

## **BAYHORSE SILVER INC.**

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### **MANAGEMENT'S DISCUSSION & ANALYSIS**

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Accompanying the December 31, 2020 Consolidated Financial Statements

*This Management's Discussion & Analysis ("MD&A"), prepared as of April 30, 2021, is intended to be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, and related notes thereto, which have been reported in Canadian dollars (unless noted otherwise), and prepared in accordance with International Financial Reporting Standards ("IFRS"). Amounts in this MD&A are stated in Canadian dollars unless noted otherwise.*

This discussion relates to the operations of Bayhorse Silver Inc. (the "**Company**"), during the period up to the date of this MD&A, being April 30, 2021.

Additional information, including press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available under the Company's profile at [www.sedar.com](http://www.sedar.com).

#### **OVERVIEW**

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Bayhorse Silver Inc. (the "Company") was incorporated under the Canada Business Corporations Act on April 6, 2004 and continued its incorporation into British Columbia on May 3, 2010. The Company is engaged in the acquisition and exploration of mineral property interests. The Company's consolidated financial statements include the records of the Company's wholly owned US based subsidiary, Bayhorse Silver (USA) Inc. The Company is listed on the TSX-V under ticker symbol BHS as a Tier 2 mining issuer, the Frankfurt Exchange, Germany, under the symbol 7KXN, and in the US under the symbol KXPLF.

The Company is a junior natural resource company engaged in the acquisition, exploration and development of natural resource properties. The Company is yet to receive any revenue from its mineral exploration operations. Accordingly, the Company has no operating income or cash flows. As a result, the Company has relied almost exclusively upon equity and debt financing activities, which is not expected to significantly change in the immediate future.

#### **RECENT HIGHLIGHTS**

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- Raised gross proceeds of approximately \$2.9 million in 2020 compared to \$1.8 million in 2019.
- Improved the strength of the team by engaging Consulting Metallurgist, John Fox, to oversee the ongoing metallurgical work and engaged John Jewitt P. Eng., a highly regarded Mining Engineer, who brings his considerable underground knowledge and experience to the Company.
- Conducted extensive metallurgical work on a high grade sample from the Bayhorse Silver Mine, Oregon, USA., to establish a smelter concentrate for submission to select smelters for off-take pricing and is continuing with a program to further upgrade the concentrate.

- Relocated the milling and silver flotation circuit to Fruitland, Idaho, from the Bayhorse Mine site, in Oregon and increased the capacity of the circuit to allow for processing at an "as mined" tonnage of 200 tons per day from the Bayhorse Silver Mine.
- Entered into an offtake agreement with Ocean Partners UK Limited, ("Ocean") for the delivery and sale of 300 metric tons or 15 full container loads of silver/copper concentrate that is being produced from the Company's Bayhorse Mine.
- Mobilized a recently purchased underground drill rig to the Bayhorse Mine and engaged APEX Geoscience Ltd. ("APEX") to supervise the minimum 2,000 meter drill program from within the over 1,500 feet of underground workings.
- Purchased a 1-acre site of industrial land to establish a larger milling and flotation concentrate processing facility.

## **OVERALL PERFORMANCE / DISCUSSION OF OPERATIONS**

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The Company's business is the acquisition, financing, and exploration of prospective mineral properties in areas of low political risk, close to support facilities and with ready access.

### **Mineral Properties**

#### ***Bayhorse Silver Mine Property, Oregon State***

The Company has a 100% interest in the Bayhorse Silver Mine, Oregon USA.

The Company entered into an Option and Joint Venture Agreement dated December 4, 2013 among Bayhorse Silver Mine, LLC, and American Cordillera Mining Corporation with its wholly-owned subsidiary Amcor Exploration Inc. (collectively, "AMCOR") of Spokane Washington, whereby the Company was granted an option (the "Option") to acquire an 80% interest in AMCOR's 100% leasehold interest from Bayhorse Silver Mine, LLC in certain mineral claims commonly referred to as the Bayhorse Silver Mine located in Baker County, Oregon.

The Company earned its 80% interest in the Bayhorse Silver Mine by making a cash payment of \$25,000, and making the following additional share issuances and property expenditures, all of which have been completed:

#### **Share issuances**

- Issue 1,500,000 common shares.

#### **Property expenditures**

- Incur cumulative expenditures of US\$1,500,000 on or before the fifth anniversary of the Option date (December 17, 2018).

As of December 31, 2020, the cumulative property expenditure incurred was US\$8 million.

The Company is required to make minimum advance royalty payments of US\$50,000 annually on June 26, of which the Company has completed payments up to June 26, 2020.

In accordance with the provisions of the option agreement, the Company was responsible for 80% of the project expenditures and AMCOR was responsible for 20% of the expenditures going forward. Provisions in the option agreement allowed for dilution of either joint venture parties' interest in the joint venture and, when either party's interest fell below 10% based on participating project expenditures, their interest shall be converted to a 1% net smelter royalty and the surviving party shall hold a 100% interest to the mining lease.

On May 15, 2017, the Company completed all necessary terms to exercise its option to acquire an 80% interest in the Leasehold Interest in the Claim known as the Bayhorse Silver Mine and as such, a Joint Venture ("JV") was deemed to have been formed with the following JV Interests:

- AMCOR deemed JV expenditures of \$320,000 (20% interest)
- Bayhorse Silver Inc. deemed JV expenditures of \$1,600,000 (80% interest)

On December 31, 2017, AMCOR confirmed that they did not wish to participate in funding the JV that has been established between Bayhorse Silver Inc. and AMCOR. AMCOR accepted a dilution of their interest in the JV to NIL and Bayhorse Silver Inc. therefore increased its interest to 100%.

### **Maiden Resource Estimate**

In September 2018, the Company completed and filed on SEDAR a National Instrument 43-101 Technical Report on a Maiden Inferred Mineral Resource for the Bayhorse Silver Mine comprising 292,300 short tons at an average grade of 21.65 troy ounces per ton (opt) silver (Ag) at a cutoff of 7.5 opt Ag, for a total of 6,328,400 oz silver. Mr. Michael Dufresne, M.Sc., P.Geol., P.Geo., has supervised the preparation of and takes responsibility for the Mineral Resource Estimate, and is the President and a Principal of APEX Geoscience Ltd. Mr. Dufresne is independent of the Company and is a Qualified Person and Consultant to the Company.

An additional conceptual exploration target of 200,000 to 250,000 tons at a range of grades of 10 to 20 opt Ag for a range of 2 million to 5 million ounces of silver has been modelled. The additional exploration target is conceptual in nature, there has been insufficient exploration to define a mineral resource for the exploration target and it is uncertain if further exploration will result in the definition of additional resources.

APEX of Edmonton, Alberta has provided the Inferred Mineral Resource Estimate in Table 1 below that is primarily based upon historic underground channel sampling and drilling, supported and confirmed by recent underground sampling by APEX and Bayhorse personnel. A total of 364 channel or drill hole samples have been used in the estimate. Silver grades for composites have been capped at 135 opt, which resulted in the capping of seven composites. The resource was calculated using inverse distance squared (ID2) and all blocks intersecting the known and modelled underground workings were removed. At a lower cut-off grade of 7.5 opt Ag, the mineralized material removed from the resource was approximately 20,700 tons at an average grade of 24.34 opt Ag for a total of 503,000 ounces of contained Ag. Based upon historic reports of mining, this is in line with what has thought to have been removed historically. The Bayhorse Silver Mine is reported to have produced at an average grade of 35 opt Ag in the 1920's, and the last time it was mined in 1984, the grades averaged 16.7 opt Ag.

Table 1: Bayhorse Inferred Mineral Resource Estimate for silver at a variety of lower cut-off grades. The current mineral resource is bolded.

Classification*	Ag Cutoff (ounces per ton - opt)**	Tonnage (in Short Tons)	Ag Grade (ounces per short ton - opt)	Ag Grade (parts per million)***	Contained Ag*** (troy ounces)
<b>Inferred</b>	0	312,800	20.51	703.3	6,417,300
	2.5	305,800	20.94	718.1	6,404,100
	5	301,700	21.18	726.0	6,388,900
	<b>7.5</b>	<b>292,300</b>	<b>21.65</b>	<b>742.4</b>	<b>6,328,400</b>
	10	275,500	22.43	769.0	6,178,100
	12.5	253,700	23.39	801.9	5,934,000

\* Inferred mineral resources are not mineral reserves. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. There has been insufficient exploration to allow for the classification of the inferred resources tabulated above as an indicated or measured mineral resource, however, it is reasonably expected that the majority of the inferred mineral resources could be upgraded to indicated mineral resources with continued exploration. There is no guarantee that any part of the mineral resources discussed herein will be converted into a mineral reserve in the future. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues. The Mineral Resources have been classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014).

\*\*A price of \$US15/oz Ag with a conceptual underground mining and processing cost of \$100US/ton has been utilized to derive the favoured lower cut-off for Ag of 7.5 opt.

\*\*\*Grade in ppm and contained ounces may not add due to rounding.

The Company is not basing any decision to produce on a feasibility study of mineral reserves demonstrating economic and technical viability and advises there is an increased uncertainty and specific economic and technical risk of failure with any production decision. These risks include, but are not limited to, (i) a drop in price of commodities produced, namely silver, copper, lead and zinc, from the pricing used to make a production decision; (ii) failure of grades of the produced material to fall within the parameters used to make the production decision; (iii) an increase in mining costs due to changes within the mine during development and mining procedures; and (iv) metallurgical recovery changes that cannot be anticipated at the time of production.

APEX has estimated a remnant maiden inferred mineral resource for the historic Bayhorse Silver Mine utilizing a total of 364 underground channel and drill hole samples including 20 underground drill holes that have intersected or bracket mineralization. Modeled 3D geologic 'solids' were used to constrain mineralization in the block model and grades for silver were interpolated into blocks by Inverse Distance Squared (ID2). The Bayhorse Silver mineralized zone is hosted within a rhyolite that is structurally controlled along a modest dipping thrust fault. Geological 3D solids were developed using cross-sections and level plans in conjunction with modern surveys to constrain the mineralization at the historic Bayhorse Silver Mine. East and west domains were created to accommodate elevation differences in the mineralization. In both cases a rough cutoff value of about 2 opt Ag was used to define and wireframe the 3D solids.

Based upon statistical treatment of the silver data for each of the two mineralized domains capping was employed at 135 opt Ag but had little effect on the overall estimate. A 2.0 m composite length was selected to approximate a potential underground mining height for the Bayhorse mineralized zone. In both zones, uniform down-hole composites were formed honoring the domain boundaries. Variography on the

composite data was used to model prominent search directions for silver in the two domains. Silver was modeled along strike (Azimuth 099° Plunge -1° to the north), dip (Azimuth 189° Dip -18°) and across dip (Azimuth 186° Dip 72°). Separate block models were completed for each of the two remnant domains and the mined out areas within those domains. The block model was dimensioned at 4 x 4 x 4 m with sub-blocking down to 1 x 1 x 1 m in order to fit to the mineralization solids for the Bayhorse mineralized zone. Based on available data the historic underground workings at the historic Bayhorse Mine were block modelled separately within the mineralized zone and were not included in the mineral resource estimate.

Specific gravity measurements were done on recent sample pulps by ALS Chemex and American Assay Laboratories based upon Archimedes methodology and resulted in 29 measurements for mineralization of different grades within the Bayhorse mineralized zone. Based upon this data blocks within the Bayhorse mineralized zone were assigned an average specific gravity of 2.80 g/cm<sup>3</sup>.

Grades for silver were interpolated into blocks by ID2 using the search ellipsoid dimensions and orientation established by variography. For the Bayhorse block models, the grade interpolation was completed in a series of passes with expanding search ellipsoids. As a verification tool for the selected ID2 block model, the composite average grades, the ID2 block model average grade and an average grade of an OK (ordinary Kriging) block model were compared along 20 m windows east - west, north – south and 5 m windows with elevation. Block grades matched the composite grades relatively well with no significant bias indicated in any of the modelled domains.

No economic evaluations have been completed on the Bayhorse mineralized zone, and as a result an economic cut-off for the mineralized zone is unknown. However, for the purposes of reporting mineral resources on the Project, current silver metal prices and current US\$-CDN\$ exchange rate were reviewed. In addition, a number of small operating mines were surveyed and reviewed for their existing operating costs for mining and processing. It was found that a lower silver cut-off grade corresponding to 7.5 opt Ag should be adequate for the mineral resource estimation and satisfy reasonable prospects for eventual future extraction. The Ag grade was determined for each estimated block utilizing a price for silver of US\$15/oz. and 90% recovery. Conceptual mining and processing costs were estimated at \$US100 per ton of mineralized material for the purposes of establishing the lower cut-off grade for the mineral resource.

### **Operations Update**

The Company now has established through engineering and testing work that the Bayhorse Mine mineralization is amenable through X-Ray Sorting and Dense Media processing to be readily upgraded to direct shipping material. The Company has conducted mucking out and timbering operations inside the Bayhorse Mine and opened the secondary escape-way as required by MSHA regulations.

The Company has completed the excavation of over 1,100 feet of underground haulage-ways and drifts. A secondary escape-way has been established and the necessary underground services (ventilation, water and air lines) have been installed. The Company has also completed the installation of a primary crushing circuit and the Steinert Ore-Sorter.

The Company has established an all-weather storage pad outside the main portal and has erected a cover over the pad to ensure any mineralized material stored outside the Mine for processing through the Company's Steinert Ore-Sorter, will not be affected by winter conditions, such as snow and ice.

Since reopening the western end of the underground workings the Company has inspected and rehabilitated a number of the historic slusher drifts that were installed by Silver King Mines in the 1980's in preparation for mining the western zone of the deposit, much of which is unmined. The historical western most workings comprise a horizontal distance of about 320 feet (~95 m) from the western end of Big Dog Zone. The mineralization is flat lying to shallow south dipping above the main historic haulage-way for

approximately 30 - 40 feet. To the north, the mineralization then appears to incline upward toward the north at approximately 45 to 70 degrees for another 60-70 feet for a total horizontal across strike width of approximately 100 feet. The southern end of the flat lying area of mineralization appears to dip to the south. An underground drilling program is proposed to test the north and south extensions to the mineralization. The thickness of the mineralization has historically been reported as between 20 feet to 40 feet. The Company has developed a 20-foot vertical raise from the main haulage level up in mineralization, and was still in mineralization at 30 feet. The raise and working stope is 50 feet south of, and towards what was reported by Silver King Mines as a 1,000 ton block of mineralized material, The raise and working stope are being developed in mineralized material and suggest the block identified on the historic plans 50 feet to the north may be more extensive than historically reported. The Company has extracted a bulk sample from the raise and stope in excess of 1,200 tons of mineralized material already from this zone and has commenced storing it on the all-weather pad.

The Company has planned a new 85-foot working drift into the South Big Dog high grade silver zone. This will take three weeks from resumption of mining and provide another working face in the near term into high grade mineralization. This zone is 500 feet closer to the portal entrance, where the crushing plant is located, thus reducing transportation costs and time. The new working drift will also provide an additional escapeway from the mine and will also increase cross flow ventilation throughout the mine workings.

The Bayhorse silver mineralization comprises complex silver-copper-antimony and arsenic sulphides, mainly tetrahedrite-tennantite that are the main copper-silver minerals accompanied by other metallic minerals, such as chalcopyrite, sphalerite, galena and pyrite. A sampling protocol is being instituted along with QAQC inserted samples to determine ongoing head grades of the material being bulk sampled and processed through the Ore-Sorter and gravity separation for the fines.

Samples taken from the extracted material have been assayed and the Company has received assay results from metallurgical samples. Three 8 kg (17lb) metallurgical samples were taken from a homogenous 50 kg channel sample. From each 8kg sample, three 0.7 kg (1.5 lb) were taken and submitted for assay and the results were 175.3 oz/t Ag (5,452.42 g/t), 166.6 oz/t Ag (5,175.60 g/t), and 169.7 oz/t Ag (5,278.25 g/t) per ton respectively. Two duplicates from the same sample group as well as a further sample from a separate channel sample were also submitted for assay. The two duplicate samples assayed 186.2 oz/t Ag (5791.47 g/t) and 147 oz/t Ag (4,572 g/t) respectively, while the third sample assayed 91.2 oz/t Ag (2,836.63 g/t).

The Company shipped 150 kg of high grade silver mineralization to Minerals Solutions LLC (“Minerals”) of Coeur D Alene Idaho, a Joint Venture between Liberty Refiners LLC (“Liberty”) of Hayden, Idaho and Irish Metals LLC (Irish) of Coeur D’ Alene, Idaho to further enhance the silver recovery from the mineralization. The 150 kg (330 lb) sample was taken from a 10 foot by 2.5 foot by 3 inch thick panel of the Big Dog Zone vein. Additionally, a 25 kg sample from the same location was shipped in early January 2019 to Minerals for a total of three samples submitted.

The assay results of the samples are tabulated below:

	Sample	Ag g/t	Ag oz/t
1	BD1	6,282.88	202.00
2	BD2	5,660.81	182.00
3	BD3	9,424.33	303.00



The Company has produced the first refined silver from the high-grade silver mineralization shipped to Minerals for processing from the Bayhorse Silver Mine. This first bar, containing 37.69 ounces (1.172 kg) of .9999 fine silver has demonstrated the effectiveness of the Minerals process on the Bayhorse mineralization. The silver bar was extracted from a portion of the 175 kg (386 lb.) of the samples sent to Minerals.

The Company made available for future sales and delivery 10 ounces (311 grams) of .9999 fine silver at US\$15.10 per ounce and has completed the sale of 1,740 ounces of silver from the current testing/refining program.

Based on the Company's actual costs experienced to date for the Bayhorse mine, the Company's cost for mining the mineralized material is approximately US\$41 per ton, US\$11 per ton for processing through the crushing circuit and the Steinert Ore-Sorter and approximately US\$35 per ton for mine general and administrative costs.

The Company has relocated its milling and silver flotation circuit to Fruitland, Idaho, from the Bayhorse Mine site, in Oregon and increased the capacity of the circuit to allow for processing at an "as mined" tonnage of 200 tons per day from the Bayhorse Silver Mine. The Company has added trained flotation operators to its Mine staff in Idaho to recommence flotation operations and recommissioning. The Company's metallurgical testing has achieved 87% silver recovery, with the expectation the recoveries will reach 90%. The Company is planning to produce a silver concentrate averaging 10,000 g/dmt. The concentrate is expected to contain 11% copper. The concentrate will be placed in supersacks and shipped in 25-ton containers to prospective purchasers. The Company is preparing two sample 50-ton shipments of concentrate to prospective purchasers. Initial processing will treat the 400 tons of Ore-Sorted mineralization currently stored at the Bayhorse Mine. This will be followed by a further 300-400 tons of already mined mineralization stored inside the Mine after it is processed through the Ore-Sorter. The Company purchased a 1-acre site of industrial land in the city of Payette, Idaho, to move from the current facility and establish a larger milling and flotation concentrate processing facility.

Fines from 8 mm up to 25 mm, produced from mining operations, are screened off prior to crushing the over size material down to 25 mm which are then passed through the Ore-Sorter. The highly selective Ore-Sorter selects 5% - 7% of the mineralization and rejects everything under a Specific Gravity (SG) of 2.8, or 93% to 95% of the input. From an "as mined" rate of 200 tons per day, only a maximum of 40 - 50 tons per day of pre-concentrate is selected to be transported to the flotation circuit. The fines at minus 8 mm mineralization goes direct to the milling and flotation circuit.

The Company has conducted extensive metallurgical work on a high grade sample from the Bayhorse Silver Mine to establish a smelter concentrate for submission to select smelters for off-take pricing. A select 62.52 kg sample was milled and subjected to a known standard open circuit batch concentration process whereby a gravity concentrate is made and the middling gravity recovery would normally be resent through the milling circuit for further gravity upgrading. The subsequent mineralized tails are subjected to further gravity recovery and flotation to create an overall concentrate. On a weighted average basis, the first gravity concentrate yielded 9.171.5 kg that contained 19,512.9 g/t (570.30 oz/short ton) silver, 25.9% copper, 14% antimony, 12.4% zinc, 4.1% arsenic, and 6.2% silica. The partial results are tabulated below.

Concentrate	Weight grams	Ag g/tonne	Ag oz short ton	Cu %	Zn %	Sb %	As %	Si %
Weighted Avg	9,171.50	19,512.00	570.30	25.90	12.40	14.17 *	4.10	6.2

(\*Antimony is over limit by the assay method and should be viewed as approximate)

While normally the middlings of 7.63 kg would be recirculated through the mill to produce additional gravity concentrate, in this instance the middlings are already of direct shipping grade of 10,443 g/t (313.97 oz/st) and are added directly to the gravity concentrate without further concentration. Silver recovery was 27.8% to gravity concentrate, rising to 40.6% when middlings are added to give an average grade of 15,528 g/t (439.7 oz/t). The table gravity tails of 45.7 kg, (73.1%) containing 59.4% of the silver, also of direct shipping grade, were subjected to additional recovery analysis using a Falcon Concentrator plus flotation. Three passes of the Falcon Concentrator gave similar results of 11,646 g/t (340.4 oz/t) indicating more passes would recover more silver. This gave a preliminary silver recovery of 67.9%. A separate sample of the high grade table tailings was subjected to flotation at starvation reagent levels. 45.3% of the residual silver was recovered at a grade of 13,450 g/t (393.4 oz/t), which is equivalent to a combined gravity and flotation silver recovery of 67.2%. The resultant concentrate analysis will give an indication of overall recovery. Concentrate test work is ongoing.

The results as shown are not indicative of actual mining grades. The analytical method for silver analysis consists of 1 Assay Ton (AT) samples subjected to fire assay with gravimetric finish. Base metal assays for the samples were subjected to an ICP MS35 element, four acid digestion assay.

As part of the extensive metallurgical work on mineralization from the Bayhorse Silver Mine, the Company has received assay results on the Ore-Sorter rejects as noted in the table below. A 35 kg sample of Ore-Sorted material at a crush size of ¾ inch minus size, and screened to plus 8 mm, was split, and a 250g assay sample was taken to establish working grades of the rejected material.

The low silver level of 15 g/t, or 0.42 oz/short ton silver in the rejected material demonstrates the highly selective nature of the Ore-Sorter. The Ore-Sorter has achieved reduction of the as-mined tonnage by up to 90-95% above 8 mm. Everything over 8 mm (0.32 Inch) of the as-mined material goes through the Ore-Sorter, while all mineralized material under 8 mm (0.32 in) by-passes the Ore-Sorter and goes directly to milling.

	Ag g/tonne	Ag oz short ton	Cu %	Zn %	Sb %	As %	Pb%
Ore-Sorter Rejects	15.00	0.42	0.047	0.15	0.12	0.011	<0.01

The milling and gravity concentration program conducted by Met-solve Metallurgical Labs of Langley, BC, was supervised by Consulting Metallurgist, John Fox.

The Company mobilized its recently purchased underground drill rig to the Bayhorse Mine, and has engaged APEX to supervise the minimum 2,000 meter drill program from within the over 1,500 feet of underground workings. The drill program is planned to achieve a number of goals: (a) block out an immediate 30,000 tons of high grade silver rich mineralization for extraction to complete the first 300 metric tonnes of silver concentrate to be sent to Ocean; (b) to elevate portions of the 292,300 ton inferred resource at a grade of 21.65 ounces per ton (742.4 grams/tonne) using a 7.5 ounce per ton cut-off grade for 6,328,400 ounces to a higher confidence category; and (c) to partially determine whether the conceptual exploration target of 200,000 to 250,000 tons with a range of grades of 10 to 20 ounces per ton (342.9 to 685.7 grams per tonne) Ag for a range of 2 million to 5 million ounces of silver (APEX, 2018) can produce additional resources with further exploration, thus increasing the overall silver resource at the Bayhorse Silver Mine. The exploration target is conceptual in nature and there is insufficient data or exploration to define a mineral resource for the exploration target. It is uncertain if further exploration will result in the definition of additional mineral resources.

## Leach Testing

Mineralized material was submitted to Metals US, of Missoula, Montana, for leach testing to establish whether silver and the secondary metals (copper, zinc, antimony, lead) can be recovered more economically than via flotation by using their Total Metals Recovery Process. Test results received from Metals US indicate near total silver recovery from the recent two stage leaching test program conducted for the Company. In the leaching test (hydrometallurgical process) on 25 kg of Bayhorse Silver Mine mineralized material grading 25.6 oz/ton (796 g/ton) silver, near total recovery of the silver was achieved as shown in the table below. Using ion exchange purification and reduction, the resultant silver can be formed into pure silver bars.

<b>Summary of 2 Stage Silver leach results</b>		<b>ppm Ag</b>
Head assay	grams Ag/ton of ore	796
Tails after leaching	grams Ag/ton of ore	<2
Ag in leach solutions	grams Ag/ton of ore	792

## **Brandywine, British Columbia**

On April 5, 2019, the Company entered into a letter of intent for an Option Agreement to acquire an 80% interest in the Brandywine precious metals-rich, volcanogenic massive sulphide deposit located near Squamish, BC from Turnagain Resources of Richmond, BC. The option terms are the following:

- i. The Company is required to obtain TSXV Exchange approval and execute an Option Agreement (completed December 16, 2019 with Option Date defined as December 23, 2019).
- ii. A non-refundable deposit of \$1,000 upon entering into the letter of intent (paid), followed by payment of \$9,000 on signing of the Option Agreement (paid), delivery of 100,000 common shares upon signing the Option Agreement (completed), and incurring \$3,000,000 of work over 5 years;
- iii. Issuance of 200,000 common shares which will occur on 1st anniversary of the Option date (completed);
- iv. Additional cash payment of \$40,000 and further 300,000 common shares on 2nd anniversary of the Option date;
- v. 300,000 common shares issued in each of 3<sup>rd</sup> to 5<sup>th</sup> anniversaries of the Option Date; and
- vi. Work expenditures of \$500,000 in year one (completed \$461,351), \$500,000 in year two, \$500,000 in year three and \$1,500,000 on or before the 5th anniversary of the Option Date.

The Company and Turnagain agree that the Brandywine Property will be subject to a 2% Net Smelter Return Interest (NSR). The Company shall have the right, at any time during the term of the Agreement, to purchase the NSR for C\$250,000 per percentage point.

The Company and Turnagain have agreed that any Surface Rights of the Property that are owned by Turnagain and that the Company shall have exclusive use of the Surface Rights until the exhaustion of the minerals on the Property for mining operations, for the movement of equipment and removal of minerals from mining operations.

At any time during the Agreement, the Company shall have the option of acquiring full ownership in the property by paying C\$750,000 to Turnagain. Any share issuance due under the Brandywine Option Agreement after the payment shall be cancelled and the Company shall have 100% Interest in and to the Property.

Based on a comprehensive review of historic reports, the Company has dramatically expanded the Brandywine area to 1,500 hectares from 400 hectares. The project now includes areas west of the original

claim group where a historic rock samples included 9.15 g/t gold, 22 ppm silver, and 2% copper located 600 meters west of the original claims and 0.12 ppm gold, 6.5 ppm silver and 0.4% copper located 1.4 km west.

The Company has received gold metallic screen assays from the re-assayed core samples from the 2010 Brandywine drilling program. A suite of eleven samples taken from best mineralized intersections confirmed the presence of significant coarse gold mineralization with the highest grade being 20.2 g/t over 1.5 m. This series of samples is from a gold-silver vein system adjacent the VMS historical underground targets.

As a result of the confirmation of coarse free milling gold at Brandywine, the metallic screen method will be used during the upcoming drill program in addition to standard gold fire assaying plus the standard 43 geochemical element analysis.

The full metallic screen assay results are tabulated below compared with the 2010 results:

Hole	From	To	Length	Au AVG Metallics FA 2019	Au AVG 30g pulps FA 2010
	m	m	m	g/mt	g/mt
BRW10-05	11.3	12.8	1.5	1.43	2.20
BRW10-05	20.4	21.9	1.5	0.47	1.40
BRW10-05	26.5	29.6	3.1	11.42	3.73
BRW10-05	including		1.6	20.20	6.23
BRW10-05	34.1	35.7	1.6	1.86	1.02
BRW10-06	23.5	25	1.5	1.31	0.02
BRW10-06	25.0	26.5	1.5	0.57	1.07
BRW10-06	32.6	35.7	3.1	3.35	2.89
BRW10-06	including		1.6	4.10	3.29
BRW10-07	41.8	43.3	1.5	1.20	1.52
BRW10-07	57.0	58.5	1.5	1.83	1.64

Higher gold content was found in 7 of the 11 samples versus 2010 values. Taking 10 samples into account, there was an average increase in gold values of 27.3% (In calculating the average increase the outlier difference value between 0.02 g/mt Au measured in 2010 versus 1.31 g/mt obtained by metallic screen assay was eliminated so as not to skew the magnitude of the difference).

The screen metallic fire assay is designed to deal with coarse visible gold in samples. A nominal 1000g (2.2 lb) of pulverized sample is sieved at 100 mesh (149µm), with assays performed on the entire +100 mesh fraction and two splits (30g) of the -100 mesh fraction. A final assay is calculated based on the weight of each fraction.

The Company is awaiting the approval of a Notice of Work on the Brandywine property that was submitted to the BC Ministry of Energy, Mines and Petroleum Resources in September 2019 to carry out 1,500 metres of drilling within the Dave's Pond gold target. Ten diamond drill holes are planned at Dave's Pond gold-silver zone, under the supervision of Apex Geoscience. In the 1995 LaRock and 2010 Auramex drill programs respectively, as verified by Christopher Baldys, P.Eng, a Qualified Person, in his June 2020 QA/QC Report, gold intersections in drill core in this zone assayed 6.9 g/t over 1.52 m (5 ft) and 14.4 g/t 3.4 m (11ft.) including 1.52m (5ft.) of 20 g/t (Dunn, 2002, 2010) (Baldys 2019). Follow up of the gold anomaly along strike will be accompanied by testing of a multi-element anomaly marked by highly elevated lead-in-soils extending North-South for 2 km along the western flank of the gold anomaly. Upon permitting and additional financing, the Company intends to conduct a larger VTEM airborne survey over the Brandywine project, and drill a minimum 4 scissor holes across the DP zone to fully understand the orientation and depth of the gold bearing zone.

**Harrison Gold Project, Harrison, British Columbia, Canada**

The Company entered into an option agreement to be replaced with a definitive option and joint venture agreement with Bear Mountain Gold Mines Ltd, ("BMGM") a British Columbia private corporation, to earn a 50% interest in its Harrison Gold Project, Harrison, British Columbia, Canada.

The Harrison Gold Property is an advanced stage gold exploration project focused on a seven kilometer long ridge called Bear Mountain located on the southeast side of Harrison Lake, 130 kilometers east of Vancouver. BMGM has an option to acquire a 100% interest in the property from TSX.V listed Omineca Mining and Metals Ltd. ("Omineca").

The terms of the BMGM option agreement with Omineca require that BMGM incur \$2,000,000 in exploration expenditures (\$900,000 of which have been incurred to date), pay \$500,000 in cash or shares (\$100,000 of which has been paid) and issue 3,166,000 shares on or before December 31, 2020 (1,166,000 of which have been issued). In addition, Omineca is entitled to a 2% NSR (50% of which can be purchased for \$1,000,000) and up to \$500,000 in annual \$100,000 special royalty payments on the occurrence of certain trigger events.

In order to exercise the option, Bayhorse shall:

- I. Pay BMGM \$1,000 on signing of the BMGM option agreement;
- II. Pay BMGM \$9,000 cash and issue 50,000 common shares in the capital of the Company to BMGM on the Option Date, which is defined as five business days after TSX Venture Exchange approves the option agreement (Option Date is November 2, 2020);
- III. Upon completing \$1,100,000 of expenditures up to March 31, 2021 (\$191,389 completed), pay \$40,000 in cash and issue 450,000 common shares in the capital of the Company to BMGM; and
- IV. Assume all the outstanding obligations of BMGM due to Omineca under the option agreement between BMGM and Omineca that requires the Company to pay \$400,000 in cash or shares to Omineca and issue 2,000,000 common shares in the capital of the Company to Omineca before December 31, 2020 (BMGM has the option to request an extension to March 31, 2021).

In recognition that Omineca is entitled to an underlying 2% Net Smelter Royalty ("NSR") on the property, the Company and BMGM agree that the Omineca NSR including the purchase of 1% of the NSR for \$1 million, shall be apportioned according to each of the Company's and BMGM's interest in the property.

The Company and BMGM were not able to negotiate a definitive option and joint venture agreement and on January 14, 2021 the Company terminated its option agreement with BMGM.

### ***Bridging the Gap (Government Gulch) Property, Idaho***

On November 20, 2015, the Company entered into an Option Agreement with Blackhawk Mining L.L.C. (“Blackhawk”) to acquire a 75% undivided right, title and interest in the Government Gulch Property in the Coeur d’Alene mining district in Idaho.

Due to the lack of significant results from the Company’s drill program on the BTG property in 2016 and 2017, the Company allowed the BTG Project Option Agreement to terminate in the first quarter of 2018 and currently does not have any interest in Bridging the Gap. As a result, the Company reversed the accrual of US\$250,000 option payment for the year ended December 31, 2019.

### **MINERAL PROPERTY AND EXPLORATION EXPENSES BY PROPERTY**

Mineral expenses for the Bayhorse mine in Canadian dollars for the year ended December 31, 2020 and 2019 are as follows:

	Year ended December 31, 2020			
	Bayhorse	Brandywine	Harrison	Total
	\$	\$	\$	\$
Acquisition and holding costs	3,086	20,000	-	23,086
Assays and analysis	47,418	6,624	9,781	63,823
Depreciation	319,128	-	-	319,128
Drilling	-	188,035	39,269	227,304
Equipment & other rentals	132,792	-	3,340	136,132
Geological	587	76,231	11,371	88,189
Other contractors	247,383	-	24,688	272,071
Project management	74,250	10,525	23,234	108,009
Property preparation	-	149,173	25,102	174,275
Supplies	77,959	1,567	1,957	81,483
Technical	62,698	4,061	40,704	107,463
Travel and accommodation	75,096	5,135	11,944	92,175
Miscellaneous	4,493	-	-	4,493
	1,044,890	461,351	191,390	1,697,631

Year ended December 31, 2019

	Bayhorse	Brandywine	Bridging The Gap	Total
	\$	\$	\$	\$
Acquisition and holding costs	-	21,460	(331,075)	(309,615)
Assays and analysis	6,107	9,407	-	15,514
Depreciation	373,726	-	-	373,726
Equipment & other rentals	71,952	-	-	71,952
Labour	6,604	-	-	6,604
Geological	7,119	43,431	-	50,550
Other contractors	261,169	-	-	261,169
Project management	90,000	-	-	90,000
Supplies	64,707	2,095	-	66,802
Technical	15,466	2,500	-	17,966
Travel and accommodation	46,883	9,122	-	56,005
Miscellaneous	8,756	-	-	8,756
	952,489	88,015	(331,705)	709,429

## SUMMARY OF ANNUAL FINANCIAL INFORMATION

The following table summarizes selected financial data reported by the Company for the periods indicated. The information set forth in the table should be read in conjunction with the audited financial statements and notes, prepared in accordance with IFRS for the periods indicated.

	Year ended December 31, 2020 (\$)	Year ended December 31, 2019 (\$)	Year ended December 31, 2018 (\$)
<b>Operations:</b>			
Revenues	nil	nil	nil
Net loss	(3,095,265)	(1,900,125)	(4,720,800)
Net loss per share (basic and diluted)	(0.02)	(0.02)	(0.06)
Cash used in operating activities	(2,108,991)	(1,374,060)	(2,782,709)
<b>Statement of financial position:</b>			
Total assets	1,957,222	2,136,997	2,080,233
Total long-term debt	nil	1,086,177	2,789,456

Net loss – The net loss for the year ended December 31, 2020 increased compared to December 31, 2019 due mainly to exploration expense and financing fee. The net loss for the year ended December 31, 2019 decreased compared to December 31, 2018 due mainly to exploration expense, financing fee for the issuance of convertible debentures and loss on the fair value of the convertible debentures loss on shares issued on conversion of convertible debentures.

Cash used in operating activities – The increase of cash used in operating activities for the year ended December 31, 2020 compared to December 31, 2019 was primarily due to the increase in expenditures for mineral properties in 2020. The decrease in cash used in operating activities for the year ended December 31, 2019 compared to December 31, 2018 was primarily due to the increase in expenditures for mineral properties in 2018.

Long-term debt – the decrease in long-term debt as at December 31, 2020 compared to December 31, 2019 and 2018 was mainly due to the maturity of and reclassification to current of convertible debentures and lease liability in 2020.

## SUMMARY OF QUARTERLY FINANCIAL RESULTS

A summary of the last eight quarterly financial results is as follows:

Three Months Ended	General administrative expenses (\$)	Exploration Expenses (\$)	(Net Loss) (\$)	Loss per Share (\$)
31 Dec 2020	644,737	560,922	(1,163,753)	(0.01)
30 Sep 2020	202,618	673,574	(791,675)	(0.01)
30 Jun 2020	214,801	274,913	(412,627)	(0.00)
31 Mar 2020	385,555	188,222	(727,210)	(0.00)
31 Dec 2019	349,646	21,842	(391,442)	(0.00)
30 Sep 2019	356,542	260,678	(641,332)	(0.01)
30 Jun 2019	316,018	187,712	(474,855)	(0.01)
31 Mar 2019	302,187	239,197	(392,496)	(0.00)

Exploration expenses for the quarters ended December 31, 2020, September 30, 2020, June 30, 2020 and March 31, 2020 increased due to continuing work at the Bayhorse mine and Brandywine and the addition of the Harrison. Exploration expenses for the quarters ended December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019 decreased due to the termination of the option agreement for Bridging the Gap. General administrative increased for the quarter ended December 31, 2020 mainly because stock options were granted whereas expenses decreased for the quarter ended September 30, 2020 mainly because there were no stock options granted. General administrative expenses decreased for the quarters ended June 30, 2019 and March 31, 2019 mainly because the Company reduced the engagement of communication consultants and the lower stock-based compensation as well as the lower impact of foreign exchange loss.

## RESULTS OF OPERATIONS

The following table sets forth expense items with variances between the three and twelve months ended December 31, 2020 and 2019.

	Three months ended			Twelve months ended		
	December 31, 2020	December 31, 2019	increase (decrease)	December 31, 2020	December 31, 2019	increase (decrease)
<b>Mineral property costs</b>	\$ 560,922	\$ 21,842	\$ 539,080	\$ 1,697,631	\$ 709,429	\$ 988,202
<b>Expenses</b>						
Communications	34,853	49,717	(14,864)	175,509	56,749	118,760
Financing fee	334,082	96,163	237,919	536,487	300,255	236,232
Foreign exchange and bank charges	(33,185)	(3,856)	(29,329)	4,888	(36,035)	40,923
Insurance	13,196	11,540	1,656	50,235	47,408	2,827
Lease interest	25,226	38,307	(13,081)	123,551	169,421	(45,870)
Management fees	5,025	22,500	(17,475)	72,525	90,000	(17,475)
Office and other	14,161	16,740	(2,579)	54,457	60,382	(5,925)
Office rent	9,000	9,000	-	36,000	36,000	-
Professional fees	42,031	40,170	1,861	169,270	172,015	(2,745)
Promotion	50	517	(467)	1,551	4,078	(2,527)
Share-based compensation	193,405	56,545	136,860	193,405	353,441	(160,036)
Transfer, listing and filing fees	6,689	3,045	3,644	23,993	46,426	(22,433)
Travel	204	9,258	(9,054)	5,840	24,253	(18,413)
	(644,737)	(349,646)	(295,091)	(1,447,711)	(1,324,393)	(123,318)

### Three Months Ended December 31, 2020

Exploration expenditures increased for the three months ended December 31, 2020 compared to the same period last year mainly because the Company mobilized exploration activities at Brandywine and Harrison.

The decrease in communications for the 2020 period compared to the 2019 period was mainly due to the engagement of consultants in the fourth quarter of 2019 to and the reduction in their fees in the 2020 period.

Financing fee increased for the 2020 period compared to the 2019 period due to the incremental value recorded for warrants modified in 2020.

Foreign exchange and bank charges decreased for the 2020 period compared to the 2019 period primarily due to the exchange rate changes for the US dollar as the Company's convertible debentures and lease liability are denominated in US dollars.

The decrease in lease interest for the 2020 period compared to the 2019 period was mainly due to the decrease in the outstanding balance of the lease liability in 2020 resulting in lower interest expense.

Management fees decreased for the 2020 period compared to the 2019 period as management was heavily involved in the Brandywine and Harrison projects and these costs were allocated to exploration during the 2020 period.

Office and other decreased for the 2020 period compared to the 2019 period mainly due to the decrease in head office activities as the focus was on exploration activities.

Share-based compensation increased for the 2020 period compared to the 2019 period because there were stock options granted in the 2020 period.

The increase in transfer, listing and filing fees for the 2020 period compared to the 2019 period was mainly due to the increase in activities requiring listing fees.

Travel expense decreased in the current period compared to the comparable period in 2019 because of decreased travel for financing related activities as well as Covid-19 travel related restrictions.

The Company's Debentures are denominated in US dollars, but the conversion price is denominated in Canadian dollars. The number of shares to be converted varies based on the foreign exchange rate at conversion date. The amount of interest payment also varies based on the foreign exchange rate on interest payment dates. The Debenture issued by the Company is a hybrid instrument, containing a loan component and embedded derivatives and as such is classified as fair value through profit and loss ("FVTPL") and all changes in fair value are recorded in profit and loss. Accordingly, the Company recorded a gain of \$74,313 for the three months ended December 31, 2020 compared to a gain of \$25,035 for the three months ended December 31, 2019.

### Twelve Months Ended December 31, 2020

Exploration expenditures increased for the twelve months ended December 31, 2020 compared to the same period last year mainly because the Company mobilized exploration activities at Brandywine and Harrison.

The increase in communications for 2020 compared to 2019 was mainly due to the engagement of consultants in the fourth quarter of 2019 to provide services for up to one year.



Financing fee increased for the 2020 period compared to the 2019 period due to the incremental value recorded for warrants modified in 2020.

Foreign exchange and bank charges increased for 2020 compared to 2019 primarily due to the exchange rate changes for the US dollar as the Company's convertible debentures and lease liability are denominated in US dollars.

The decrease in lease interest 2020 compared to 2019 was mainly due to principal repayments made during the year and therefore, interest expense has been based on the declining balance of the principal amount.

Management fees decreased for the 2020 period compared to the 2019 period as management was heavily involved in the Brandywine and Harrison projects and these costs were allocated to exploration during the 2020.

Office and other decreased for 2020 compared to 2019 mainly due to the decrease in head office activities as the focus was on exploration activities.

Professional fees decreased for 2020 compared to 2019 mainly due to the decrease in accounting fees paid.

Promotion decreased for 2020 compared to 2019 mainly because the Company decreased promotional activities.

Share-based compensation decreased for 2020 compared to 2019 because there the number of stock options granted in 2019 was more than twice as much in 2020.

The decrease in transfer, listing and filing fees for the 2020 period compared to the 2019 period was mainly due to lower transfer agent fees after changing transfer agents in 2019.

Travel expense decreased in the current period compared to the comparable period in 2019 because of decreased travel for financing related activities as well as Covid-19 travel related restrictions.

The Company's Debentures are denominated in US dollars, but the conversion price is denominated in Canadian dollars. The number of shares to be converted varies based on the foreign exchange rate at conversion date. The amount of interest payment also varies based on the foreign exchange rate on interest payment dates. The Debenture issued by the Company is a hybrid instrument, containing a loan component and embedded derivatives and as such is classified as fair value through profit and loss ("FVTPL") and all changes in fair value are recorded in profit and loss. Accordingly, the Company recorded a gain of \$9,025 for the twelve months ended December 31, 2020 compared to a gain of \$56,176 for the twelve months ended December 31, 2019. The Company recorded a gain of \$119,365 on shares issued on conversion of convertible debentures for the twelve months ended December 31, 2019 due to the conversion of Debentures into common shares when the market price of the shares was higher than the conversion price.

## **LIQUIDITY, CAPITAL RESOURCES, COMMITMENTS AND CONTINGENCIES**

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### Working Capital and Cash

The Company's cash decreased by \$42,279 to \$26,374 during the year ended December 31, 2020. Cash used in operations was \$2,108,991 mainly due to exploration expenses, communications expense, professional fees and management fees.



During the year ended December 31, 2020, the Company received gross proceeds of \$2,555,024 from private placements, \$142,500 from the exercise of stock options and \$248,500 from the exercise of warrants. During the same period, the Company made \$473,241 in lease liability payments and \$293,207 in equipment payments.

### Going Concern

The Company has not yet put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity and debt markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

The Company is in the mineral exploration and development business and is exposed to a number of risks and uncertainties inherent to the mineral resource industry. This activity is capital intensive at all stages and subject to fluctuations in metal prices, market sentiment, currencies, inflation and other risks. The Company currently has no source of material revenues and relies primarily on equity and debt financings to fund its exploration, development and administrative activities. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration and development activities, as well as its continued ability to raise capital. The current severe recessionary credit conditions have significantly limited the Company's ability to raise financing through its usual methods and if these conditions persist, they will materially decrease the Company's liquidity and capital resources.

The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At December 31, 2020, the Company had a working capital deficit of \$3,325,300 (2019 - \$2,173,937), had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2020, the Company reported a comprehensive loss of \$3,095,265 (2019 - \$1,900,125) and has an accumulated deficit of \$30,567,637 (2019 - \$27,472,372).

The Company is dependent on equity and debt financings to fund its operations. The recoverability of the underlying value of assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production. These circumstances comprise a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. The Company's consolidated financial statements for the year ended December 31, 2020 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material.

### Covid-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic related to the virus known as Covid-19. The expected impacts on global commerce are anticipated to be far reaching. To date, there have been significant fluctuations in the stock market, and the movement of people and goods has become restricted. The mineral exploration sector is expected to be impacted significantly as many local and regional governments have issued public health orders in response to Covid-19, including restricting the movement of people, which could impact the Company's ability to access its properties and complete its



exploration programs in the coming year. A continuing period of lower prices could significantly affect the economic potential of many of the Company's current properties and may result in the Company ceasing work on, or dropping its interest in, some or all of them. As the Company does not have production activities, the ability to fund ongoing exploration is affected by the availability of financing. Due to market uncertainty the Company may be restricted in its ability to raise additional funding.

The impact of these factors on the Company is not yet determinable. However, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. In particular, there may be heightened risk of asset impairment and liquidity or going concern uncertainty.

As a result, impairment indicators for the Company's assets and/or a decline in their fair value could arise in 2020 if current conditions persist. The Company continues to work on revisions to its forecasts and exploration plans in light of the current conditions and will use these updated assumptions/forecasts in measurement of its assets going forward.

### Capital Management

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. At December 31, 2020, the Company had share capital of \$21,090,640, debentures of \$1,626,048 and lease liability of \$622,623. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Planning, annual budgeting, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

The Company's investment policy is to hold cash in interest bearing bank accounts.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes to the Company's approach to capital management during the three and twelve months ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

### Contractual Obligations

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations for the years indicated:

	2021	2022	2023	2024	2025	Total
Accounts payable and accrued liabilities	\$ 1,097,490	\$ -	\$ -	\$ -	\$ -	\$ 1,097,490
Advance royalty payment obligations	110,768	63,660	63,660	63,660	63,660	365,408
Ore Sorter lease payments	666,057	-	-	-	-	666,057
Loan Payable	149,663	-	-	-	-	149,663
Convertible Debentures	1,636,062	-	-	-	-	1,636,062
	\$ 3,660,040	\$ 63,660	\$ 63,660	\$ 63,660	\$ 63,660	\$ 3,914,680

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$662,500. A flow-through share premium liability of \$238,500 was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later

than December 31, 2022. As at December 31, 2020, the Company had spent \$nil of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2021 to 2022.

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$181,999. A flow-through share premium liability of \$nil was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2022. As at December 31, 2020, the Company had spent \$nil of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2021 to 2022.

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$200,000. A flow-through share premium liability of \$nil was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2022. As at December 31, 2020, the Company had spent \$nil of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2021 to 2022.

During the year ended December 31, 2019, the Company completed a private placement of flow-through shares for gross proceeds of \$300,000. A flow-through share premium liability of \$75,000 was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2021. As at December 31, 2020, the Company had spent \$300,000 of the flow-through fund on qualified programs, and no further expenditures are required. The flow-through share premium liability has been reduced by \$75,000 as at December 31, 2020 for the tax benefits that were renounced for funds spent to December 31, 2020 and a deferred income tax recovery of \$52,996 has been recorded as at December 31, 2020.

During the year ended December 31, 2019, the Company completed a private placement of flow-through shares for gross proceeds of \$425,000. A flow-through share premium liability of \$nil was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2021. As at December 31, 2020, the Company had spent \$420,755 of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds in 2021.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

#### Subsequent Events

- (a) On February 1, 2021, the Company closed a non-brokered private placement of 22,000,000 units at C\$0.08 per unit ("Units") for gross proceeds of \$1,760,000. Each \$0.08 Unit consists of one (1) common share, and one (1) transferable common share purchase warrant (a "Warrant"). Each Warrant is exercisable into one (1) common share of the Company at an exercise price of \$0.15 cents for a period of 24 months from the date of issuance. The Company incurred share issuance costs of \$50,072 in connection with this placement.
- (b) Subsequent to December 31, 2020, an aggregate of US\$170,000 of convertible debentures were repaid or converted to common shares at conversion prices ranging from CAD\$0.125 to CAD\$0.20 per convertible debenture. Of the US\$170,000, US\$35,000 of the convertible debentures were converted into 355,180 common shares at a price of C\$0.125 per share.

- (c) Subsequent to December 31, 2020, an aggregate of 9,298,615 warrants were exercised for gross proceeds of \$1,160,026 at exercise prices ranging from \$0.10 to \$0.18 per warrant
- (d) Subsequent to December 31, 2020, an aggregate of 3,275,000 stock options were exercised for gross proceeds of \$422,800 at exercise prices ranging from \$0.10 to \$0.125 per stock option.
- (e) The Company extended the expiry dates of the following warrants:
  - i. 1,500,000 warrants with an exercise price of \$0.30 per share extended to December 27, 2022 from March 2, 2021.
  - ii. 2,231,500 warrants with an exercise price of \$0.30 per share to January 18, 2023 from March 2, 2021.
  - iii. 3,768,500 warrants with an exercise price of \$0.30 per share to March 2, 2023 from March 2, 2021.
  - iv. 2,000,000 warrants with an exercise price of \$0.15 per share to February 12, 2024 from February 12, 2021.
  - v. 1,100,000 warrants with an exercise price of \$0.15 per share to March 12, 2024 from March 12, 2021.
  - vi. 850,000 Warrants with an exercise price of \$0.15 per share to April 12, 2023 from April 15, 2021.
- (f) Subsequent to December 31, 2020, 2,000,000 stock options were granted with an exercise price of \$0.125 per stock option and 2,500,000 stock options were granted with an exercise price of \$0.25 per stock option. These stock options are exercisable for a period of 5 years from the date of issuance.
- (g) On January 14, 2021 the Company terminated its option agreement with BMGM.
- (h) The Company entered into a Definitive Offtake agreement with Ocean Partners UK Limited for the sale of silver and copper concentrate from the Company's Bayhorse silver mine. The initial agreement is for the delivery and sale of 300 metric tons or 15 container loads of the concentrate. Ocean has the right of first refusal to a 12-month extension of the contract after completion of the delivery of the first 300 metric tons.

## **TRANSACTIONS BETWEEN RELATED PARTIES**

### Key management personnel compensation

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consists of the following amounts.



The following table summarizes transactions with related parties during the twelve months ended December 31, 2020 and 2019:

	Note	Year ended	
		December 31, 2020	December 31, 2019
Management fees	(a)	\$ 72,525	\$ 90,000
Office rent	(a)	36,000	36,000
Interest and financing fees	(b)	45,038	45,921
Professional fees	(c)	120,000	121,800
Office and other corporate services	(d)	36,000	36,000
Share-based compensation	(e)	125,861	286,017
Mineral property costs – project management	(a)	107,475	90,000
		\$ 542,899	\$ 705,738

- (a) Management fees and office rental fees were paid to Highcard Exploration Inc. (“Highcard”), a company controlled by Graeme O’Neill, the CEO and director of the Company (“O’Neill”).
- (b) Interest charged at 12% per annum, compounded quarterly, and payable quarterly for overdue related party accounts payable balances.
- (c) Fees paid to RHL Enterprise Corp., a company controlled by the Company’s CFO, Rick Low.
- (d) Fees paid to Wiklow Corporate Services Inc., a company controlled by the Company’s Corporate Secretary, Donna Moroney.
- (e) During the year ended December 31, 2020, the Company issued 1,350,000 (2019 – 3,800,000) stock options to related parties.

The following table summarizes payable balances to related parties as at December 31, 2020 and December 31, 2019.

	Year ended	
	December 31, 2020	December 31, 2019
Trade payable to O’Neill**	\$ 61,798	\$ 37,455
Trade (receivable from) payable to Highcard**	66	16,010
Trade payable to corporate secretary**	67,030	56,877
Trade payable to CFO**	40,950	133,908
	\$ 169,844	\$ 244,250

\*\* these trade payables bear an interest rate of 12% per annum on overdue amounts, compounded quarterly, and payable quarterly.

During the year ended December 31, 2020, O’Neill and Low were issued 3,300,000 and 400,000 units, respectively, of the Company’s private placement that consisted a total of 18,000,000 units at a price of \$0.05 per unit.

During the year ended December 31, 2020, O’Neill was issued 2,437,500 units of the Company’s private placement that consisted of 6,756,562 units at a price of \$0.08 per unit.

During the year ended December 31, 2020, O'Neill was issued 610,000 units and Rick Low, the Company's CFO, was issued 100,000 units of the Company's private placement that consisted of 5,300,000 flow-through units at a price of \$0.125 per unit.

During the year ended December 31, 2020, O'Neill and Rick Low were issued 600,000 and 150,000 units respectively, of the Company's private placement that consisted of 1,213,333 flow-through units at a price of \$0.15 per unit.

During the year ended December 31, 2020, O'Neill and Low were issued 130,000 and 100,000 units respectively, of the Company's private placement that consisted of 1,600,000 flow-through units at a price of \$0.125 per unit.

During the year ended December 31, 2019, O'Neill converted US\$450,000 convertible debentures into 4,806,360 common shares at a price of C\$0.125 per share and US\$12,552 of accrued interest on the convertible debentures into 167,584 common shares at a price of C\$0.10 per share. A gain on conversion of \$120,159 for the year ended December 31, 2019 resulted from this transaction. Reserves of \$33,102 were transferred to share capital in relation to the conversion.

During the year ended December 31, 2019, O'Neill subscribed for 9,016,666 shares of the private placements for total proceeds of \$943,500. O'Neill received 9,016,666 warrants that are exercisable from 2 to 3 years from the date of issuance at exercise prices ranging from \$0.125 to \$0.25.

During the year ended December 31, 2019, Rick Low, CFO, subscribed for 200,000 shares of the private placements for total proceeds of \$25,000. Rick Low received 200,000 warrants that are exercisable 2 years from the date of issuance at an exercise price of \$0.25.

During the year ended December 31, 2019, a company controlled by Donna Moroney subscribed for 90,000 shares of the private placements for total proceeds of \$9,000. The company controlled by Donna Moroney received 90,000 warrants that are exercisable 2 years from the date of issuance at an exercise price of \$0.15.

During the year ended December 31, 2019, the Company issued 144,146 common shares to settle \$12,252 in accounts payable with a company controlled by O'Neill. A loss on debt settlement of \$2,162 for the year ended December 31, 2019 resulted from this transaction.

As at December 31, 2019, the Company has accrued liabilities of \$15,000 to O'Neill. As at December 31, 2019, the Company has a loan payable of \$14,187 (US\$10,000) to Caliber Minerals Inc., a related party with a director in common. This loan has been repaid during the year ended December 31, 2020, and was interest free, unsecured and had no terms of repayment.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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### *Fair Value of financial instruments*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;



Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and  
 Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

		Level 1		Level 2		Level 3
December 31, 2020						
Cash	\$	26,374	\$	-	\$	-
Contract liability		(38,448)		-		-
Convertible debentures		-		-		(1,626,048)
December 31, 2019						
Cash	\$	68,653	\$	-	\$	-
Contract liability		(26,504)		-		-
Convertible debentures		-		-		(1,635,073)

As at December 31, 2020 and December 31, 2019, the Company believes that the carrying value of loans payable, account payables, and accrued liabilities approximate their fair value because of their nature and relatively short maturity dates or duration. The Company's lease liability is carried at amortized cost using the Company's incremental borrowing rate.

There were no transfers between Level 1, 2 and 3 for the year ended December 31, 2020 and year ended December 31, 2019.

The fair values of the Company's financial instruments classified as FVTPL are determined as follows:

- The fair value of the loan component of the Debenture is based on the present value of expected future cash flows at the discount rate that would have applied to the financial instrument without conversion or other embedded derivative features. None of the fair value change in the Debenture for the year ended December 31, 2020 and year ended December 31, 2019 is related to a change in the credit risk of the Debenture. All of the change in fair value is associated with changes in market condition.
- The fair value of the contract liability is based on the silver commodity spot rate. None of the fair value change in the lease liability for the year ended December 31, 2020 and year ended December 31, 2019 is related to a change in the credit risk of the contract liability. All of the change in fair value is associated with changes in market condition.

#### Financial Risk

A discussion of the Company's use of financial instruments and their associated risk is provided below:

#### Industry Risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and its receivables. This risk is managed through the use of a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's receivables relate primarily to GST recoverable from the Government of Canada. The risk associated with its receivables is minimal.

### *Currency Risk*

The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it incurs significant mineral property-related expenditures in the USA and its Debentures and lease liability are denominated in US dollars. The Company is also exposed to foreign exchange risk arising from:

- Cash balances held in US dollars,
- Accounts payable denominated in US dollars,
- Debentures and interest payments denominated in US dollars, and
- Lease liability denominated in US dollars.

These are all shown on the statement of loss and comprehensive loss. The Company does not engage in any hedging activities to reduce its foreign currency risk. A 10% variance in the foreign exchange rates would expose the Company to a positive or negative impact on its comprehensive loss of approximately \$249,000 per year.

### *Interest Rate Risk*

The Company has interest rate risk with respect to interest that can be charged on the overdue balances in accounts payable and accrued liabilities, and advances from related parties (note 9). Related party overdue payables bear interest at 12% per annum.

The Company's promissory notes payable (note 6), convertible debentures (note 5) and lease liability (note 7) accrue interest at fixed rate; therefore, the Company is not exposed to interest rate risk on these instruments.

### *Liquidity and Funding Risk*

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

The Company is not subject to externally imposed capital requirements but must maintain the minimum listing requirements in order to maintain its TSX-V listing. The Company manages its capital structure based on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration and development of mineral properties.

The board of directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.



The properties in which the Company currently has an interest are in the exploration stage, so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

### **OUTSTANDING SHARE DATA**

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at the date of this report, 178,607,634 shares were issued and outstanding.

As at the date of this report, the following stock options were outstanding and exercisable:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
200,000	\$0.125	June 23, 2021
85,000	\$0.12	June 30, 2021
750,000	\$0.15	December 5, 2021
80,000	\$0.125	December 20, 2021
230,000	\$0.20	July 13, 2022
1,000,000	\$0.20	September 18, 2022
800,000	\$0.25	March 6, 2023
370,000	\$0.20	May 8, 2023
710,000	\$0.15	September 24, 2023
310,000	\$0.10	February 12, 2024
355,000	\$0.10	May 7, 2024
310,000	\$0.10	June 17, 2024
450,000	\$0.10	August 22, 2024
450,000	\$0.10	December 6, 2024
2,000,000	\$0.20	October 4, 2025
100,000	\$0.20	December 1, 2025
940,000	\$0.125	January 28, 2026
<b>9,140,000</b>		



As at the date of this report, the following warrants were outstanding and exercisable:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
900,000	\$0.25	August 22, 2021
1,460,000	\$0.25	September 27, 2021
1,155,000	\$0.25	September 27, 2021
1,788,000	\$0.25	October 25, 2021
2,100,000	\$0.25	December 3, 2021
1,480,000	\$0.25	December 19, 2021
2,170,000	\$0.25	December 30, 2021
4,558,000	\$0.10	April 2, 2022
7,855,000	\$0.10	April 17, 2022
6,000,000	\$0.25	May 10, 2022
731,138	\$0.125	May 29, 2022
2,806,562	\$0.18	July 2, 2022
733,333	\$0.125	July 3, 2022
3,545,875	\$0.18	July 10, 2022
1,000,001	\$0.125	July 22, 2022
3,512,600	\$0.20	August 4, 2022
2,003,000	\$0.20	August 6, 2022
2,100,000	\$0.125	August 27, 2022
1,227,333	\$0.20	October 30, 2022
1,656,000	\$0.20	November 27, 2022
1,500,000	\$0.30	December 27, 2022
2,231,500	\$0.30	January 18, 2023
22,428,750	\$0.15	February 1, 2023
3,768,500	\$0.30	March 2, 2023
500,000	\$0.19	April 12, 2023
527,804	\$0.25	April 12, 2023
2,325,000	\$0.15	July 19, 2023
432,500	\$0.15	February 12, 2024
790,000	\$0.15	March 12, 2024
550,000	\$0.15	April 15, 2024
<b>83,835,896</b>		

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off balance sheet arrangements.

#### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Critical Accounting Estimates

- i. Valuation of equity instruments - The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, and dividend yield and making assumptions about them.
- ii. Valuation of derivatives – certain derivatives issued by the Company are valued using the Black Scholes Option Pricing Model. The Black Scholes Option Pricing Model is a formula that is used to determine the fair value of a call or put option based on factors such as underlying stock volatility, days to expiration, and others. The key inputs used by the Company in its Black Scholes Option Pricing Model are further disclosed within these consolidated financial statements. Changes in the inputs to the valuation model could impact the carrying value of the derivatives and the amount of unrealized gains or losses recognized in profit or loss.
- iii. Valuation of convertible loan – the Company’s convertible loans are valued using the present value of the future cash flows. This method is based on underlying factors such as the current interest rate, foreign exchange rate, and Company’s ability to make all interest payments on a timely basis. Changes in the inputs to the calculation could impact the carrying value of the convertible loan and the amount of unrealized gains or losses recognized in profit or loss.
- iv. Valuation of lease liability loan – the Company’s lease liability is valued using the present value of the future cash flows. This method is based on underlying factors such as the current interest rate, foreign exchange rate, and Company’s ability to make all lease payments on a timely basis. Changes in the inputs to the calculation could impact the carrying value of the lease liability and the amount of interest expense recognized in profit or loss.
- v. Deferred income taxes – The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

### Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

- i. The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.
- ii. The determination of functional currency. Management has determined that the functional currency of the Company is the Canadian dollar.
- iii. The determination or absence of asset retirement obligation.

- iv. Determination of categories of financial assets and financial liabilities involves assessments made by management.
- v. Assessment of impairment, recoverability of the carrying value of financial assets.
- vi. Refundable tax credits and flow-through expenditures - The Company is entitled to refundable input tax credits and tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether expenditures are eligible for claiming such credits. The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management's judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities can materially increase the flow-through premium liability and outstanding commitments.

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## **NEW ACCOUNTING PRONOUNCEMENTS**

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### **Amendments to IAS 1 and IAS 8 Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Company.

### **IAS 16 – Property, plant and equipment - proceeds before intended use ("IAS 16")**

IAS 16 has been amended to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant or equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

### **IAS 37–Provisions ("IAS 37")**

IAS 37 has been amended to clarify (i) the meaning of "costs to fulfil a contract", and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

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## **RISKS AND UNCERTAINTIES**

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Certain risks are faced by the Company, which could affect its financial position. In general, they relate to the availability of equity capital to finance the acquisition, exploration and development of existing and future exploration and development projects. The availability of equity capital to junior resource companies is affected by commodity prices, global economic conditions and economic conditions and government

policies in the countries of operation, among other things. These conditions are beyond the control of the management of the Company and have a direct effect on the Company's ability to raise capital.

The Company's working capital and liquidity fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the its mineral property option agreement. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interest in the property covered by the agreement. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments.

The Company's properties are in the exploration stage and without known reserves. Exploration and development of natural resources involves substantial expenditures and a high degree of risk. Few exploration properties are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes-off its mineral properties from time to time and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

#### **FORWARD LOOKING INFORMATION**

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This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of April 30, 2021.

Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to integration of acquisitions; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties." Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

Except as required under applicable securities law, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or others. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties."

**QUALIFIED PERSON**

All technical information about the Company's mineral properties contained in this MD&A has been prepared under the supervision and approval of Dr. Stewart Jackson, PGeo., a consultant to the Company, who is a "Qualified Person" within the meaning of National Instrument 43-101.