

# SILVERTON METALS CORP.

(formerly Plymouth Realty Capital Corp.)

## Management's Discussion & Analysis

For the six months ended June 30, 2021

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The following management's discussion and analysis ("MD&A"), prepared as of August 27, 2021, is a review of operations, current financial position and outlook for Silverton Metals Corp., formerly Plymouth Realty Capital Corp., ("Silverton" or the "Company"). Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021, and the notes thereto. Amounts are reported in Canadian dollars, unless otherwise specified.

### FORWARD-LOOKING STATEMENTS

Certain statements contained in the following MD&A constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, except as required by law.

### COMPANY DESCRIPTION AND RECENT HIGHLIGHTS

Silverton Metals Corp., formerly, Plymouth Realty Capital Corp., was incorporated under the Business Corporations Act (Ontario) on July 15, 2013, was continued under the British Columbia Business Corporations Act on March 21, 2019 and on March 2, 2021, in conjunction with the closing of its qualifying transaction ("Qualifying Transaction") ceased to be classified as a Capital Pool Company as defined in Policy 2.4 of the TSX-Venture Exchange (the "TSX-V" or the "Exchange"), and effective that date became a Tier 2 Mining issuer on the TSXV under the symbol "SVTN". Trading in the common shares of Silverton began on the TSX-V the new stock symbol "SVTN" on March 5, 2021. On May 5, 2021 the Company's shares commenced trading on the OTC Markets system, through the SEC-registered Alternative Trading System quotation facilities (known as OTC Link® ATS), under the symbol "SVTNF".

#### Qualifying Transaction

On March 2, 2021, the Company completed its Qualifying Transaction with the acquisition of three silver-focused Mexican mineral properties, being Peñasco Quemado, Sonora; La Frazada, Nayarit; and Pluton, Durango (the "Silver Properties"), from Silver One Resources Inc. ("Silver One"), a TSX-V listed company, by acquiring from Silver One all of the issued and outstanding shares of KCP Minerals Inc. ("KCP"), which holds, through its wholly owned Mexican subsidiary, Minera Terra Plata S.A. de C.V. ("Minera Terra"), a 100% interest in the Silver Properties

Under the terms of a share purchase agreement dated November 16, 2020, as amended January 4, 2021 and February 1, 2021, Silverton agreed to pay to Silver One, for all the issued and outstanding shares of KCP, \$6,000,000 in cash and shares as follows: (a) pay \$1,250,000 in cash on closing (paid March 3, 2021), (b) issue 4,375,000 common shares of Silverton (the "Consideration Shares", issued March 3, 2021), (c) pay \$750,000 in cash eighteen months after closing, and (d) pay \$500,000 in cash twenty four months after closing.

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The consideration for the asset acquisition, and the related assets and liabilities acquired at March 2, 2021 are as follows:

<b>Purchase Consideration</b>	
	\$
Cash - on closing	1,250,000
Cash - deferred	1,250,000
4,375,000 common shares of the Company at \$0.80 per share	3,500,000
<b>Fair value of consideration</b>	<b>6,000,000</b>

<b>Allocation of Purchase Consideration</b>	
	\$
Cash	6,737
Prepays	13,414
Value-added tax receivable	57,113
Mineral properties	6,017,094
Accounts payable and accrued liabilities	(5,725)
Acquisition adjustment to mineral properties	(88,633)
	<b>6,000,000</b>

Silverton also granted a 1.5% net smelter return royalty (the "Royalty") on each of the Silver Properties. At the option of Silverton, Silverton may repurchase two-thirds (2/3) of the Royalty (being a 1% net smelter return royalty) with a payment equal to US \$500,000 for each of the Silver Properties.

The Consideration Shares issued to Silver One are subject to the Tier 2 value escrow requirements under the rules of the Exchange.

During the six months ended June 30, 2021, the Company, through Silverton Finco Inc. ("Finco"), completed its private placement offering through the issuance of 9,250,000 subscription receipts (each, a "Subscription Receipt") at a price of \$0.80 per Subscription Receipt for aggregate gross proceeds of \$7,400,000 (the "Brokered Private Placement"). In addition, the Company, through Finco, completed a non-brokered private placement for 2,324,000 units (each a "Unit") at a price of \$0.80 per Unit for total proceeds of \$1,859,200 (the "Non-Brokered Private Placement") (see further details in the section entitled FINANCING ACTIVITIES).

As a result of closing of the Transaction, the Brokered Private Placement and the Non-Brokered Private Placement (as described further below), Silverton has 27,336,500 common shares issued and outstanding.

**EXPLORATION PROGRAMS AND EXPENDITURES**

During the six months ended June 30, 2021, the Company incurred deferred acquisition and exploration expenditures of \$6,866,285 (2020 - \$nil). The expenditures primarily relate to the La Frazada and Peñasco Quemado properties and principally arise from the Company's acquisition of the Silver Properties through the purchase of the issued and outstanding shares of KCP on March 2, 2021, representing a cost of acquisition of \$6,017,094. The expenditures for the six months ended June 30, 2021 include land/recording fees of \$633,400, while \$114,669 of acquisition costs deferred at December 31, 2020 were recognized as exploration and evaluation asset additions in Q1 2021. In addition, non-cash share-based compensation of \$247,092 was included in the Q1 2021 exploration and evaluation charges. The details of the deferred acquisition and exploration expenditures recognized during the six months ended June 30, 2021 are as follows:

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	La Frazada	Peñasco Quemado	Pluton	Total
	\$	\$	\$	\$
<b>December 31, 2020</b>	-	-	-	-
Exploration and evaluation assets acquired (Note 4)	2,087,978	3,893,957	35,159	6,017,094
Gain on acquisition of exploration and evaluation assets (Note 4)	(30,756)	(57,359)	(518)	(88,633)
Transfer of deferred acquisition costs (Note 4)	39,791	74,208	670	114,669
Consulting	12,132	22,416	183	34,731
Legal	15,346	28,620	258	44,224
Land / Recording Fees	61,104	77,896	494,400	633,400
Share-based compensation	85,743	159,905	1,444	247,092
Foreign exchange translation	(47,731)	(89,115)	554	(136,292)
	2,223,607	4,110,528	532,150	6,866,285
<b>June 30, 2021</b>	<b>2,223,607</b>	<b>4,110,528</b>	<b>532,150</b>	<b>6,866,285</b>

**Pluton**

Pluton is a 6,534-hectare property comprised of 3 contiguous mining concessions. It is strategically located within the historic "Ojuela-Mapimi Mining District" and lies along the eastern front of the Sierra Madre Oriental in northern Durango. KCP Minerals holds 100% of the Pluton Property through Minera Terra. The concessions are subject to bi-annual property taxes and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the total bi-annual property tax fee (i.e., twice per year) payable to the Mexican government for the property's concessions is Mx\$ 1,149,331 per semester (approximately US\$57,500). At June 30, 2021, there is \$495,760 (CAD equivalent) (December 31, 2020 - \$nil) included in accounts payable and accrued liabilities for amounts due with respect to the property taxes. The property is also subject to annual assessment work expenditure requirements of approximately US\$1,000,000.

**Peñasco Quemado**

The Peñasco Quemado Silver Property is located within the north central portion of the Mexican state of Sonora, south of the American state of Arizona, approximately 14.5 km northwest of the town of Tubutama and in the Magdalena-Tubutama mining district. KCP Minerals holds 100% of the Peñasco Quemado Property through Minera Terra. The property consists of seven mining concessions. The main mineral concessions are contiguous and vary in size for a total property area of approximately 3,746 ha, while the fractional claims are not contiguous. At present, the aggregate property tax payable to the Mexican government for the mineral concessions is Mx\$ 658,954 per semester (approximately US\$32,948). The mineral concessions at Peñasco Quemado expire between October 29, 2028 and September 14, 2056. The concessions are also subject to annual assessment work expenditure requirements of approximately US\$300,000.

**La Frazada**

The La Frazada Property is located within the central portion of the Mexican state of Nayarit, approximately 55 km northwest of Tepic, the capital of the state of Nayarit and 300 km to the northwest of the city of Guadalajara, the second largest city in Central Mexico. The La Frazada Property is situated in the El Zopilote mining district in the Ruiz municipality. KCP Minerals holds 100% of the La Frazada Property through Minera Terra. The property consists of one mining concession totaling 299 ha. The concession expires on May 22, 2058. At present, the property tax bi-annual (i.e., twice per year) fee payable to the Mexican government for the mineral concession is Mx\$ 52,612 (approximately US\$2,630). The concession is also subject to annual assessment work expenditure requirements of approximately US\$6,000.

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On May 3, 2021 the Company announced the appointment of environmental consultants environmental to prepare *Informe Preventivo* reports required for access and drill pads construction on the Company's Peñasco Quemado and La Frazada projects in the states of Sonora and Nayarit, Mexico respectively. On the same date, the Company announced the appointment of geological consultants to conduct preparatory geological work and manage the forthcoming drilling program on Peñasco Quemado..

Pluton is in a prolific, carbonate replacement, silver, zinc and lead producing district, with the currently producing nearby La Platosa Mine of Excellon Resources being one of the highest grade silver producers in Mexico. Not only does Pluton lie in a similar geological environment to La Platosa, but it is also immediately along strike from the past producing La Ojuela mine, historically one of the richest silver mines in Mexico and one of the first mines to be acquired by Peñoles in the late 1800's. La Ojuela was in production for over 350 years. Targets have been identified for gravity and seismic surveys to identify drilling targets. At Peñasco Quemado silver mineralization has been traced along a 2 kilometres strike length and four high priority geophysical targets have been identified. At La Frazada two silver bearing veins have been identified and have been traced along a strike length of about 3 kilometres.

The Phase 1 drill program will be for 1,500 metres drilling on each of the La Frazada and Peñasco Quemado projects, where drilling will focus on confirming historic resources and testing for extensions. On May 18, 2021 the Company announced the appointment of a mining contractor to safely access underground workings at the La Frazada project. Over 3 kilometres of underground workings have been identified as being potentially accessible, work has commenced to clean and making safe adits and drifts which will be geologically mapped and systematically channel sampled. The suitability of sites for underground diamond drilling will also be evaluated.

### SUMMARY OF QUARTERLY RESULTS

A summary of the Company's quarterly results for the 8 most recent quarters is as follows:

<b>Three Months Ended:</b>	<b>Jun 30, 2021</b>	<b>Mar 31, 2021</b>	<b>Dec 31, 2020</b>	<b>Sep 30, 2020</b>
Total revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss	(\$650,875)	(\$1,681,470)	(\$5,009)	(\$60,551)
Net loss per share (basic and diluted) <sup>1,2</sup>	(\$0.02)	(\$0.10)	(\$0.01)	(\$0.01)

<b>Three Months Ended:</b>	<b>Jun 30, 2020</b>	<b>Mar 31, 2020</b>	<b>Dec 31, 2019</b>	<b>Sep 30, 2019</b>
Total revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss	(\$17,094)	(\$14,241)	(\$17,503)	(\$17,765)
Net loss per share (basic and diluted) <sup>1,2</sup>	(\$0.06)	(\$0.03)	(\$0.04)	(\$0.04)

<sup>1</sup> Due to rounding, the sum of the quarterly net loss per share amounts may not equal the annual net loss per share amount.

<sup>2</sup> Post 10:1 consolidation

The net loss for the quarter ended June 30, 2021 was higher than other quarters, other than the quarter ended March 31, 2021, primarily due to consulting and advisory fees of \$224,429 investor relations and marketing expenses of \$387,644 recognized during the quarter.

The net loss for the quarter ended March 31, 2021 increased primarily due to a non-cash share-based compensation expense of \$1,482,550 arising from the granting of 2,450,000 options during the quarter.

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The net loss for the quarter ended December 31, 2020 decreased compared to prior quarters as certain legal and professional costs associated with the acquisition of the properties associated with the Qualifying Transaction were reversed, which was partially offset by accruals of audit fees for the year-ended December 31, 2020. The net loss for the quarters September 30, 2020 was primarily due to charges for accounting and audit, filing fees and legal fees which were incurred primarily with respect to the Qualifying Transaction. The net loss for the quarters ended June 30, 2020 and March 31, 2020 was primarily due to charges for filing fees, accounting and audit fees and legal fees. The net loss for the quarter ended December 31, 2019 and September 30, 2019 was due to charges for filing fees, accounting and audit fees and legal fees.

### RESULTS OF OPERATIONS

#### *Six months ended June 30, 2021*

During the six months ended June 30, 2021, the Company reported a net loss of \$2,332,345 and a loss per share of \$0.11 (2020- loss of \$31,335 and loss per share of \$0.06).

	2021 \$	2020 \$
<b>Expenses</b>		
Accounting and audit	37,193	11,000
Consulting and advisory fees	288,535	-
Filing and listing fees	32,072	5,862
Investor relations and marketing	471,722	-
Insurance	2,657	-
Legal and professional fees	25,582	9,756
Transfer agent fees	17,566	1,767
Rent	11,375	1,500
Bank charges and interest	973	1,403
Office and miscellaneous	4,268	47
Share-based compensation	1,482,550	-
Foreign exchange (loss) gain	(42,148)	-
<b>Loss for the period</b>	<b>(2,332,345)</b>	<b>(31,335)</b>
Currency translation differences	(140,253)	-
<b>Total comprehensive loss</b>	<b>(2,472,598)</b>	<b>(31,335)</b>

The loss for the six months ended June 30, 2021, increased in comparison to 2020 due primarily to the overall advancement of the Company's operations as well as the closing of the Qualifying Transaction.

The primary changes in expenses are as follows:

- i) Accounting and audit - \$37,193 (2020 - \$11,000)  
The increase is a result of additional costs incurred with the closing of the Qualifying Transaction and other support and accounting services.
- ii) Consulting and advisory fees \$288,535 (2020- \$nil)  
This increase relates to the overall increase in the Company's operations.

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- iii) Filing and Listing fees \$32,072 (2020 – \$5,862)  
The increase from prior comparable period is a result of closing of the private placements during the six months ended June 30, 2021.
- iv) Investor Relations and Marketing \$471,722 (2020 – \$nil)  
The increase is a result of increased activity in promoting and marketing the Company during the six months ended June 30, 2021.
- v) Legal and professional fees \$25,582 (2020 - \$9,756)  
The increase is a result of additional costs incurred with the closing of the Qualifying Transaction and other support services related to the overall increase in the Company's operations.
- vi) Transfer agent fees \$17,566 (2020 - \$1,767)  
The increase in costs from prior quarter is a result of the costs associated with the closing of the private placements during the six months ended June 30, 2021, and increased share activity.

Other items impacting loss for the period include:

- i) Share-based compensation expenses \$1,482,550 (2020- \$nil)  
During the six months ended June 30, 2021, 2,450,000 options were granted to directors and officers of the Company resulting in an increase in share-based compensation expense being recorded. Share-based compensation is a non-cash expense.

### Three months ended June 30, 2021

During the three months ended June 30, 2021, the Company reported a net loss of \$650,875 and a loss per share of \$0.03 (2020- loss of \$17,094 and loss per share of \$0.03).

	2021 \$	2020 \$
<b>Expenses</b>		
Accounting and audit	18,255	2,503
Consulting and advisory fees	224,429	-
Filing and listing fees	8,425	4,137
Investor relations and marketing	387,644	-
Insurance	2,657	-
Legal and professional fees	23,042	7,183
Transfer agent fees	6,315	906
Rent	6,137	1,500
Bank charges and interest	468	818
Office and miscellaneous	3,820	47
Share-based compensation	-	-
Foreign exchange (loss) gain	(30,317)	-
<b>Loss for the period</b>	<b>(650,875)</b>	<b>(17,094)</b>
Currency translation differences	(86,562)	-
<b>Total comprehensive loss</b>	<b>(737,437)</b>	<b>(17,094)</b>

The loss for the three months ended June 30, 2021, increased in comparison to 2020 due primarily to the overall advancement of the Company's operations as well as the closing of the Qualifying Transaction.

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The primary changes in expenses are as follows:

- i) Accounting and audit - \$18,255 (2020 - \$2,503)  
The increase is a result of additional costs incurred with the closing of the Qualifying Transaction and other support and accounting services.
- ii) Consulting and advisory fees \$224,429 (2020- \$nil)  
This increase relates to the overall increase in the Company's operations. These costs were not incurred in prior comparable period as there was an increase in the company's activities during current fiscal year.
- iii) Filing and Listing fees \$8,425 (2020 – \$4,137)  
The increase from prior comparable period is a result of additional filing fees being incurred that were not applicable in prior period.
- iv) Investor Relations and Marketing \$387,644 (2020 – \$nil)  
The increase is a result of increased activity in promoting and marketing the Company during the three months ended June 30, 2021.
- v) Legal and professional fees \$23,042 (2020 - \$7,183)  
The increase is a result of additional costs incurred with increased support services related to the overall increase in the Company's operations.
- vi) Transfer agent fees \$6,315 (2020 - \$nil)  
The increase in costs from prior comparable period is a result of changing of transfer agents and share activity.

## FINANCING ACTIVITIES

On January 8, 2021, Silverton, through Silverton Finco Inc. ("Finco"), completed its private placement offering through the issuance of 9,250,000 subscription receipts (each, a "Subscription Receipt") at a price of \$0.80 per Subscription Receipt for aggregate gross proceeds of \$7,400,000 (the "Brokered Private Placement"). The Brokered Private Placement was completed by a syndicate of underwriters (the "Agents"). As a result of closing of the Transaction, each Subscription Receipt automatically converted, on March 2, 2021, into one common share of Silverton and one Silverton common share purchase warrant (each a "Silverton Warrant"). Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of \$1.15 per share until March 2, 2024.

In connection with the closing of the Brokered Private Placement, the Agents received a cash commission equal to 6% of the gross proceeds from the Brokered Private Placement. In addition, the Agents received non-transferable common share purchase warrants equal to 6% of the number of Subscription Receipts issued under the Brokered Private Placement (each a "Broker Warrant"). Upon completion of the Transaction, each Broker Warrant will be exercisable into one Silverton Share at an exercise price of \$0.80 for a period of 24 months from the escrow release date. In addition, the Company incurred cash finders' fees of \$647,213, other cash issuance costs of \$82,615, and issued 555,555 finders' warrants with a fair value of \$350,252.

On March 2, 2021, Silverton, through Finco, completed a non-brokered private placement for 2,324,000 units (each a "Unit") at a price of \$0.80 per Unit for total proceeds of \$1,859,200 (the "Non-Brokered Private Placement"). As a result of closing of the Transaction, each holder of the Units received one Silverton Share and one Silverton Warrant. Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of \$1.15 until March 2, 2024.

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**LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2021, the Company had cash of \$5,095,813 compared to \$253,877 at December 31, 2020. The net increase in cash for the period is primarily due to the Company's cash used in operating activities of \$2,278,558 and investing activities of \$1,429,267, offset by cash from financing activities of \$8,555,082.

The Company's total liabilities outstanding as of June 30, 2021, were \$1,820,225, with \$570,225 being classified as current liabilities. The Company's working capital as at June 30, 2021 was \$6,012,722.

The Company has not pledged any of its assets as security for loans and is not otherwise subject to any debt covenants.

The Company's working capital has increased significantly subsequent to December 31, 2020 as a result of the closing of the Qualifying Transaction and concurrent private placements, the proceeds of which will be used to primarily advance the exploration of the Silver Properties. The Company will continue to be dependent upon share issuances to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to explore its mineral properties in the future.

At June 30, 2021, the Company's commitments primarily arise from the KCP acquisition deferred cash consideration payable of \$1,250,000 and the annual maintenance fees payable to the Mexican authorities for maintenance of the claims on the Silver Properties.

**RELATED PARTY TRANSACTIONS**

Key management comprises the Directors, officers and consulting geologist of the Company. Compensation paid or accrued to key management or companies controlled by key management personnel during the three and six months ended June 30, 2021 and 2020 was as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>	June 30,	<b>June 30,</b>	June 30,
	<b>2021</b>	2020	<b>2021</b>	2020
	\$	\$	\$	\$
Professional fees	<b>10,433</b>	-	<b>19,833</b>	-
Management, consulting and advisory	<b>65,452</b>	-	<b>87,330</b>	-
Share-based compensation	-	-	<b>1,306,056</b>	-
	<b>75,885</b>	-	<b>1,413,219</b>	-

Professional fees represent fees charged by Malaspina Consultants Inc. ("Malaspina"), a Company controlled by the Chief Financial Officer of the Company for the provision of CFO services. The Company has a consulting agreement with Malaspina, a company controlled by Mr. Ruby, for the provision of CFO and non-CFO accounting and advisory services. The consulting agreement can be terminated with sixty days' notice.

Management, consulting and advisory charges represent fees paid to (i) John Theobald, the Chief Executive Officer and (ii) Gunther Roehlig, a Director, each for the purposes of management, corporate governance, strategic support and development of corporate affairs; (iii) Gordon Wylie, a Director, for directors' fees; and (iv) to Raul Diaz\*, the Company's consultant geologist for the planning, management and oversight of exploration activities of the Company. During the three and six months ended the following management and consulting fees were charged for each of the foregoing parties:

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	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
John Theobald	30,000	-	39,917	-
Gunther Roehlig	12,000	-	16,000	-
Gordon Wylie	5,001	-	6,664	-
Raul Diaz*	18,451	-	24,749	-
	65,452	-	87,330	-

\* Related party based on application of definitions in IAS-24 Related Party Disclosures

During the three and six months ended June 30, 2021, the Company incurred professional fees of \$6,910 and \$13,663 (2020 - \$6,411 and \$10,909) for the provision of non-CFO accounting and advisory support services charged by Malaspina.

On June 1, 2020 the Company entered into an office rental agreement with Hello Pal Inc., a company with a common director. The rental agreement is on a monthly recurring basis for a monthly charge of \$1,500 and may be terminated by either party on 30 days' notice to the other party. As at June 30, 2021, a balance owing to Hello Pal Inc. of \$nil (December 31, 2020 - \$1,575) is included in accounts payable and accrued liabilities. All transactions with related parties have occurred in the normal course of operations.

Included in accounts payable and accrued liabilities at June 30, 2021 are amounts due to related parties of \$3,056 (December 31, 2020 - \$2,168) owing to Malaspina for the provision of CFO, and non-CFO accounting and advisory support services. These amounts are non-interest bearing and due on normal commercial terms.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of accounts payable and accrued liabilities, promissory note payable and due to shareholders, the fair value of which approximates carrying value due to the short-term nature of these instruments. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

## ADOPTION OF NEW ACCOUNTING STANDARDS

The Company did not adopt any new accounting standards as of January 1, 2021 which had a material impact upon adoption.

## FUTURE ACCOUNTING STANDARDS AND PRONOUNCEMENTS

New standards issued but not yet effective at June 30, 2021 are not currently expected to have a material impact on the Company's financial statements.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in paying its financial liabilities. The Company manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing

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activities. Accounts payable are due under normal commercial terms. As at June 30, 2021, the Company had cash of \$5,095,813 (December 31, 2020 - \$253,877) to settle liabilities of \$570,225 (December 31, 2020- \$57,668) due within 12 months.

Prior to the Company completing its Qualifying Transaction the proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions applied through out Q1 2021 until the completion by the Company of its Qualifying Transaction. As the Company did not originally complete a qualifying transaction in the expected time period, additional costs have been incurred to cover the Company's general expenses. This has resulted in the Company exceeding this restriction.

### Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash balances earn market rates of interest, therefore, is not exposed to fair value risk from interest rate fluctuations. The Company is not exposed to significant interest rate risk.

### Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the party by failing to pay for its obligations. The Company is subject to credit risk with respect to its cash balances. The Company mitigates credit risk by depositing cash with a Canadian schedule I chartered bank and monitoring the bank's credit ratings.

## OUTSTANDING SHARE DATA

### Authorized

The Company is authorized to issue an unlimited number of common shares.

The table below summarizes the Company's issued and outstanding common shares, and stock options and warrants that are convertible into common shares as of May 28, 2021:

Issued and outstanding common shares <sup>1</sup>	27,336,500
Share options with a weighted average exercise price of \$1.00	2,450,000
Share purchase warrants with a weighted average exercise price of \$1.13	12,129,000
<b>Fully diluted</b>	<b>41,915,500</b>

<sup>1</sup> Of the issued and outstanding common shares, 4,144,500 are held in escrow, which were placed in a time release escrow with 10% released upon closing of the Qualifying Transaction on March 2, 2021 and a further 15% to be released each subsequent six months thereafter.

## RISKS AND UNCERTAINTIES

As a result of completing its Qualifying Transaction the Company has now become an exploration stage company and faces risks and uncertainties similar to other companies in the exploration sector. Accordingly, the Company is engaged in the exploration, development and exploitation of mineral resources for base metals and precious metals. Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. The properties of the Company are without a known body of commercial ore. The exploration programs undertaken and proposed constitute an exploratory search and there is no assurance that the Company

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will be successful in its search. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Acquisition of rights to the mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated the title to all of the properties for which it holds concessions or in respect of which it has a right to earn an interest, the Company cannot give any assurance that title to such properties will not be challenged or impugned. The Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or governmental actions. The Company can never be certain that it or its option partners will have valid title to its mineral properties. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under law are often complex. The Company does not carry title insurance on its properties. A successful claim that the Company or its option partner does not have title to a property could cause the Company to lose its rights to that property, perhaps without compensation for its prior expenditures relating to the property. The occurrence of any such event could have a material adverse effect on the Company and its prospects.

The Company requires licenses and permits from various governmental authorities to carry out exploration and development of its projects. Obtaining permits can be a complex, time consuming process as well as dealing with changing governmental law and regulation. There can be no assurance that the Company will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. In addition, the requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance that the Company will have the resources or expertise to meet its obligations under such licenses and permits.

Other operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks. The Company is not insured against risks, nor are all risks insurable.

The Company has experienced losses in operations in prior years and has an accumulated deficit position. The Company expects to incur losses for the foreseeable future. The Company has not paid any dividends in the past nor does it expect to do so in the foreseeable future. The continuation of the Company's operations is subject to its ability to continue to be able to raise funding to support its operations. While the Company has been successful to date in raising funding there is no guarantee that it will continue to do so in the future.

The profitability of the Company's operations, if ever established, will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of copper, gold and silver by central banks, forward sales by producers, production, industrial and jewellery demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The Company's revenues and earnings also could be affected

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by the prices of other commodities as well so by the price of copper, gold, silver or zinc. The prices of these commodities are affected by numerous factors beyond the Company's control.

The Company is dependent upon share issuances to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to explore its mineral properties. Issuances of additional securities will result in dilution of the equity interests of the Company's shareholders. The Company may issue additional common shares in the future as further capital is required and on the exercise of outstanding options or other convertible securities issued from time to time. Sales or issuances of substantial amounts of additional securities, or the availability of such securities for sale, could adversely affect the market prices for the Company's securities. A decline in the market prices of securities of the Company could impair the Company's ability to raise additional capital through the sale of new common shares should it desire to do so. In addition, if additional common shares or securities convertible into common shares are sold or issued, such sales or issuances may substantially dilute the equity interests of the Company's holders of common shares.

The Company is also subject to regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

Companies in all industries, including the mining industry, are subject to legal claims from time to time, some of which have merit and others of which do not. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company may become subject could have a material effect on the Company's financial position, results of operations or the Company's property development.

Companies in all industries, including the mining industry, are susceptible to cyber risk. The Company's primary operational exposure to cyber risk is with respect to proprietary geological, geochemical and exploration data and related models. The Company, similar to companies in all industries, is exposed to common place cyber risks such as, but not necessarily limited to, phishing, spam, fraudulent attacks, denial of service attacks, data loss, data theft, data corruption. The Company outsources its IT management to IT professionals who implement, among other controls and mitigation strategies, system access and authentication controls, transactional authentication, system activity logging, audit trails, "exception" handling, on-prem and off-prem backup and storage of the Company's data.

### **COVID-19**

During 2020, significant changes in the stock market have occurred for various reasons linked to the COVID-19 global pandemic. The impacts to the Company of further market changes, arising from COVID-19 are not determinable at this date, however these could be material to the Company's ability to raise new capital and thus the Company's financial position, results of operation and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted. As at June 30, 2021, COVID-19 has not had a material impact on the Company's operations or ability to raise finance.

### **DISCLOSURE CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the three and six months ended June 30, 2021 and this accompanying MD&A (together, the "Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and

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internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).