiaries at an exercise price of \$0.25 for a period of five years.
- b) Completed debt settlement of 136,910 common shares valued at \$33,543.
- c) Had 784,377 share purchase options expired unexercised.