

DENARIUS SILVER CORP.
(Formerly ESV Resources Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2021
AUGUST 26, 2021

*The following discussion and analysis of the results of operations and financial condition ("MD&A") for Denarius Silver Corp. (the "Company" or "Denarius"; formerly ESV Resources Ltd. or "ESV") should be read in conjunction with the unaudited condensed consolidated financial statements and related notes thereto for the three and six months ended June 30, 2021 (the "Interim Financial Statements") and the annual audited financial statements of Gran Colombia Gold Titiribi Corp. ("Titiribi") for the year ended December 31, 2020, which are available on www.sedar.com. Readers are encouraged to read the Cautionary Note Regarding Forward Looking Information included on page 12 of this MD&A and the Company's Filing Statement dated as of February 18, 2021, also available on SEDAR. The financial information in this MD&A is derived from the Interim Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements in International Accounting Standard – Interim Financial Reporting ("IAS34"). The historical figures presented in the Interim Financial Statements represent those of GCT. **All figures contained herein are expressed in United States dollars ("USD"), except as otherwise stated.***

Second Quarter and First Half 2021 Highlights

- The Company, 1255269 B.C. Ltd. (the "Guia Antigua Vendor") and Titiribi successfully completed a reverse take over transaction ("RTO Transaction") on February 19, 2021, to create a new junior exploration company focused on advancing two silver-gold exploration projects, the Guia Antigua and Zancudo Projects, both of which are located in high-grade mining districts in Colombia. Concurrently with the closing of the RTO Transaction, the Guia Antigua Vendor completed a private placement financing and the gross proceeds of CA\$8.4 million (approximately \$6.7 million) were released from escrow to the Company. These funds will be used by the Company to fund the exploration program at the Guia Antigua Project and for general corporate purposes.
- On April 29, 2021, the Company added its third project (the "Lomero Project") with the acquisition of a 100% interest in the Investigation Permit N° 14,977, also identified as Rubia, covering the areas occupied by the former Lomero-Poyatos Concessions and the mine within them in Southern Spain. The Lomero Project is a polymetallic deposit located on the Spanish side of the prolific copper rich Iberian Pyrite belt with a historical estimate in the inferred category of 20.93 Mt of 3.08 g/t gold, 62.38 g/t silver, 0.90% copper, 0.85% lead and 3.05% zinc that remains open at depth and along strike. In August 2021, the Mining Department in Huelva approved the Company's exploration program with an initial drill program of approximately 23,500 meters expected to commence in September 2021.
- In March 2021, in preparation for the Lomero Project acquisition and the planned exploration program to be undertaken by the Company over the next approximately two years at the Lomero Project, the Company completed a non-brokered private placement financing of 75,000,000 subscription receipts (the "Subscription Receipts Financing") at a price of CA\$0.45 per subscription receipt for aggregate gross cash proceeds of approximately CA\$33.8 million (equivalent to approximately \$26.9 million). The Subscription Receipts were converted into common shares and warrants on April 29, 2021.

- Denarius commenced trading on the TSX Venture Exchange (“TSXV”) under the symbol “DSLX” on March 8, 2021 and currently has 205.1 million common shares issued and outstanding. The warrants commenced trading on the TSXV under the symbol “DSLX.WT” on July 23, 2021. The Company has a strong shareholder base with approximately 27.3% owned by Gran Colombia Gold Corp. (“Gran Colombia”) (TSX: GCM) and 19.2% owned by King Street Capital.

Selected Financial Information

	Second Quarter		First Half	
	2021	2020	2021 ⁽¹⁾	2020
Net loss	\$ (1,410)	\$ (8)	\$ (15,779)	\$ (12)
Per share – basic and diluted	(0.01)	(16.00)	(0.15)	(24.00)
			June 30, 2021	December 31, 2020
Balance sheet (\$000's):				
Cash and cash equivalents			\$ 21,188	\$ 30
Total assets			52,576	35

(1) Includes a one-time RTO Transaction expense of \$12.9 million and \$2.4 million of share-based compensation associated with the grants of stock options to directors, executive officers, management and consultants.

Description of Business

The Company, incorporated under the laws of the Province of British Columbia, Canada, is a Canadian-listed public company engaged in the acquisition, exploration, development and eventual operation of mining projects in high-grade districts, with its principal focus on the Lomero Project in Spain and the Guia Antigua Project in Colombia. The Company also owns the Zancudo Project in Colombia which is currently being explored by IAMGOLD Corp. (“IAMGOLD”) pursuant to an option agreement for the exploration and potential purchase of an interest in the project.

RTO Transaction

On February 19, 2021, the Company completed a three-cornered amalgamation with its subsidiary 1270702 B.C. Ltd. and the Guia Antigua Vendor, which owns the rights for exploration, mining and processing operations and the commercialization of mineral products from the Guia Antigua Project located within Gran Colombia's Segovia mining title in Colombia. Pursuant to the amalgamation agreement (“the Guia Antigua Amalgamation”), in exchange for all of the outstanding shares of the Guia Antigua Vendor, the Company issued 15,000,000 common shares to the former shareholders of the Guia Antigua Vendor and paid a financial advisory fee to a third party of 300,000 common shares.

In preparation of the amalgamation, in November 2020, the Guia Antigua Vendor completed a subscription receipt financing for gross proceeds of CA\$8.4 million (equivalent to \$6.7 million) by issuing 18,675,053 subscription receipts at a price of CA\$0.45 per unit (“Guia Antigua Private Placement”). Immediately prior to closing the amalgamation agreement on February 19, 2021, the Guia Antigua Subscription Receipts automatically converted into common shares of the Guia Antigua Vendor for no additional consideration and were then exchanged for common shares of the Company on a one-for-one basis.

Additionally, on February 19, 2021, pursuant to a November 2020 definitive Share Purchase Agreement (“SPA”) with Gran Colombia, the Company acquired all of the issued and outstanding shares of Titiribi, owner of the Zancudo Project, located in the municipality of Titiribi, in the mining district of Antioquia, Colombia. In exchange, the Company issued 27,000,000 common shares to Gran Colombia and paid a financial advisory fee to a third party of 540,000 common shares.

The concurrent closing of the SPA, the Guia Antigua Amalgamation and the Guia Antigua Private Placement resulted in a reverse takeover transaction (“RTO Transaction”).

Although legally the Company became the parent of Titiribi and the Guia Antigua Vendor, Titiribi was deemed to be the accounting acquirer and the Company and the Guia Antigua Vendor were deemed to be the acquirees for accounting purposes. Upon completion of the RTO Transaction, the former shareholders of Titiribi became the controlling shareholders of the Company. As Titiribi was deemed to be the acquirer in the RTO Transaction, the assets and liabilities of Titiribi were accounted for at cost, and the assets and liabilities of the Company and the Guia Antigua Vendor were accounted for at fair value on acquisition. Since the Company’s operations did not constitute a business, the transaction was accounted for as an asset acquisition that was not a business combination. Therefore, the Company’s share capital, equity reserve and deficit at the time of the RTO Transaction were eliminated. The capital structure recognized in the consolidated statement of financial position was that of the Company, but the dollar amount of the issued share capital prior to the RTO Transaction was that of Titiribi.

In the accounting for the RTO Transaction, the consideration effectively transferred was determined by reference to the fair value of the most reliable measure, which was determined to be the Company’s (formerly ESV) common shares. The excess of the total RTO Transaction consideration of \$24.8 million over the net assets of the Company and the Guia Antigua Vendor acquired amounting to approximately \$12.9 million was expensed in the statement of operations during the three and six months ended June 30, 2021.

[Guia Antigua Project](#)

The Guia Antigua Project encompasses the exploration, development and mining rights to a 386-hectare area located in the eastern part of Gran Colombia’s Segovia mining title focused on the Guia Antigua vein, which falls outside the areas associated with Gran Colombia’s mining operations and exploration activities. The Guia Antigua project is located 130 kilometres northeast of Medellin (227 km by road) in the Segovia-Remedios mining district, department of Antioquia, northwestern Colombia, and is about five km east of the town and mining centre of Segovia.

The Guia Antigua project includes the historic silver-gold-producing Guia Antigua mine. Artisanal miner development work on two levels over a 150-metre strike length define the historical Guia Antigua mine. There has been no mechanized mining of the Guia Antigua vein. The Guia Antigua mine was operated by an unknown company prior to 2014 and by Sociedad Guías Gold, a private company, under contract with Gran Colombia from October 2014 through October 2016. Recorded production was 6,034 metric tons of ore with an average head grade of 404.9 grams per tonne silver and 6.05 g/t gold containing 78,558 ounces of silver and 1,173 ounces of gold, with a silver-gold ratio of 67. The prior production is not known and there has been no additional production since 2016.

The Guia Antigua vein is a high-grade silver-gold vein, which is oriented subparallel to an aphanitic dike hanging wall and highly weathered foliated metamorphic footwall within the Upper Jurassic Segovia batholith. There is a systematic increase in the silver grade and the silver-gold ratio from west to east in the

Segovia mining title. From 2014 to 2016, Sociedad Guías Gold carried out systematic channel sampling of the Guía Antigua mine. A short drill program of 1,754 m was carried out in 2018 to 2019.

The 2021 in-fill and exploration drilling program on the Guía Antigua Project commenced in early July with one rig targeting extensions of mineralization surrounding the historic Guía Antigua Mine located near Segovia, Antioquia, Colombia and will test some conceptual targets outlined by field mapping and sampling, soil geochemistry and a UAV magnetics survey.

The drilling program consists of 17 drillholes totaling 3,460 m. To date, two in-fill drillholes have been completed confirming at least two main zones of mineralization. Assay results are still pending.

A review of the geology and structural data is currently in progress aimed to better understand the geology control on the known historical high-grade shoots.

Zancudo Project and IAMGOLD Option Agreement

Gran Colombia, a related party, entered into an option agreement dated as of February 27, 2017 with IAMGOLD for the exploration and potential purchase of an interest in the Zancudo Project. Under the agreement, IAMGOLD has been granted an option to acquire an initial undivided 65% interest (the "First Option") in the Zancudo Project by incurring an aggregate of \$10.0 million of mineral exploration expenditures over a six-year period ending in March 2023, subject to meeting specified annual work commitments during the First Option period. IAMGOLD has the right to cease its obligations at any time. From 2017 through 2019, IAMGOLD completed a total of approximately 16,224 meters of drilling at Zancudo and has incurred over \$4 million of its exploration commitment. However, due to COVID-19, IAMGOLD suspended its drilling program for most of 2020, recommencing drilling and other exploration activities in the fourth quarter.

IAMGOLD has also been granted an additional option (the "Second Option") to acquire a further 5% undivided interest for an aggregate 70% undivided interest in the Zancudo Project by completing a feasibility study within three years after exercising the First Option.

Upon exercise of the First Option or the Second Option, as the case may be, the parties will form a joint venture to hold the Zancudo Project, to advance the exploration and, if feasible, to advance the development and mining of any commercially exploitable ore body.

Lomero Project

On April 29, 2021 the Company acquired a 100-per-cent interest in the investigation permit No. 14,977, also identified as Rubia, covering the areas occupied by the former Lomero concessions and the mine within them in southern Spain (collectively, the "Lomero Project"). The permit is owned by Alto Minerals S.L.U, a wholly-owned subsidiary of Transcontinental Gold Mines Pty. Ltd. (TGM), both of which are now wholly-owned subsidiaries of the Company.

The acquisition of 100 per cent of the issued and outstanding shares of TGM by the Company has been completed pursuant to a share purchase agreement dated April 20, 2021 with Zenk Capital Private Fund Inc. ("Zenk"), Continental Mining Australia Pty. Ltd. as trustee for Continental Trust, and Haramont Pty. Ltd. as trustee for D&V Investment Trust ("DV", and together with Continental Trust, the "Vendors" of TGM).

Pursuant to the transaction, the consideration paid by the Company to the Vendors included (i) 6.5 million Euros in cash (equivalent to \$7.9 million), (ii) 1.85 million Euros in cash (equivalent to \$2.3 million) as reimbursement of the vendors' transaction costs and related expenses, (iii) the issuance of 5.6 million common shares of the Company, and (iv) the grant of a 0.5 percent net smelter returns royalty. In addition, in consideration of Zenk's assignment of its rights to the Company to purchase the interest in the Rubia permit, the Company (i) issued, at the direction of Zenk, 29.4 million common shares and (ii) granted a 1.5 percent net smelter returns royalty. As part of the acquisition of the Lomero Project, the Company issued 700,000 common shares to a third party as an administration success fee. All common shares issued in connection with the Lomero Project acquisition are subject to a hold period expiring on August 30, 2021.

The investigation permit No. 14,977 comprises 15 graticular blocks totalling approximately 454 hectares within the adjoining municipalities of El Cerro del Andevalo and Cortegana within Huelva, Andalucia, southern Spain. The area covered by the permit is located approximately 85 km northwest of Seville and 60 km northeast of the port of Huelva and includes the area previously occupied by 13 mining concessions including the former Lomero-Poyatos mine. The Rubia permit is an investigative mining permit of approximately 454 hectares covering the Lomero-Poyatos project, which is a polymetallic deposit located in Huelva, southern Spain, within the Iberian pyrite belt, which is one of the largest districts of pyrite-rich massive sulphide deposits in the world.

The project deposit site is well serviced by water, power, paved highways and port access, and is also positioned in close proximity to the Matsa JV project, which has processing facilities with the capacity to process 4.4 million tons of copper and polymetallic ore annually. Exploration conducted by prior ownership indicates a historical estimate in the inferred category of 20.93 million tonnes of 3.08 grams per tonne gold, 62.38 g/t silver, 0.9 per cent copper, 0.85 per cent lead and 3.05 per cent zinc. The historical estimate is reported within a greater than 25-per-cent S mineral envelope at a cut-off grade of one g/t Au for an underground mining scenario. The historical estimate was reported in a National Instrument 43-101 technical report by Behre Dolbear with an effective date of 2011.

A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves, and the company is not treating the historical estimate as current mineral resources or mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Lomero-Poyatos (Rubia permit) deposit remains open at depth and along strike, and SRK concluded the design of the exploration field program to commence in the second half of 2021 which includes 23,500 m of drilling with an estimated cost of \$4.0 million. The infill drilling program of 15,600 m has been designed to increase the confidence in the estimates to an Indicated Mineral Resources, and to aid in the identification of different mineralization styles. The use of orientated core supplemented with televiewer information will increase the confidence in the structural controls on the project and geotechnical and hydrogeological modelling.

SRK analysis of the average gold grades within the drilling show a potential increase in the average grades from 3.0 – 3.1 g/t Au (surface only) to 3.7 – 3.8 g/t Au, when considering the underground holes.

Outlook

The Company has received approval from the Mining Department in Huelva for its exploration program for the Lomero-Poyatos Project located within the Iberian Pyrite Belt in Southern Spain. The initial drill program at the Lomero-Poyatos Project is designed to validate some selected historical holes drilled within the existing mine and then conduct a 50x50 m in-fill drilling in the lower levels of the same mine. The plan will be

to initially complete approximately 81 drill holes for a total of approximately 23,500 meters of drilling. The Company is fully financed to complete the program.

The Company also commenced its 2021 in-fill and exploration drilling program at its 100% owned Guia Antigua Project in Colombia. The Company had cash and cash equivalents, at the end of June 2021 totaling \$21.2 million.

Issued and Outstanding Securities

At August 26, 2021, the Company had the following securities issued and outstanding:

Securities	TSX-V Symbol	Number	Shares Issuable	Exercise price per share	Expiry or maturity date
<i>Common shares</i>	DSL.V	205,076,865			
<i>Stock options</i>		7,300,000	7,300,000	CA\$0.445	June 30, 2026
		1,775,000	1,775,000	CA\$0.10	August 27, 2030
		7,300,000	7,300,000	CA\$0.45	February 19, 2031
		16,375,000	16,375,000		
<i>Warrants</i>	Unlisted	2,045,000	2,045,000	CA\$0.10	August 27, 2021
	DSL.V.WT	75,803,700	75,803,700	CA\$0.80	March 17, 2026
		77,848,700	77,848,700		

Results of Operations and Overall Performance

(\$000's)	Second Quarter		First Half	
	2021	2020	2021	2020
General and administrative	\$ 404	\$ 8	\$ 517	\$ 12
Share-based compensation expense	1,067	-	2,392	-
RTO Transaction expense	-	-	12,935	-
Finance income	(4)	-	(7)	-
Foreign exchange gain	(57)	-	(58)	-

Prior to the RTO Transaction, most of the corporate functions of Titiribi were performed by Gran Colombia who did not charge any fees to Titiribi with respect to the services of the key management personnel. **General and other expenses** of \$0.5 million in the first half of 2021 includes costs associated with establishing the corporate services and functions of the public company following the RTO Transaction, including Board fees, personnel related costs, insurance, shareholder relations and investor relations program costs.

Share-based compensation expense of \$2.4 million recorded in the first half of 2021 represents the fair value of the long-term incentive program ("LTIP") compensation granted following the RTO Transaction. The Company granted 7,300,000 stock options under its LTIP to directors, executive officers, management and consultants, exercisable to February 19, 2031 at an exercise price of CA\$0.45 per share and granted a further 7,300,000 stock options under its LTIP to directors, executive officers, management and consultants, exercisable to June 30, 2026 at an exercise price of CA\$0.445 per share. The stock options granted vested immediately.

The **RTO Transaction costs** totalling \$12.9 million in the first half of 2021 represents the excess of the RTO Transaction consideration over the net assets acquired.

Net loss

The Company reported a **net loss** for the first half of \$15.8 million, or \$0.15 per share, compared with net loss of \$Nil in the first half of 2020. The largest item affecting the net loss in the first half of 2021 was the \$12.9 million one-time charge related to the RTO Transaction.

Summary of Quarterly Results

	2021		2020				2019	
\$000's except per share data	2 nd Qtr	1 st Qtr	4 th Qtr	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr	3 rd Qtr
Net loss	1,410	14,369	53	20	8	4	3	7
Per share - basic and diluted	0.01	0.35	106.00	40.00	16.00	8.00	6.00	14.00

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, the availability of external financing, the time required for ongoing administration and maintenance of the Company and its exploration projects.

Liquidity and Capital Resources

At June 30, 2021, the Company had cash and cash equivalents of \$21.2 million and working capital of \$20.9 million compared with working capital of essentially \$Nil at December 31, 2020. The Company used approximately \$11.0 million of its cash raised through the Subscription Receipts Financing to fund the acquisition of the Lomero Project which closed on April 29, 2021. Although the Company has no direct sources of revenue or cash inflows, it has access to the remaining cash balance which is expected to be sufficient to fund the Company's exploration programs and corporate expenditures for a period of at least the next 12 months. In addition, the exploration and evaluation expenditures on the Company's Zancudo Project in the foreseeable future are expected to be funded by IAMGOLD pursuant to its Option Agreement.

Operating activities

Net cash used in operating activities in the first half of 2021 amounted to \$1.3 million compared to \$Nil in the same period in 2020. The first half 2021 operating cash outflow was the result of costs associated with the RTO Transaction and establishing the corporate services and functions of the public company following the RTO Transaction.

Investing activities

Cash used in investing activities amounted to \$4.6 million, comprising the \$11.0 million used in connection with the acquisition of the Lomero Project and \$0.4 million of exploration and evaluation expenditures at the Guia Antigua Project, net of the \$6.7 million of cash acquired through the RTO Transaction.

Financing activities

In the first half of 2021, the Company received \$27.0 million cash in net proceeds from the Subscription Receipts Financing and a nominal amount of funds from the exercise of warrants and stock options.

Related Party Transactions

Gran Colombia, a significant shareholder after the completion of the RTO Transaction, acquired 6,666,666 subscription receipts for a total cost of CA\$3.0 million (equivalent to approximately \$2.3 million) in connection with the Guia Antigua Private Placement and 22,222,223 Units for a total cash consideration of CA\$10.0 million (equivalent to approximately \$7.9 million) in the Company's Subscription Receipt Financing.

During the six months ended June 30, 2021, the Company received advances totaling approximately \$0.4 million (six months ended June 30, 2020 - \$Nil) from Gran Colombia to fund the deposit made with respect to the acquisition of the Lomero Project and an office lease deposit in Spain while completing the Subscription Receipts Financing. The advances were repaid by the Company in May 2021.

Financial Instruments

The carrying value of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, subscription receipts payable and amounts due to related parties approximate their fair values as they are short-term in nature.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements requires management to make significant estimates and assumptions in determining carrying values. Estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the consolidated financial statements. The critical estimates applied in the preparation of the Company's Interim Financial Statements are consistent with those applied and disclosed in Note 4 to the audited consolidated financial statements of Titiribi for the year ended December 31, 2020 including exploration and evaluation assets and assets' carrying values and impairment charges.

During the six months ended June 30, 2021 the Company adopted the following accounting policies:

Business combinations

The Company uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. On an acquisition-by-

acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of operations.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods during the measurement period which does not exceed one year from the acquisition date.

The Company determines whether a business is acquired when the integrated set of assets and activities includes at a minimum, an input and substantive process and whether the acquired set has the ability to contribute to the creation of outputs.

The Company also has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the concentration test is met, and the transaction is determined not to be a business combination. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

Share-based payments

The Company has an equity-settled share-based compensation plan under which it issues equity instruments of the Company. The Company records equity-settled share-based payments under which the entity receives services from employees, consultants and directors as consideration for stock options granted by the Company. For employees and others providing similar services, the total amount to be expensed is based on the fair value of the options granted. The fair value is determined using the Black-Scholes model on grant date. Measurement inputs include share price on measurement date, exercise price, expected volatility, expected life, expected dividends, expected forfeiture rate and the risk-free interest rate.

The share-based compensation expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of operations with a corresponding adjustment to equity.

Financial instruments

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

The Company has assessed the classification and measurement of its financial assets and financial liabilities as follows:

	Classification category
Cash and cash equivalents	Amortized cost
Other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

Fair value hierarchy

IFRS requires an entity to classify financial assets and liabilities that are recognized in the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Significant accounting estimates and assumptions

Share-based payments

The factors affecting stock-based compensation include estimates of when stock options might be exercised and share price volatility. The timing for exercise of options is out the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and financial objectives of the share-based instrument holders. The Company uses historical data to determine volatility in accordance with appropriate fair value methodology. However, the future volatility is uncertain, and the model has its limitations.

Recent Accounting Pronouncements

New accounting standards issued but not effective

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, *Property, Plant and Equipment* to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 3 – Business Combinations

The IASB has issued an amendment to IFRS 3 *Business Combinations* adding an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. This exception specifies that for some assets and liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 9 – Financial Instruments

The IASB has issued an amendment to IFRS 9 *Financial Instruments* clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.

The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 1 – Presentation of Financial Statements

The IASB has issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to management's intentions or expectations of exercising the right to defer settlement of the liability. Management would classify debt as non-current only when the Company complies with all the conditions at the reporting date. The amendments further clarify that settlement of a liability refers to the transfer of cash, equity instruments, other assets or services to the counterparty.

The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure controls and procedures and internal controls over financial reporting have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis.

TSXV listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the Chief Executive Officer and the Chief Financial Officer certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

Risks and Uncertainties

Exploration, development and mining of precious metals involve numerous inherent risks as a result of the economic conditions in the various areas of operation. As such, the Company is subject to several financial, operational and political risks that could have a significant impact on its profitability and levels of operating

cash flows. Although the Company assesses and minimizes these risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel and developing their skills through training and development programs, these risks cannot be eliminated.

Readers are encouraged to read and consider the risk factors which are more specifically described under the caption "*Risk Factors*" in the Filing Statement of ESV dated as of February 18, 2021 which is available for view under Denarius' profile on SEDAR at www.sedar.com. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Risks related to COVID-19

Due to the worldwide COVID-19 situation, conditions may come into existence in future that could influence the exploration and evaluation activities on the Company's Zancudo, Guia Antigua and Lomero Projects and the ability of the Company to raise capital. Impacts that COVID-19 may have that could impact the Company include:

- global silver, gold and other metals' prices;
- the severity and the length of potential measures taken by the local governments to manage the spread of the disease and their effect labor availability and supply lines;
- availability of government supplies, such as water and electricity;
- local currency purchasing power; or
- ability to obtain funding, if needed.

Cautionary Note Regarding Forward Looking Statements

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, IAMGOLD's exploration activities and the Reverse Takeover Transaction, involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "*Risk Factors*" in the Filing Statement of ESV dated as of February 18, 2021 which is available for view under Denarius' profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.