

SERRANO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2021

This management discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at May 17, 2021 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 of Serrano Resources Ltd. (“Serrano” or the “Company”) with the related notes thereto. Those unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Readers may also want to refer to the December 31, 2020 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 condensed interim 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 March 31, 2021, the Company has a deficit of \$45,493,723 (December 31, 2020 - \$45,483,073) 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. During the period ended March 31, 2021 and year ended December 31, 2020, 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

SERRANO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2021

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.

Results of Operation

Three months ended March 31, 2021 and 2020

During the three-month period ended March 31, 2021, the Company recorded a net and comprehensive loss of \$10,650 (2020 – \$9,132) and loss per share of \$0.00 (2020 – \$0.00).

Quarterly Information

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

	Three Months Ended March 31, 2021	Three Months Ended December 31, 2020	Three Months Ended September 30, 2020	Three Months Ended June 30, 2020
	\$	\$	\$	\$
Total assets	12,423	12,396	12,225	11,695
Working capital deficiency	(275,557)	(264,907)	(253,444)	(242,144)
Operating expenses	(10,650)	(11,463)	(11,300)	(10,596)
Loss for the period	(10,650)	(11,463)	(11,300)	(10,596)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
	Three Months Ended March 31, 2020	Three Months Ended December 31, 2019	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019
	\$	\$	\$	\$
Total assets	11,562	11,500	80,666	80,677
Working capital deficiency	(231,548)	(222,416)	(204,525)	(196,872)
Operating income (expenses)	(9,132)	(13,327)	(7,653)	2,486
Income (loss) for the period	(9,132)	(87,349)	(7,653)	503,052
Basic and diluted income (loss) per share	(0.00)	(0.00)	(0.00)	0.01

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

Loss increased during the three months ended December 31, 2019 primarily as a result of write-off of cash held in trust.

**SERRANO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2021**

Liquidity and Capital Resources

At March 31, 2021, the Company had a working capital deficiency of \$275,557 and cash on hand of \$10,908 compared to a working capital deficiency of \$264,907 and cash on hand of \$10,451 at December 31, 2020.

Net cash provided by operating activities for the period ended March 31, 2021 was \$457 compared to \$42 cash used during the period ended March 31, 2020 primarily due to the Company's payables.

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	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
<u>Related parties:</u>			
A Company controlled by a Director	Professional fees	\$ 5,000	\$ 5,000

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

	March 31, 2021	December 31, 2020
A Company controlled by a Director	\$ 167,895	\$ 157,645
Due to a Director of the Company	10,000	10,000
	<u>\$ 177,895</u>	<u>\$ 167,645</u>

SERRANO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2021

Basis of Consolidation and Presentation

The condensed interim 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 subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest March 31, 2021	Proportion of Ownership Interest December 31, 2020	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.

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

**SERRANO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2021**

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

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

<u>Financial instruments</u>	<u>Classifications</u>
Cash	FVTPL
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 March 31, 2021, the Company had a cash balance of \$10,908 and receivables of \$1,515 to settle current liabilities of \$287,980. 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 March 31, 2021, the Company's receivables consisted of \$1,515 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 March 31, 2021, 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 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.

**SERRANO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2021**

Proposed transactions

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

Outstanding Share Data

As at May 17, 2021 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.