SERRANO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at April 21, 2020 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 of Serrano Resources Ltd. ("Serrano" or the "Company") with the related notes thereto. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Readers may also want to refer to the December 31, 2018 audited consolidated financial statements and the accompanying notes. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Corporation is available for viewing on SEDAR at www.sedar.com.

Description of Business

Serrano was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on October 30, 2003. On April 8, 2008, the Company continued its corporate jurisdiction from Alberta to British Columbia. The Company trades under the symbol SC.H and is currently seeking projects for investment.

Outlook

The Company will continue its efforts to refinance and restructure as part of its strategy.

Going Concern

The Company's consolidated financial statements have been prepared on the going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. At December 31, 2019, the Company has a deficit of $45,440,582 (2018 - $45,845,006) and has incurred losses since inception. The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company's commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. There is substantial doubt that the Company can meet general operating expenditures requirement due to its limited working capital. There can be no assurances that the Company will be able to raise additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and evaluation activities. Subsequent to December 31, 2019, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could result in delays in the course of business, including potential delays to its business plans and activities, and continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These uncertainties raise substantial doubt upon the Company's ability to continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

There is no assurance that debt or equity financing will be available when needed on terms acceptable to the Company in the future.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the consolidated financial statements.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total revenues	$ -	$ -	$ -
Income (Loss) for the year	404,424	5,800,735	(4,744,017)
Comprehensive income (loss) for the year	404,424	6,343,653	(4,333,901)
Basic and diluted income (loss) per share	0.01	0.08	(0.88)
Total assets	11,500	77,561	71,242
Total non-current liabilities	-	-	-
Cash dividends	-	-	-

Results of Operation

Year ended December 31, 2019 and 2018

During the year ended December 31, 2019, the Company recorded income of $404,424 (2018 – income of $5,800,735) and income per share of $0.01 (2018 – income per share at $0.08). Some of the items comprising the income/loss for the year ended December 31, 2019 were:

- Professional fees of $15,886 (2018 – $28,160) decreased primarily due to an over accrual of accounting fees in the prior year.
- Transfer agent and filling fees of $10,008 (2018 – $24,685) decreased primarily due to lower capital activity during the current year.
- Loss on settlement of debt of $Nil (2018 – $150,000) decreased due to the settlement of debt with a related party in the prior year.
- Write-off of accounts payable and accrued liabilities of $496,001 (2018 – $Nil) increased primarily due to the management decision to write off accounts payable and accrued liabilities that exceeded the statutory time limit.
- Write-off of cash held in trust of $69,458 (2018 – $Nil) increased primarily due to the management decision to write off cash held in trust that were considered to be uncollectable.
- Foreign exchange gain of $5,512 (2018 – loss of $149,431) increased primarily due to the foreign exchange translation of USD accounts payable.
- Gain on sale of subsidiary of $Nil (2018 – $6,154,410) decreased primarily due to the sale of its Nigeria subsidiary during the prior year.

- Other comprehensive income of $Nil (2018 –$542,918) decreased primarily due to the exchange difference on translating foreign operations in the comparative period.

Three months ended December 31, 2019 and 2018

During the three-month period ended December 31, 2019, the Company recorded loss of $87,349 (2018 – loss of $77,137) and loss per share of $0.00 (2018 – loss per share $0.00). Some of the items comprising the income/loss for the period ended December 31, 2019 were:

- Loss on settlement of debt of $Nil (2018 – $100,000) decreased due to the settlement of debt with related parties in the prior year.

- Foreign exchange loss of $1 (2018 – $39,696) decreased primarily due to write-off USD accounts payable in current year.

- Gain on sale of subsidiary of $Nil (2018 – $6,154,410) decreased primarily due to the sale of its Nigeria subsidiary during the prior year

- Write-off of cash held in trust of $69,458 (2018 – $Nil) increased primarily due to the management decision to write off cash held in trust that were known to be uncollectable.

Quarterly Information

The following table sets forth selected quarterly financial information prepared by management of the Company:

	Three Months Ended December 31, 2019	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019	Three Months Ended March 31, 2019
	$	$	$	$
Total assets	11,500	80,666	80,677	77,679
Working capital deficiency	(222,416)	(204,525)	(196,872)	(699,924)
Operating income (expenses)	(13,327)	(7,649)	2,486	(9,141)
Income (loss) for the period	(87,349)	(7,653)	503,052	(3,626)
Basic and diluted income (loss) per share	(0.00)	(0.00)	0.01	(0.00)

	Three Months Ended December 31, 2018	Three Months Ended September 30, 2018	Three Months Ended June 30, 2018	Three Months Ended March 31, 2018
	$	$	$	$
Total assets	77,561	102,384	127,337	71,497
Working capital deficiency	(696,298)	(7,500,655)	(7,525,793)	(7,383,448)
Operating income (expenses)	62,559	(33,899)	(69,894)	(13,010)
Income (loss) for the period	6,077,273	(131,209)	(125,865)	(19,464)
Basic and diluted income (loss) per share	0.08	(0.00)	(0.00)	(0.00)

Operating expenses increased during the three months ended June 30, 2018 as a result of an increase in consulting fees.

Operating expenses decreased during the three months ended June 30, 2019 primarily as a result of write-off of accounts payable.

Fourth Quarter

The Company did not have any significant events or transactions during the quarter ended December 31, 2019.

Liquidity and Capital Resources

At December 31, 2019, the Company had a working capital deficiency of $222,416 and cash on hand of $6,972 compared to a working capital deficiency of $696,298 and cash on hand of $602 at December 31, 2018.

Net cash provided by operating activities for the year ended December 31, 2019 was $6,370 compared to cash provided of $1,292 during the year ended December 31, 2018 primarily due to Write-off of accounts payable and accrued liabilities.

To finance future acquisition, exploration, development and operating costs, the Company will require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interest of shareholders in the net assets of the Company may be diluted. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company's inability to fulfill the minimum work obligations under the terms of its joint operating agreements. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company incurred the following fees and expenses in the normal course of operations in connection with the following related parties:

	Nature of transactions	Year Ended December 31, 2019	Year Ended December 31, 2018
Related parties:			
A firm where a Director of the Company is a former partner	Professional fees	$ 33,700	$ 20,000

The amounts due to related parties included in accounts payable and accrued liabilities are as follows:

	December 31, 2019	December 31, 2018
A Company controlled by a Director	$ 119,746	$ 65,806
Due to a Director of the Company	10,000	10,000
	$ 129,746	$ 75,806

Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

The financial statements include the financial statements of Serrano Resources Ltd. and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest December 31, 2019	Proportion of Ownership Interest December 31, 2018	Principal Activity
146411 Alberta Ltd.	Alberta, Canada	100%	100%	Not active

Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency for the parent company and 146411 Alberta Ltd.

Forward-Looking Statements

This MD&A contains certain forward-looking statements relating, but not limited to, the Company's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "may", "will", "should", "expects", "projects", "plans", "anticipates" or similar expressions suggesting future outcomes.

The Company does not have a history of earnings. These statements represent management's expectations or beliefs concerning, among other things, future performance and financial results and various components thereof. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking assumptions will not be achieved by the Company. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to: changes in business strategies; general economic and business conditions; the effects of competition; changes in laws and regulations, including environmental and regulatory laws; and various events that could disrupt operations. Actual performance and financial results in future periods may differ materially from any projections of future performance or results expressed or implied by forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting such information.

Changes in Accounting Policies including Initial Adoption

Accounting standards and interpretations adopted

The Company has adopted the following accounting standards effective January 1, 2019:

- New standard IFRS 16, Leases, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The eventual application of this standard is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation.

Financial Instruments

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 and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's primary financial instruments are classified as follows:

Financial instruments	Classifications
Cash	FVTPL
Cash held in trust	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature except as otherwise noted. The fair value of the Company's cash constitutes a Level 1 fair value measurement.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2019, the Company had a cash balance of $6,972 and receivables of $4,528 to settle current liabilities of $233,916. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. As at December 31, 2019, the Company's receivables consisted of $4,528 in GST receivable from government authorities in Canada. Substantially all cash balances are held at chartered banks in Canada. The Company believes it has no significant credit risk.

Market risk

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

a) Interest rate risk

   The Company has cash balances and interest-bearing debt. The Company is satisfied with the credit ratings of its banks. As of December 31, 2019, the Company did not hold any investments. The Company believes it has no significant interest rate risk.

b) Foreign currency risk

   The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company had accounts payable and accrued liabilities of $Nil denominated in U.S. Dollars.

c) Price risk

   The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of oil and gas. The Company's ability to continue with its exploration program is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

Proposed transactions

There are no proposed transactions as of the date of this MD&A.

Outstanding Share Data

As at April 21, 2020 the Company has:

a) 73,935,683 common shares outstanding;

b) Nil stock options outstanding;

c) Nil warrants outstanding;

d) Nil common shares subject to escrow; and

e) Total diluted: 73,935,683.