

**GR SILVER MINING LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 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 September 30, 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)

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 3)	\$ 3,592,128	\$ 3,077,796
Receivables (Note 4)	45,984	25,519
Prepaid	<u>451,177</u>	<u>263,408</u>
	4,089,289	3,366,723
<b>Equipment</b> (Note 5)	1,641,776	1,807,195
<b>Exploration and evaluation assets</b> (Note 6)	19,777,764	19,777,764
<b>Reclamation provision indemnification asset</b> (Note 6 and 10)	1,246,610	1,246,610
<b>Value added tax receivable</b> (Note 4)	<u>2,846,578</u>	<u>2,229,168</u>
	<u>\$ 29,602,017</u>	<u>\$ 28,427,460</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8 and 9)	\$ 822,707	\$ 1,665,656
Mexico mining concession taxes (Note 6 and 8)	<u>14,869,242</u>	<u>12,844,788</u>
	15,691,949	14,510,444
<b>Non-current liabilities</b>		
Reclamation provision (Note 10)	<u>2,658,795</u>	<u>2,653,918</u>
<b>Total liabilities</b>	<u>18,350,744</u>	<u>17,164,362</u>
<b>Shareholders' equity</b>		
Share capital (Note 11)	56,908,698	45,492,226
Share compensation reserve (Note 11)	4,797,759	4,090,302
Deficit	<u>(50,455,184)</u>	<u>(38,319,430)</u>
	<u>11,251,273</u>	<u>11,263,098</u>
	<u>\$ 29,602,017</u>	<u>\$ 28,427,460</u>

**Nature of operations and going concern** (Note 1)  
**Subsequent events** (Note 16)

**On behalf of the Board:**

"Eric Zaunserb"

Director

"Gino DeMichele"

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 September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<b>EXPENSES</b>				
Amortization (Note 5)	\$ 142,344	\$ 119,292	\$ 408,415	\$ 285,779
Consulting (Note 10)	19,251	61,788	86,441	253,526
Exploration expenditures (Note 8)	3,839,045	3,549,096	9,679,434	8,886,361
Foreign exchange (gain) loss	684,504	65,377	978,633	375,356
Investor relations	122,904	124,592	412,576	431,095
Office	166,875	109,603	471,049	380,032
Professional fees (Note 10)	148,471	110,037	431,398	426,183
Property investigation	-	-	-	3,632
Regulatory and transfer agent	71,879	21,803	167,640	89,726
Salaries (Note 10)	431,990	559,610	1,504,835	1,078,830
Share-based compensation (Note 10 and 12)	-	-	453,446	1,498,909
Travel	50,276	16,019	104,727	67,659
	(5,677,539)	(4,737,217)	(14,698,594)	(13,777,088)
Accretion expense evaluation assets (Note 11)	(1,638)	(1,638)	(4,877)	(4,877)
Gain on concession taxes (Note 8)	1,723,586	-	2,555,207	-
Interest income	9,183	4,984	14,452	15,587
Recovery on exploration and evaluation assets (Note 7)	-	-	-	72,366
Gain (Loss) on settlement of accounts payable	-	-	4,792	(3,015)
Loss on sale of fixed assets	-	-	(6,734)	27,000
<b>Loss and comprehensive loss for the period</b>	<b>\$ (3,946,408)</b>	<b>\$ (4,733,871)</b>	<b>\$(12,135,754)</b>	<b>\$ (13,670,027)</b>
<b>Loss per common share</b>				
-Basic and diluted	\$ (0.02)	\$ (0.03)	\$ (0.07)	\$ (0.09)
<b>Weighted average number of common shares outstanding</b>				
-Basic and diluted	231,479,806	167,213,040	183,581,797	150,279,314

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)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (12,135,754)	\$ (13,670,027)
Items not affecting cash:		
Amortization	408,415	285,779
Gain on concession taxes	(2,555,207)	-
Share-based compensation	453,446	1,498,909
Accretion expenses on restoration obligations (Note 11)	4,877	4,877
Changes in non-cash working capital items:		
Decrease (Increase) in Receivables	(20,465)	22,790
Increases in Prepaids	(187,769)	(160,483)
Increase in concession taxes payable	4,579,661	-
Increase in Value added tax	(617,410)	(1,125,821)
Increases (Decrease) in accounts payable and accrued liabilities	(814,197)	722,718
Net cash used in operating activities	<u>(10,884,403)</u>	<u>(12,421,258)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of San Marcial Property (Note 7)	-	(2,500,000)
Acquisition of La Trinidad Property (Note 7)	-	(332,516)
Cash acquired from Mako acquisition (Note 7)	-	5,467
Deferred acquisition costs	-	158,860
Equipment	(242,996)	(221,784)
Net cash provided by investing activities	<u>(242,996)</u>	<u>(2,889,973)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of shares	12,874,871	18,019,453
Share issue costs	(1,233,140)	(851,163)
Net cash provided by financing activities	<u>11,641,731</u>	<u>17,168,290</u>
<b>Change in cash during the period</b>	514,332	1,857,059
<b>Cash, beginning of period</b>	<u>3,077,796</u>	<u>4,893,578</u>
<b>Cash, end of period</b>	<u>\$ 3,592,128</u>	<u>\$ 6,750,637</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	Amount			
Balance, December 31, 2020	128,947,415	\$ 27,300,384	\$ 2,489,056	\$ (20,122,187)	\$ 9,667,253
Shares issued for cash					
Private placement	19,550,000	11,534,500	-	-	11,534,500
Exercise of warrants	16,153,000	6,265,160	-	-	6,265,160
Exercise of options	799,644	219,794	-	-	219,794
Share issue costs	-	(1,001,614)	-	-	(1,001,614)
Shares issued for non-cash					
Reclassification of reserves on exercise of options	-	141,143	(141,143)	-	-
Reclassification of reserves on exercise of warrants	-	359,257	(359,257)	-	-
Finder's fees – warrants issued	-	(471,463)	471,463	-	-
Commission shares	255,000	150,450	-	-	150,450
Debt settlement	187,096	142,714	-	-	142,714
Property acquisition	1,500,000	933,000	-	-	933,000
Share-based compensation	-	-	1,498,909	-	1,498,909
Loss for the period	-	-	-	(13,670,027)	(13,670,027)
Balance, September 30, 2021	167,392,155	\$ 45,573,325	\$ 3,959,028	\$ (33,792,214)	\$ 15,740,139
Shares issued for cash					
Exercise of options	50,000	16,750	-	-	16,750
Shares issued for non-cash					
Reclassification of reserves on exercise of warrants	-	(129,503)	129,503	-	-
Reclassification of reserves on exercise of options	-	31,654	(31,654)	-	-
Share-based compensation	-	-	33,425	-	33,425
Loss for the year	-	-	-	(4,527,216)	(4,527,216)
Balance, December 31, 2021	167,442,155	\$ 45,492,226	\$ 4,090,302	\$ (38,319,430)	\$ 11,263,098
Shares issued for cash					
Private placement	63,499,755	12,793,374	-	-	12,793,374
Exercise of warrants	400,987	81,497	-	-	81,497
Share issue costs	-	(1,233,140)	-	-	(1,233,140)
Shares issued for non-cash					
Reclassification of reserves on exercise of warrants	-	77,841	(77,841)	-	-
Finder's fees – warrants issued	-	(331,851)	331,851	-	-
Debt settlement	136,909	28,751	-	-	28,751
Share-based compensation	-	-	453,447	-	453,447
Loss for the period	-	-	-	(12,135,754)	(12,135,754)
Balance, September 30, 2022	231,479,806	\$ 56,908,698	\$ 4,797,759	\$ (50,455,184)	\$ 11,251,273

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**

SEPTEMBER 30, 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 1050 – 400 Burrard Street, Vancouver, BC, V6C 3A6. 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 September 30, 2022, the Company has a working capital deficit of \$11,602,659 and an accumulated deficit of \$50,455,184. 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 November 21, 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 nine-month period ended September 30, 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**

SEPTEMBER 30, 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:

	September 30, 2022	December 31, 2021
Cash held with banks in Canadian dollars	\$ 3,445,021	\$ 2,731,429
Cash held with banks in foreign currencies	147,107	346,367
Total	\$ 3,592,128	\$ 3,077,796

**4. RECEIVABLES**

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

	September 30, 2022	December 31, 2021
GST receivable	\$ 34,202	\$ 12,335
Other receivables	11,792	13,184
Current receivable	\$ 45,984	\$ 25,519
VAT receivable	2,846,578	2,229,168
Total receivable	\$ 2,892,572	\$ 2,254,687



**GR SILVER MINING LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Expressed in Canadian Dollars)

**5. EQUIPMENT**

	Office Equipment	Mobile Equipment	Exploration Equipment	Buildings	Building in Progress	Total
<b>Cost:</b>						
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	-	75,658	115,617	85,076	-	276,351
Disposal	-	-	(45,125)	-	-	(45,125)
<b>Balance at September 30, 2022</b>	<b>\$ 75,605</b>	<b>\$ 138,915</b>	<b>\$ 1,358,319</b>	<b>\$ 971,994</b>	<b>\$ -</b>	<b>\$ 2,544,833</b>
<b>Accumulated Depreciation:</b>						
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	13,633	17,103	167,389	210,290	-	408,415
Disposal	-	-	(11,770)	-	-	(11,770)
<b>Balance at September 30, 2022</b>	<b>\$ 37,026</b>	<b>\$ 38,246</b>	<b>\$ 371,947</b>	<b>\$ 455,838</b>	<b>\$ -</b>	<b>\$ 903,057</b>
<b>Net Book Value:</b>						
<b>Balance at December 31, 2021</b>	<b>\$ 52,212</b>	<b>\$ 42,114</b>	<b>\$ 1,071,499</b>	<b>\$ 641,370</b>	<b>\$ -</b>	<b>\$ 1,807,195</b>
<b>Balance at September 30, 2022</b>	<b>\$ 38,579</b>	<b>\$ 100,669</b>	<b>\$ 986,372</b>	<b>\$ 516,156</b>	<b>\$ -</b>	<b>\$ 1,641,776</b>

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

SEPTEMBER 30, 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
<b>Total acquisition</b>	<b>3,433,000</b>	<b>12,638,084</b>	<b>-</b>	<b>16,071,084</b>
Balance, September 30, 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. The Company assumed pre-existing NSR'S between 0.5% and 2.5% on certain properties.

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:

<b>Purchase Price</b>		
Cash payment		\$ 50,000
Legal, regulatory, and other costs		282,516
<b>Total purchase price</b>		<b>\$ 332,516</b>
<b>Net assets acquired and allocation</b>		
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)
<b>Total net assets acquired and allocated</b>		<b>\$ 332,516</b>

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

SEPTEMBER 30, 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. The Company assumed a pre-existing NSR between 1.75% and 3.5% based on the price of zinc.

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:

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

**San Marcial Property, Mexico**

The Company 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 also reserved an NSR on the San Marcial Property, the amount of which was determined and fixed at 0.75% when the Company issued a NI 43-101 report on June 12, 2020. The Company has a buy back right on the NSR that can be exercised at any time by paying \$1,250,000. The Company also assumed a pre-existing 3% NSR on the San Marcial Property which is subject to a buy back right on the NPR of US\$600,000 per 1% that can be exercised by the Company at any time and from time to time, in whole or in part.

**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 pursuant to which the Company received \$1,000 for the option to purchase a 1% NSR on the property, which option can be exercised by payment to the Company of US\$1,000,000 per 0.5% NSR, for a total option exercise price of US\$2,000,000 for a 1% NSR. The Company also entered into a royalty agreement pursuant to which it received \$99,000 for a 1% royalty on four concessions adjacent to the property resulting in a recovery of \$65,000.

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

SEPTEMBER 30, 2022

(Expressed in Canadian Dollars)

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)****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 option agreement to a third party and received \$70,796 in consideration.

**7. EXPLORATION EXPENDITURES**

Exploration expenditures for the period ended September 30, 2022, are comprised of the following:

	El Habal	La Trinidad	San Marcial	Plomosas	Total
Concession taxes	\$ 128,666	\$ 4,333,336	\$ 31,102	\$ 211,823	\$ 4,704,927
Community relations	-	131,239	56,366	38,385	225,990
Consulting	-	-	8,433	10,649	19,082
Drilling	-	-	532,112	844,555	1,376,667
Environmental	-	-	13,036	54,486	67,522
Field	-	96,098	279,769	1,226,848	1,602,715
Geological	4,329	-	537,267	557,958	1,099,554
Geochemistry	-	20,120	174,684	215,612	410,416
Metallurgical	-	117,157	-	-	117,157
Topography	-	-	16,905	38,499	55,404
<b>Total</b>	<b>\$ 132,995</b>	<b>\$ 4,697,950</b>	<b>\$ 1,649,674</b>	<b>\$ 3,198,815</b>	<b>\$ 9,679,434</b>

Exploration expenditures for the period ended September 30, 2021, are comprised of the following:

	La Trinidad	El Habal	San Marcial	Plomosas	Total
Concession taxes	\$ 1,626,391	84,012	\$ 27,498	\$ 186,187	\$ 1,924,088
Consulting	34,244	-	85,615	31,170	151,029
Drilling	-	-	77,494	1,704,247	1,781,741
Field	315,014	-	249,862	1,341,823	1,906,699
Geological	-	-	912,463	968,001	1,880,464
Geochemistry	-	-	363	496,473	496,836
Geophysical	-	-	415,555	-	415,555
Metallurgical	-	-	-	74,261	74,261
Report preparation	-	-	-	104,004	104,004
Survey	-	-	-	16,438	16,438
Topography	-	-	12,931	69,302	82,233
Underground development	-	-	53,013	-	53,013
<b>Total</b>	<b>\$ 1,975,649</b>	<b>84,012</b>	<b>\$ 1,834,794</b>	<b>\$ 4,991,906</b>	<b>\$ 8,886,361</b>

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

SEPTEMBER 30, 2022

(Expressed in Canadian Dollars)

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2022	December 31, 2021
Trade payables	\$ 755,207	\$ 1,569,655
Accrued liabilities	67,500	96,000
	822,707	1,665,655
Mexico mining concessions taxes	14,869,242	12,844,788
	\$ 15,691,949	\$ 14,510,443

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 September 30, 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 \$2,555,207 (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. The Company received no consideration except the vendor will be responsible for \$8,534,206 (December 31, 2021 - \$6,489,455) of the concession taxes owed. Approval of the transaction is pending and is subject to approval from government agencies in Mexico.

**9. RELATED PARTY TRANSACTIONS**

Key management personnel include those people who have 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 September 30 was:

	2022	2021
Short-term benefits paid or accrued:		
Salaries	\$ 906,674	\$ 592,095
Director fees	35,250	99,750
Share-based compensation	309,442	834,034
Professional fees	198,245	137,246
<b>Total remuneration</b>	\$ 1,449,611	\$ 1,663,125

Included in accounts payable and accrued liabilities as at September 30, 2022 was \$24,525 (December 31, 2021 – \$74,862) owed to a director and companies controlled by a director or officer.

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

SEPTEMBER 30, 2022

(Expressed in Canadian Dollars)

**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.

	September 30, 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		4,877		6,527
Balance as at end of year	\$	2,658,795	\$	2,653,918

**11. SHARE CAPITAL AND RESERVES**

Authorized – Unlimited common shares without par value

During the period ended September 30, 2022 the Company:

- a) The Company issued 400,987 common shares on the exercise of warrants for proceeds of \$81,497. Share issue costs of \$684 were incurred and was recorded as an offset to share capital, as share issue costs.
- b) The Company issued 136,909 common shares valued at \$28,751 as debt settlement resulting in a gain on settlement of \$556.
- c) Completed conversion of 27,236,755 special warrants (the "Special Warrants") to 27,236,755 units (the "Units"). The Special Warrants were previously issued upon completion of a private placement at a price of \$0.27 per Special Warrant for gross proceeds of \$7,353,924. Upon receipt of a final short form prospectus, each Special Warrant was automatically exercised, at no additional cost to the holder thereof, for one Unit. Each Unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one share at an exercise price of \$0.37 per share to March 29, 2025. On completion of the private placement, the Company paid cash finders fees of \$422,931 and issued 1,566,410 special agent warrants valued at \$190,844. Upon receipt of a final short form prospectus, each special agent warrant was automatically exercised, at no additional cost to the holder thereof, for one broker warrant. Each broker warrant is exercisable for one common share until March 29, 2025, at an exercise price of \$0.27 per share. Additional share issue costs of \$300,892 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.
- d) Completed a bought deal private placement of 36,263,000 units at a price of \$0.15 per unit for gross proceeds of \$5,439,450. 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 \$0.22 per warrant to August 30, 2025. The Company paid cash finders fees of \$271,458 and issued 2,148,720 agent warrants and valued at \$141,007. Each agent warrant is exercisable at an exercise price of \$0.15 per agent warrant to August 30, 2025. Additional share issue costs of \$271,212 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**

**SEPTEMBER 30, 2022**

(Expressed in Canadian Dollars)

---

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

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

- e) Issued 16,153,000 common shares on the exercise of warrants for proceeds of \$6,265,160.
- f) Issued 849,644 common shares on the exercise of options for proceeds of \$236,544.
- g) 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.
- h) Issued 1,500,000 common shares for acquisition of exploration and evaluation assets at a value of \$933,000.
- i) 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.

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 September 30, 2022, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

**GR SILVER MINING LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Expressed in Canadian Dollars)

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

Number of Shares	Exercise Price	Expiry Date	Weighted Average Life Remaining
1,157,157	\$0.30	March 1, 2023	0.67
450,000	\$0.30	May 7, 2023	0.85
1,070,000	\$0.22	December 19, 2023	1.47
370,000	\$0.21	August 8, 2024	2.10
217,000	\$0.20	January 26, 2027	4.59
975,000	\$0.185	November 27, 2024	2.41
300,000	\$0.20	April 16, 2025	2.80
935,000	\$0.335	May 13, 2025	2.87
935,000	\$0.78	September 14, 2025	3.21
1,705,000	\$0.74	January 21, 2026	3.56
200,000	\$0.75	February 24, 2026	3.66
460,000	\$0.71	May 13, 2026	3.87
65,000	\$0.29	October 5, 2026	4.27
895,000	\$0.25	April 6, 2027	4.77
<u>9,734,157</u>			<u>2.73</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	(1,269,377)	0.63
Granted	<u>920,000</u>	<u>0.25</u>
As at September 30, 2022	<u>9,734,157</u>	<u>\$ 0.42</u>
Number of options currently exercisable	<u>8,917,491</u>	<u>\$ 0.37</u>

During the period ended September 30, 2022, the Company recognized share-based payments expense of \$453,446 (2021 - \$1,498,909) 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:



**GR SILVER MINING LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Expressed in Canadian Dollars)

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

	September 30, 2022	December 31, 2021
Risk-free interest rate	2.51%	0.61%
Expected life of options	5	5
Annualized volatility	96.65%	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, 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	35,465,007	0.28
Expired	(3,000)	0.15
Exercised	<u>(400,987)</u>	<u>0.20</u>
As at September 30, 2022	47,596,895	\$ 0.38

The weighted average remaining contractual life of warrants outstanding at September 30, 2022 was 2.18 (December 31, 2021 – 01.25) years.

Warrants outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
891,000(*)	\$ 0.25	November 6, 2022
9,902,500	\$ 0.74	April 27, 2023
1,338,388	\$ 0.59	April 27, 2023
1,566,410	\$ 0.27	March 29, 2025
13,618,377	\$ 0.37	March 29, 2025
18,131,500	\$ 0.22	August 30, 2025
2,148,720	\$ 0.15	August 30, 2025
<u>47,596,895</u>		

(\*) See Note 16

The weighted average Black-Scholes inputs are as follows:

	September 30, 2022	December 31, 2021
Expected life of warrants	3.00	2.00
Annualized volatility	75.62%	100%
Dividend rate	-	-
Discount rate	3.03%	0.33%

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

SEPTEMBER 30, 2022

(Expressed in Canadian Dollars)

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

Significant non-cash transactions during the period ended September 30, 2022;

- reclassification of reserves in share capital of \$77,841.
- issued 136,909 common shares in settlement of debt in the amount of \$28,751.

Significant non-cash transactions during the period ended September 30, 2021;

- issued 1,500,000 common shares for the acquisition of exploration and evaluation assets at a fair value of \$933,000.
- issued 1,383,388 agent warrants with a fair value of \$471,463 recorded as share issuance costs.
- issued 255,000 units valued at \$150,000 recorded as share issue costs.
- reclassification of reserves in share capital of \$500,400 on exercise of warrants and options.
- issued 187,096 common shares in settlement of debt in the amount of \$142,714.

**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:

	September 30, 2022	December 31, 2021
Equipment		
Mexico	\$ 1,638,195	\$ 1,802,574
Canada	3,581	4,621
Total	\$ 1,641,776	\$ 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:

- 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.

**GR SILVER MINING LTD.**

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

SEPTEMBER 30, 2022

(Expressed in Canadian Dollars)

---

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

**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 September 30, 2022, the Company had cash balance of \$3,592,128 to settle current liabilities of \$15,691,949 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(c and d)) are not sufficient to cover its current liabilities as of September 30, 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\$2,164,614 as of September 30, 2022, and accounts payable of MX\$225,316,547. A 10% change in foreign exchange rates will affect profit or loss by less than \$1,520,000.

*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.

**GR SILVER MINING LTD.**

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

**SEPTEMBER 30, 2022**

(Expressed in Canadian Dollars)

---

**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**

The Company had 891,000 warrants expire unexercised.