

SILVER SPRUCE RESOURCES INC.

Management Discussion and Analysis For the three months Ended January 31, 2021

This discussion and analysis (MD&A) of the financial position and results of operations of Silver Spruce Resources Inc. (the Company) is prepared as at March 26, 2021 and is a review of the financial condition as at January 31, 2021, and results of operations for the quarter ended January 31, 2021. This MD&A should be read in conjunction with the Company's consolidated financial statements and notes for the year ended October 31, 2020.

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. Several important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made.

In particular, forward looking comments regarding both the Company's plans and operations included in the "Company Overview" with respect to management's planned exploration and other activities, and in "Liquidity", and "Commitments" regarding management's estimated ability to fund its projected costs of exploration work and general corporate costs of operations, and its ability to raise additional funding through placement of the Company's common shares, are plans and estimates of management only and actual results and outcomes could be materially different.

Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available on the Company's website at www.silverspruceresources.com or through the SEDAR website at www.sedar.com.

Company Overview

Silver Spruce Resources Inc. (the "Company") is a junior exploration company headquartered in Bedford, Nova Scotia. The Company is focused on exploration for precious metals.

In 2015, the Company focused business activities on developing near-term properties to maximize benefit to shareholders. In 2015, the Company acquired a 100% interest in Pino de Plata, a 397-hectare property in the southwest corner of the state of Chihuahua, Mexico. The initial NI 43-101, detailed below, shows very promising results resulting in the Company focusing on exploring and developing Pino de Plata.

In November 2019, the Company entered into a purchase agreement to acquire 100% interest in Melchett Lake Project, a precious and base metal project in Thunder Bay mining district, Northern Ontario, Canada.

In June 2020, the Company signed a binding option agreement to acquire 50% interest in the El Mezquite Gold project, a drill-ready metal project 10 km northwest of the town of Tepoca, and 170 km southeast of the capital of Hermosillo, eastern Sonora, Mexico.

In November 2020, the Company signed a definitive agreement with Colibri Resource Corp. to acquire 50 % interest in the Jackie Gold Project in Sonora, Mexico.

As of January 31, 2021, cash reserves, totaled \$1,694,938. The Company continues to pursue its strategy to acquire and explore high potential mineral properties. As noted in the subsequent events, the Company raised additional funds through a private placement of flow through shares which results in cash reserve totaling \$1,370,000 as at March 26, 2021.

The Company's future performance is largely tied to the outcome of future exploration and its financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time; therefore, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Selected Quarterly Information

The table below outlines selected financial information related to the Company's most recent eight quarters, accompanied by the applicable comparative period information.

	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020
	\$	\$	\$	\$
Net loss (profit)	437,016	352,940	245,200	(22,424)
Net loss per share -basic and diluted	0.00	0.00	0.00	0.00
	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
	\$	\$	\$	\$
Net loss	206,722	487,639	192,681	160,082
Net loss per share -basic and diluted	0.00	0.01	0.00	0.00

Results of operations can vary significantly by quarter as a result of a number of factors. The Company's level of activity and expenditures during a specific quarter are influenced by the level of working capital and the availability of external financing,

For the three months ended January 31, 2021, the Company had a net loss of \$437,016 (January 31, 2020 – \$206,722) and a loss per share of \$0.00 (January 31, 2020 - \$0.00).

The increase of \$230,294 in the net loss during the current quarter as compared to the same period last year is due mainly to the increase in exploration activities. As indicated in the Projects below, the Company has started exploration on the Melchett Lake and the Jackie properties and continued work on the El Mezquite project during the quarter. As a result, exploration and evaluation expenditures increased by \$190,688, from \$48,611 in 2020 to \$239,299 for the current quarter. Consulting fees also increased to \$71,288 for the quarter ended January 31, 2021 from \$16,527 for the same quarter of 2020. This increase is also due to increased activities.

Expenditures on Mineral Properties

During the quarter ended January 31, 2021, and the quarters ended October 31, 2020, July 31, 2020, and April 30, 2020 and the comparative periods, the Company incurred the following expenditures on exploration:

	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020
	\$	\$	\$	\$
Pino de Plata	12,700	3,791	-	-
Melchett Lake	119,250	11,025	1,500	5,301
Jackie	80,890	500	-	-
El Mezquite	24,559	144,443	32,787	-
Diamante	1,900	-	-	-

	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
	\$	\$	\$	\$
Pino de Plata	-	-	111,113	28,784
Melchett Lake	48,611	32,123	-	-
Cocula	-	182,111	20,237	-

PROJECTS – METALS

Pino de Plata, Mexico

On February 29, 2016, the Company signed an amended agreement (further amended on July 15, 2019) that supersedes the original purchase agreement and enables the Company to purchase a 100% interest in the Pino de Plata property. The revised financial terms are as follows:

- Total cash payments reduced to US\$500,000 over two years (US\$125,000 (CDN\$168,459) paid);
- One share issuance of 2,500,000 common shares, based on \$0.10 per share and issued on June 15, 2016 and valued at \$0.07 per common share based on the quoted market value of the common shares on that date. One further payment of \$250,000 to be paid in common shares in lieu of cash, at a share price equal to the 20-day average closing price of the Company's shares on the TSXV, subject to exchange approvals;
- A three percent (3%) gross production royalty capped at US\$4 million, which can be purchased for US\$1,333,333 per percentage point at any time and are reduced by the total amount of advanced royalty payments; and
- The Company is subject to advanced Royalty payments of US\$10,000 per month to commence 30 days after the acquisition is finalized, registered and documented with the proper authorities.

As a result of a delay in being able to access the property, an addendum to the purchase agreement was made in November 2016 to suspend the terms of the agreement until access is gained to the property. Access was granted again in June 2018 but has been revoked in June 2019 due to a force majeure. The ongoing interest in the property is subject to satisfactory resolution of the access restriction. In June 2020, the Company engaged a Mexican legal counsel to engage in discussions with landowner representatives.

On November 7, 2020, the Option Agreement with the concession title owner was fully processed by the Registro Publico de Minería (Public Mining Registry).

As of the current date, negotiations with the landowner representatives continue. The Company has continued with desktop studies and contracted an aerial photographic survey for the project.

The property is 397 hectares located approximately fifteen kilometers from Coeur Mining Inc.'s Palmarejo open pit and underground operations. This Property shows historical small-scale surface mining of high-grade silver (> 1,000 g/ton) dating back to approximately the 1600's and the entire project sits on top of an intrusive system with widespread anomalous mineralization. The mining concessions on the Property have been held by the same family since 1984 and have never been drilled or fully explored.

In May 2015, Silver Spruce completed an initial National Instrument 43-101 exploration assessment report which identified three areas for follow-on exploration and drilling. The 43-101 involved on-site field examination which systematically sampled areas of known small scale historical production. But the areas sampled for the 43-101 only represent approximately one quarter of the total Project area. Approximately ninety-two samples were taken during the field examination and show widespread intrusive epithermal mineralization at surface with silver values, on average, of greater than 50 grams per tonne (g/t), that is 1.6 ounces per ton (opt), over an area of more than 1 square km (>100 Ha). Within the area examined, specific targets were sampled with silver (Ag) assays of up to 557 g/t or 17.9 opt. The following are the three target areas identified in the 43-101.

The Terrero target was identified as having an area of over 20,000 square meters (>2 Ha), where the replacement epithermal mineralization in igneous rocks contains good silver grades at surface in un-oxidized rock. Seven out of nine samples, taken at surface, contained > 1 opt Ag to as much as 17.9 opt Ag with an average silver grade of 250 g/t (8 opt) Ag. Little additional work in the way of mapping and sampling is required prior to drilling this prospect.

The Santa Elena is a Gossan target area presents a viable target for replacement Ag-Pb-Zn-Cu deposits. Unoxidized replacement mineralization from the Santa Elena Mine approaches 200 g/t (6.4 opt) Ag. This area has the potential for relatively shallow replacement mineralization over an area of > 20 Ha. The sampling in the Santa Elena – Gossan target area also revealed elevated values of >2-3% Zn and anomalous Au, Cu and Pb.

Vein Targets comprise the Sierpe and Theodora veins which are open on strike and have indications of ore grade Ag (>250 g/t or 8 opt Ag) and reasonably minable widths (>= 1 m). Newly exposed, Ag mineralized quartz veins in road cuts to the west along with favorable alteration west of the Sierpe and Theodora mines make these attractive vein targets. The sampling in the Sierpe I, Sierpe II and Theodora vein target areas also revealed elevated values of up to 5% Pb and up to 7% Zn, with anomalous Au values up to 0.461 g/t.

Only approximately 50% of the Project surface was examined during the 43-101 assessment.

During the period ended July 31, 2019, the Company completed a field program that:

- Expanded areas of intrusive-related alteration and mineralization to 50-plus hectares;
- Confirmed that high silver grades are present on surface at the El Terrero and Gossan areas;
- Added three new vein targets at the La Perla, Santa Clara and El Muro vein systems; and
- Refined drill collar locations and orientations to optimize targeting.

Further, the Company is in discussions with several drilling companies prior to awarding a contract for services for the Phase I drill program at Pino de Plata.

Melchett Lake, Ontario

In September 2019, the Company signed a binding letter of intent with three parties to acquire 100% of the Melchett Lake zinc-gold-silver volcanogenic massive sulphide (VMS) project, an advanced precious and base metal project in the Thunder Bay mining district, Northern Ontario, Canada.

After completing due diligence, the Company entered into a purchase agreement on November 20, 2019 to acquire 100% of the property. As consideration, the Company will pay the vendors \$150,000 in cash and 5,000,000 common shares of the Company, spread over three years.

Given the logistical constraints due to the COVID-19 pandemic, the purchase agreement was amended on November 20, 2020 to modify the exploration expenditures for the first two years of the agreement as follows. Minimum work expenditures total \$1,000,000, with \$50,000 during the first year, \$250,000 in the second year and \$700,000 prior to the third anniversary. The vendors will retain a 2% net smelter return royalty, of which 1% can be purchased by the Company for \$1,000,000 and the remaining 1% at market price.

The Company has met the minimum work expenditures outlined in the contract during the period and is up to date with the amounts payable to the vendors.

The property, located within the Melchett Lake greenstone belt of the English River sub province of the Archean-age Superior province, is underlain by a bimodal mafic-felsic sequence of pyroclastic, tuffs and flows with cherts and iron-lean (Fe) to Fe-rich iron formation. The Melchett Lake belt contains several occurrences of polymetallic zinc-lead-copper-silver-gold (Zn-Pb-Cu-Ag-Au) VMS mineralization similar to ore deposits exploited at Mattabi, Winston Lake, Geco, Brunswick and Rouyn-Noranda. Base metal mineralization consisting of pyrite, sphalerite, chalcopyrite and galena occurs within the intermediate to felsic metavolcanic sequences of the property. There are locally high-grade lenses of Zn and Ag, with variable Cu, Au and Pb and historical gold grades to 28.8 g/t Au, silver grades to 560 g/t Ag and zinc grades to 19.1 per cent.

Highlights of the prospective geology, alteration and mineralization include multiple folded or stacked horizons of coincident alteration and metal mineralization, high Zn/Cu, Zn/Pb and Ag/Au ratios, extensive remobilization of major and trace elements with defined enrichment (Fe, magnesium (Mg), cobalt (Co), chromium (Cr) and cadmium (Cd)) and depletion (sodium (Na), strontium (Sr) and calcium (Ca)) zones and continuity, increased alteration, and anomalous metal values over large intervals with a strong electromagnetic offhole response. The mineralization is interpreted to occur as paleo-topographic accumulations related to fumarolic activity, forming polymetallic deposits overprinted by a later-stage gold-rich event.

In December 2020, the Company raised \$732,200 through a private placement of flow through shares and signed a geophysical services contract with Quantec Geoscience (“Quantec”) to conduct a SPARTAN Magnetotelluric (“MT”) Survey on the property.

The full MT survey will include a total of 150-180 deep search geophysical soundings on 3.5 kilometer north-south lines with 250 meter spacing along and between lines over the area shown on the Property map and Survey Grid image. The survey specification is focused on data gathered from surface to 1500 meters depth. The Company will initiate work on a cut grid for the survey as site logistics are developed. The Quantec survey is booked for late February to early March and is scheduled for four to six weeks to complete the field activities.

In alignment with Aroland First Nation, as indicated in the press release issued March 25, 2021, the Phase 1 winter exploration program was initiated during the current quarter and remains ongoing through the next quarter. The approved program will meet the requisite expenditures for the second year of the Agreement.

El Mezquite, Mexico

In June 2020, the Company signed a binding option agreement to acquire 50% interest in the El Mezquite Gold project, a drill-ready precious metal project 10 km northwest of the town of Tepoca, and 170 km southeast of the Capital city of Hermosillo, eastern Sonora, Mexico.

As consideration, the Company has paid US\$82,500 before September 1, 2020, will pay US\$127,500 by September 1, 2021, and will reimburse Colibri Resources Corp, \$500,000 for 50% of its debenture due in October 2023.

Minimum work expenditure total US\$600,000 over the four-year term of the agreement by September 1, 2024, with no specific annual requirement. During the period of the option, the Company will be responsible for 100% payment of the surface rights agreements when exploration is active, 50% of the property taxes and 50% of the interest due at 2.5% annually on the debenture.

The Company has incurred incremental work expenditures during the period and is up to date with the amounts payable to the vendors.

The Company has carried out Phase 1 exploration mapping and analysis in three separate campaigns over six months in the past two quarters and is ongoing in the first quarter of 2021. On March 2, 2021, the Company filed its Environmental Report with SEMARNAT in order to obtain further exploration and drilling permits.

The mineralization in the region commonly consists of disseminated gold hosted in strongly argillized and moderately silicified andesite rocks, typical to the Sierra Madre geological model of the principal deposits. Four main zones of alteration on the Property have been identified. The principal El Mezquite target area is defined as an alteration zone that extends for about 2 km in a north/south direction and is about 1 km wide. There are at least four of these colorful, hydrothermally altered, contact zones within the El Mezquite prospect area. The yellow, orange and reddish colors of the highly altered area are caused by hydrothermal solutions oxidizing sulphides. The sulphides are related to gold and silver values and geochemical anomalies which are mostly associated with these zones of alteration. The major trends of the alteration zone are generally north-south; however, the major trend of mineralization within the Property is NE-SW.

The gold and silver mineralization appears to be related to the silicified feldspar porphyry, which outcrops along the southern bank in the bottom of the largest arroyo. Rhyolite breccias and multiphase breccia veins are also noted.

Assay results from 362 rock chip samples indicate that 22 of the samples report values of gold >0.5 g/t, averaging 1.35 g/t Au and 54.4 g/t Ag. These samples are distributed along an area that extends for 600 meters in a north-south direction and 300 meters E-W. The highest values of gold and silver reported are 3.41 g/t Au and 198 g/t Ag. The most recent surface sampling campaign in 2019 confirmed the anomalous values, with precious metal values ranging up to 1.63 g/t Au and 155 g/t Ag.

Jackie

On November 17, 2020, the Company signed a Definitive Agreement with Colibri Resource Corp. to acquire 50% interest in the Jackie Gold Project in Sonora, Mexico.

As consideration, on December 14, 2020, the Company issued 500,000 common shares at a price of \$0.05 per share to Colibri Resource Corp. and on January 5, 2021 paid US\$25,000. The Company will pay another US\$25,000 and issue \$25,000 in common shares to Colibri Resource Corp. on or before December 14, 2021.

There is a minimum work expenditure total of US\$100,000 over two years, with a minimum of US\$50,000 within 12 months of the TSX approval. During the period of the Option, the Company will be responsible for 100% payment of the surface rights agreements when exploration is active and 50% of the property taxes.

The Company has incurred work expenditures during the current quarter and is up to date with the amounts payable to the vendors.

In January 2021, the Company started the Phase 1 exploration program on the Jackie property.

The 1,130-hectare Property is easily accessible from Hermosillo and heading south from Mexican Highway #16, and from Ciudad Obregón travelling north on Hwy. #17 with vehicles and pack teams along unpaved roads and trails.

The Property is situated approximately six kilometres northwest of the Nicho deposit currently under mine development by Minera Alamos. Other nearby large operating mines include Alamos Gold's Los Mulatos gold mine and Agnico Eagle's La India gold mine located 50-60 km to the northeast, Agnico Eagle's Pinos Altos Mine,

95 km southeast and Argonaut's La Colorada Mine, 100 km to the west. Exploration is very active with adjacent and nearby properties reported to be held by Minera Alamos, Newmont, Garibaldi, Evrim, Kootenay Silver and Peñoles.

The Jackie Project is located within the western portion of the Sierra Madre Occidental Volcanic Complex (shown below) within the prominent northwest-trending "Sonora Gold Belt" of northern Mexico and parallel to the precious metals-rich Mojave-Sonora Megashear.

LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

Operating Activities

The Company had a net cash outflow from operating activities of \$258,657 for the three months ended January 31, 2021 (January 31, 2020 - \$124,109). The operating cash flows represent the net cash loss for the year offset by the changes in the accounts payable, prepaid expenses and HST receivable.

Financing Activities

The Company had a net cash inflow from financing activities of \$680,405 for the three months ended January 31, 2021 (January 31, 2020 - \$251,625). Financing activity reflects the closing of a private placements in December 2020.

Liquidity

The Company had cash of \$1,694,938 as at January 31, 2021 (January 31, 2020 - \$283,735). The change in non-cash operating working capital as at January 31, 2021 was a cash inflow of \$55,972 (January 31, 2020 – inflow \$99,613).

Capital Resources

The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At January 31, 2021, the Company had 158,239,167 issued and outstanding common shares (January 31, 2020 – 98,845,833).

Going Concern (Note 2 – January 31, 2020 Financial Statements)

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IFRS on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company is an exploration stage company and does not have any proven economically recoverable reserves on the Company's interest in mineral properties held for exploration and to date, the Company has not earned revenues from mining activities and does not have a firm timeline until such revenues can be reasonably expected to be realized. The Company's interests in exploration properties are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company's continued existence is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise additional financing, or future profitable production. It is not possible to predict whether financing efforts will be successful.

Although the Company has taken steps to verify title to mineral exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers, First Nations claims, non-compliance with regulatory, social and environmental requirements and may be affected by undetected defects.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health development, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic

downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

While the condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions, however, cast significant doubt on the validity of this assumption. The Company has incurred a net loss of \$437,016 during the quarter ended January 31, 2021, has an accumulated deficit of \$40,987,197 and has no source of revenue. The Company was successful in raising funds during the quarter which resulted in a working capital surplus of \$1,686,105 as at January 31, 2021. Although the Company has been successful in raising funds in the past and during the quarter, there is no assurance that it will be able to successfully complete further financings. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at January 31, 2021 is \$32,750 (October 31, 2020 - \$5,000) owing to directors and companies controlled by directors or officers of the Company for consulting related services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the three months ended January 31, 2021, key management personnel compensation consisted of services provided by directors or companies owned by directors or officers of \$66,475 (2020 - \$13,000), which are classified as \$43,575 (2019 - \$13,000) for consulting fees and \$22,900 (2019 - \$nil) as exploration and evaluation expenditures on the condensed consolidated interim statement of operations.

OFF-BALANCE-SHEET TRANSACTIONS

There are no off-balance sheet transactions contemplated at this time.

COMMITMENTS

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive.

The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has indemnified the subscribers of current and past flow-through share subscriptions from any tax consequences arising from the failure of the Company to meet its commitments under the flow-through subscription agreements.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, third party advice and financial reporting requirements. However, actual outcomes can differ from these estimates.

The Company has identified the following areas under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Share-based payments

The Company makes certain estimates and assumptions when calculating fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life, forfeiture rates and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

FINANCIAL INSTRUMENTS

Fair Value

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, amounts receivable, accounts payable and accrued liabilities on the balance sheets approximate fair value due to their short-term maturity. The fair value of long-term debt approximates its carrying value based on current borrowing rates.

RISKS AND UNCERTAINTY

The Company's financial success is dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of developing its properties. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration and development activities will be successful. The development of mineral resources involves many risks in which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company has no source of financing other than those identified in the section on liquidity, financings and capital resources.

Credit Risk

The Company's credit risk is primarily attributable to cash and other receivables. The Company's cash is held with highly rated financial institutions.

The Company has concluded that credit risk with regards to other receivables is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Interest rate risk

The Company's loan payable is non-interest bearing and therefore is not subject to interest rate risk. The Company invests any cash surplus to its operational needs in investment-grade short-term deposit certificates issued by highly rated Canadian banks. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company's property acquisition obligation is denominated in United States Dollars ("US\$") and is subject to fluctuations in that currency's value relative to the Canadian dollar.

Mexican Operating Risk

The Company's operations in Mexico are exposed to various levels of political, economic and other risks and uncertainties and any changes in the political or economic climate in Mexico, even if minor in nature, may adversely affect the Company's exploration activities. These risks and uncertainties vary from time to time and include, but are not limited to: labour disputes, invalidation of governmental orders and permits, uncertain political and economic environments, potential for bribery and corruption, high risk of inflation, currency devaluation, high interest rates, sovereign risk, military repression, civil disturbances and terrorist actions, arbitrary changes in laws or policies, consents or rejections, granting of waivers, corruption, arbitrary foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, difficulty obtaining key equipment and components for equipment and inadequate infrastructure.

Exploration risk

There is no assurance that the activities of the Company will be successful and result in economic deposits being discovered and in fact, most companies are unsuccessful due to the low probability of discovering an economic deposit. Once mineralization is discovered, it may take several years until production is possible during which time the economics of a project may change. Substantial expenditures are required to establish reserves through drilling. The Company's ability to establish a mining operation is subject to a host of variables, such as the physical, technical and economic attributes of a deposit, availability of capital, cyclical nature of commodity markets and government regulations.

Exploration activities involve risks which even a combination of experience, knowledge and prudence may not be able to overcome. Exploration activities are subject to hazards and risks which could result in injury or death, property damage, adverse environmental conditions and legal liability. Fires, power disruptions and shortages and the inability to access land or obtain suitable or adequate equipment or labour are some of the hazards and risks involved in conducting an exploration program.

CURRENT MARKET CONDITIONS

The fundamentals for gold and silver have improved and are expected to remain strong for 2021. The Company is excited about the Pino de Plata, Melchett Lake and El Mezquite silver/gold prospects for this reason.

OUTLOOK

The Company is currently focusing on mineral projects that need focused exploration and short term investment to properly define a 43-101 compliant resource. The Company feels the Pino de Plata, Melchett Lake and El Mezquite projects have potential to meet this objective. As at January 31, 2021, the Company's cash is \$1,694,938. Also, as noted in the subsequent events, the Company raised funds through a private placement in February which results in

cash reserve totaling \$1,370,000 as at March 26, 2021. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Company. Failure to obtain sufficient and timely financing may result in delaying or indefinitely postponing exploration or development activities. If the Company obtains debt financing, it may expose its operations to restrictive loan and lease covenants and undertakings. If the Company obtains equity financing, existing shareholders may suffer dilution.

OUTSTANDING SHARE DATA

As at	Common Shares	Warrants	Stock Options	Fully Diluted
January 31, 2021	158,239,167	73,594,508	7,050,000	238,883,675
March 30, 2021	160,789,167	73,369,508	7,050,000	241,208,675

SUBSEQUENT EVENTS

- i. On February 5, 2021, the Company closed a non-brokered private placement of flow-through units raising gross proceeds of \$825,200 (the “Offering”). The Offering consisted of 13,753,333 units offered at \$0.06 per unit consisting of one common share in the capital of the Company and one-half share purchase warrant. The private placement closed in two tranches with 12,203,333 units closing December 31, 2020 and 1,550,000 units closing February 5, 2021. Each full warrant entitles the holder to purchase an additional common share of the Company for \$0.075 at any time prior to the expiry dates of December 31, 2022 and February 5, 2023, respectively.
- ii. On February 2, 2021, the Company received \$50,000 as 1,000,000 warrants were exercised at a price of \$0.05 each.
- iii. On March 22, 2021, the Company repaid 75% of the CEBA loan, and since it was prior to December 31, 2022, the other 25% was forgiven.
- iv. On March 23, 2021, the Company granted 250,000 stock options to a consultant with an exercise price of \$0.06 and an expiry date of March 23, 2026.