Guanajuato Silver CO LTD

Management's Discussion and Analysis

For the year and three months ended December 31, 2021

Guanajuato Silver CO LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Guanajuato Silver Company Ltd. ("GSilver" or the "Company"), formerly VanGold Mining Corp., for the year ended December 31, 2021, and the related notes contained therein, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company uses certain non-IFRS financial measures in this MD&A as described under "Non-IFRS Measures". Additional information relating to the Company, including the most recent Annual Information Form (the "Annual Information Form"), is available on SEDAR at www.sedar.com. All amounts are expressed in United States ("US") dollars unless otherwise stated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences.

This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained therein. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of April 25, 2022, unless otherwise stated.

QUALIFIED PERSON

The scientific and technical information contained in this MD&A relating to the Company's mines and mineral projects has been reviewed and approved by Hernan Dorado Smith, MBA and a Qualified Person by the Mineral and Metallurgical Society of America, Chief Operating Officer and director of GSilver, and a Qualified Person with the meaning of National Instrument 43-101, "Standards for Disclosure of Mineral Projects."

FORWARD-LOOKING STATEMENTS

Certain sections of this MD&A contain forward-looking statements and forward-looking information. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements or forward-looking information, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements and forward-looking information contained or incorporated by reference in this MD&A may relate to the Company's future financial condition, results of operations, plans, objectives, performance or business developments including, among other things, potential property acquisitions, exploration and work programs, permitting and drilling plans and timing of permitting approvals and drilling, the performance characteristics of the Company's exploration and evaluation assets, exploration results of various projects of the Company, projections of market prices and costs, supply and demand for gold, silver and other precious metals, expectations regarding the ability to raise capital and to acquire resources and/or reserves through acquisitions and/or development, treatment under governmental regulatory regimes and tax laws, and capital expenditure programs and the timing and method of financing thereof. Forward-looking statements and forward-looking information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements and information, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment, adverse weather conditions, COVID 19 or otherwise; (2) permitting, access, exploration, expansion and acquisitions at our projects (including, without limitation, land acquisitions for and permitting of exploration, development and production plans) being consistent with the Company's current expectations; (3) the viability, permitting, access, exploration, development and operation of the El Cubo and El Pinguico properties being consistent with the Company's current expectations; (4) political developments in Mexico including, without limitation, the implementation of new mining laws and related regulations being consistent with the Company's current expectations; (5) the exchange rate between the Canadian dollar and the U.S. dollar or between the Canadian dollar and the Mexican Peso being approximately consistent with current levels; (6) certain price assumptions for gold, silver and other precious metals; (7) prices for and availability of equipment, labor, natural gas, fuel oil, electricity, water and other key supplies remaining consistent with current levels; (8) the results of the Company's exploration, development and production programs on the El Cubo and El Pinguico properties being consistent with the Company's expectations; (9) labour and materials costs increasing on a basis consistent with the Company's current expectations; and (10) the availability and timing of additional financing being consistent with the Company's current expectations. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and forward-looking information. Such factors include, but are not limited to: the timing and availability of additional capital, fluctuations in the currency markets; fluctuations in the spot and forward price of gold, silver or other commodities (such as diesel fuel and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Mexico, or other countries in which the Company may carry on business in the future; business opportunities that may be presented to, or pursued by, us; our ability to successfully integrate acquisitions; operating or technical difficulties in connection with exploration, development and production activities; employee relations; the speculative nature of silver and gold exploration and development, including the risks of obtaining necessary licenses and permits; competition for, among other things, capital, acquisitions of resources and/or reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, geological, technical, drilling and processing problems, fluctuations in foreign exchange or interest rates and stock market volatility, changes in income tax laws or changes in tax laws and incentive programs relating to the mineral resource industry; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and silver and gold concentrate losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks). Many of these *uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements or forward-looking information made by, or on behalf of, the Company. There is also uncertainty about the spread of COVID-19 and variants of concern and the impact they will have on the Company's operations, personnel, supply chains, ability to access properties or procure exploration equipment, contractors and other personnel on a timely basis or at all and economic activity in general. There can be no assurance that forward-looking statements and forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. Forward-looking statements and forward-looking information are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements and forward-looking information made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada including, but not limited to, the Financial Statements. These factors are not intended to represent a complete list of the factors that could affect the Company and readers should not place undue reliance on forward-looking statements or forward-looking information in this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements and forward-looking information, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements and forward-looking information, except to the extent required by applicable law.*

The forward-looking statements and forward-looking information contained herein are based on information available as of April 25, 2022.

(The city of Guanajuato in the state of Guanajuato,Mexico)

TABLE OF CONTENTS

(CEO, James Anderson and Director, Richard Silas, underground at the El Cubo Mine)

OPERATING HIGHLIGHTS

Commercial production at the El Cubo-Villalpando Mine commenced on October 1, 2021, and hence there are no comparable operational and financial results for revenue, cost of sales and earnings from mine operations for the last quarter of 2021.

	Three Months Ended			Year Ended		
	Dec 31 2021	Dec 31 2020	Change	Dec 31 2021	Dec 31 2020	Change
Operating			%			%
Tonnes mined	89,082	-	100%	89,082	-	100%
Tonnes milled	77,524	-	100%	77,524	-	100%
Silver ounces produced	124,750	-	100%	124,750	-	100%
Gold ounces produced	1,440	-	100%	1,440	-	100%
Silver equivalent ounces produced[1]	239,968	-	100%	239,968	-	100%
Cost per tonne[5]	63.35	-	100%	79.10	-	100%
Cash cost per AgEq ounce[1][2]	20.36	-	100%	25.45	-	100%
AISC per AgEq ounce[1][3]	33.31	-	100%	73.70	-	100%
					-	
Financial	$	$	%	$	$	%
Revenue	4,116,811	-	100%	4,116,811	-	100%
Cost of Sales	6,350,863	-	100%	6,350,863	-	100%
Mine operating loss	(2,234,052)	-	100%	(2,234,052)	-	100%
Net loss	(4,746,245)	(913,110)	420%	(11,849,800)	(1,721,817)	585%
EBITDA[4]	(2,858,086)	(916,360)	212%	(9,312,481)	(1,727,987)	439%
Silver ounces sold	105,203	-	100%	105,203	-	100%
Gold ounces sold	1,179	-	100%	1,179	-	100%
Silver equivalent ("AgEq") ounces sold[1]	199,526	-	100%	199,526	-	100%
Realized silver price per ounce[6]	23.35	-	100%	23.35	-	100%
Realized gold price per ounce[6]	1,784.02	-	100%	1,784.02	-	100%
Working Capital	1,670,108	4,278,429	(61%)	1,670,108	4,278,430	(61%)
Shareholders						
Loss per share - basic and diluted	$(0.02)	$(0.01)	165%	$(0.06)	$(0.02)	201%
Weighted Average Shares Outstanding	210,531,741	107,456,590	NA	183,697,735	80,921,448	NA

1. Silver equivalents are calculated using an 80:1 (Ag/Au) ratio.
2. Cash cost per silver equivalent ounce include mining, processing and direct overhead. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021. See Reconciliation to IFRS on page 24.
3. AISC per oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021. See Reconciliation to IFRS on page 24.
4. See Reconciliation of earnings before interest, taxes, depreciation and amortization on page 23.
5. See "Non-IFRS measures"
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.

The above highlights are key measures used by management; however, they should not be the sole measures used in determining the performance of the Company's operations.

As at December 31,	2021	2020
Cash and cash equivalents	8,234,043	4,179,962
Total assets	51,319,876	7,873,129
Debt	8,181,349	21,756
Shareholders' equity	30,800,562	7,657,251

COMPANY HISTORY, OVERVIEW & STRATEGY

GSilver is a precious metals producer engaged in reactivating past producing silver and gold mines near the city of Guanajuato, Mexico. The Company is currently producing silver and gold at its 100% owned El Cubo mine and mill (the "El Cubo Complex"), while simultaneously advancing the nearby El Pinguico Mine Project ("El Pinguico"). Both projects are located within 11km of the city of Guanajuato, which has an established 480-year mining history.

The Company was incorporated under the *Business Corporations Act* of British Columbia in 1978 and is a publicly traded company on the TSX Venture Exchange ("TSX.v") under the symbol "GSVR" and quoted on the OTCQX over-the-counter market in the USA under the symbol "GSVRF". The Company's head office, as well as its registered and records offices, is located at Suite 578 - 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1.

The Company's focus is to develop mining operations within central Mexico through the advancement of its existing mineral concessions and through acquisition of additional operations and mineral resources and reserves, principally in the Guanajuato area.

General location of the El Cubo and El Pinguico properties

Acquisition of El Cubo Complex

On March 16, 2021, the Company signed a definitive asset purchase agreement (the "Agreement") with Endeavour Silver Corp. ("Endeavour") to acquire the El Cubo Complex in Guanajuato, Mexico and on April 9, 2021, asset purchase transaction closed. As consideration for the El Cubo Complex, the Company:

a) paid a non-refundable cash deposit of $500,000 on December 18, 2020.
b) paid $7,000,000 cash on closing
c) issued 21,331,058 common shares of the Company on closing with a fair value of $9,835,451
d) issued a $2,500,000 unsecured, non-interest-bearing promissory note due on April 8, 2022. A market discount rate of 13% was used to calculate $2,212,389, the fair value of the promissory note.
e) The Company also incurred legal and regulatory costs of $51,461.

Management determined that the acquisition of El Cubo Complex did not meet the definition of a business in accordance with IFRS 3 Business Combinations. Accordingly, the acquisition was accounted for as an asset acquisition. The fair value of the consideration paid and its allocation to the assets and liabilities acquired consisted of:

Consideration		
Cash deposit	$	500,000
Cash		7,000,000
Shares		9,835,451
Promissory note		2,212,389
Contingent payment		750,000
Transaction cost		51,461
Total	**$**	**20,349,301**

Fair Value of Net Assets Acquired		
Plant and Equipment	$	8,985,000
Other equipment		45,000
Surface Land		4,500,000
Mineral Properties		11,419,301
Reclamation and Rehabilitation provision		(4,600,000)
Total	**$**	**20,349,301**

Promissory note:

Consideration		
Promissory note	$	2,500,000
Discount		(287,611)
As of April 9, 2021		2,212,389
Accretion		180,221
Loss on settlement		82,390
Payment		(2,475,000)
As of December 31, 2021	**$**	**-**

On November 17, 2021, the Company repaid the outstanding promissory note of $2,500,000 plus deemed interest of $262,611 to Endeavour. In consideration for the early prepayment, Endeavour reduced the issued principal amount of the note by $25,000 and agreed to settle the associated Mexican value added tax ("VAT") payable for common shares of the Company. As a result, the Company issued 901,224 common shares to Endeavour to settle VAT of $400,000.

Additionally, the Agreement requires certain contingent payments to Endeavour as follows:

a) $1,000,000 upon the Company producing 3,000,000 ounces of silver equivalent ounces at from the El Cubo Complex from material derived from either El Cubo or from El Pinguico (Contingent Payment #1). At the Company's option, the Company can issue common shares for up to 50% of Contingent Payment #1, based on the volume weighted average trading price of the Company's common shares for the 10 trading days immediately preceding the date of such payment. The Company has accrued this liability as a long-term payable on its statement of financial position.

b) $1,000,000 if the London Bullion Market Association ("LBMA") spot price of gold closes at or above $2,000 per ounce for 20 consecutive trading days within two years after closing.

c) $1,000,000 if the LBMA spot price of gold closes at or above $2,200 per ounce for 20 consecutive trading days within three years after closing.

The Company has accrued a total of $750,000 for contingent payment #2 and contingent payment #3 as other current liabilities on the statement of financial position.

On July 27, 2021, the Company entered into a 17-month contract with MGA Contratista Minera S.A. de C.V. ("MGA") for contract mining services and stockpiling of mineralized material commenced. The Company completed the refurbishment of the El Cubo Mill on time and on budget at the end of the third quarter and began processing silver and gold bearing material at its El Cubo mill from both its El Pinguico and El Cubo properties (the "Combined Project") with initial production at 22,500 tonnes per month ramping up to a stable throughput of approximately 30,000 tonnes per month**.** The Company is producing silver and gold concentrate which is being sold in bulk to Ocean Partners UK Ltd. ("Ocean Partners") which the Company has an 18-month silver and gold concentrate sales agreement with and which commenced in October 2021.

Additionally, in the fourth quarter of 2021, the Company's subsidiary, Obras Mineras el Pinguico S.A. de C.V. (OMPSA), signed a new two year Collective Bargaining Agreement ("CBA") with El Sindicato Nacional De Trabajores Mineros, Metalúrgicos, Siderúrgicos y Similares De La Republica Mexicana ("the **Union**"), the union representing workers at the Company's El Cubo mining operations. The signing of the CBA provides a new framework for labour relations and increased stability for the Company over early stages of the Company's operations.

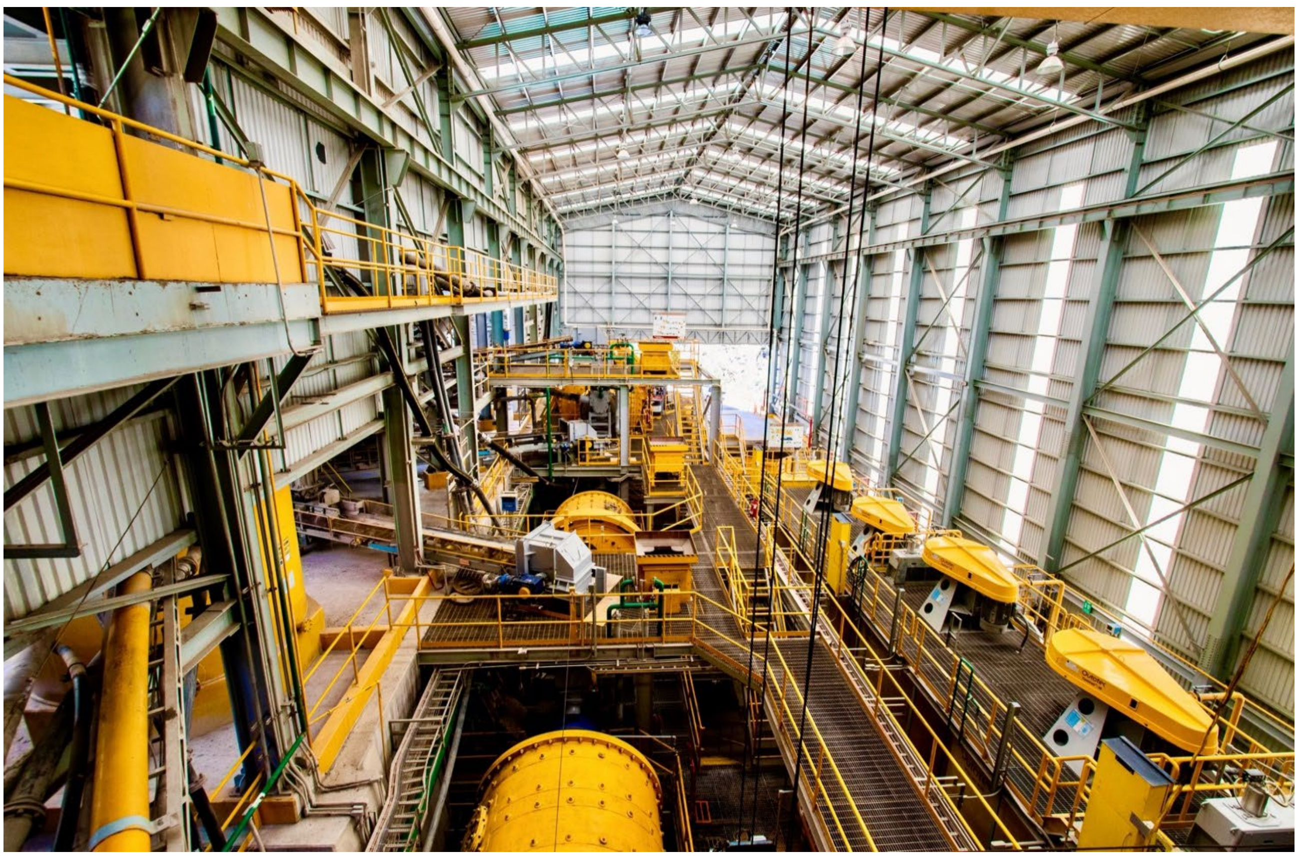
Other Exploration

GSilver also owns several exploration properties which include Segunda Ampliación Pinguico, Patito I and II mineral concessions located within 15 kilometres ("km") of Guanajuato, Mexico. The Analy I and II exploration projects are located 25 km east of San Miguel de Allende, as well as the El Ruso and Ysabela mineral concessions, which are located within the state of Guanajuato, some 200 km east of Guanajuato City, and the Camila mineral concession located near the El Ruso and Ysabela claims, in the state of Queretaro. See *Mine Development and Exploration* below.

Going Concern

As of December 31, 2021, the Company started producing and selling silver and gold concentrate, generated mine operating loss of $2,234,052, negative cash flows from operating activities of $8,929,043, and has an accumulated deficit of $49,455,546. These factors give rise to material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows from operating activities or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from operations or external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that cash flows from operations or additional financing will not be available on a timely basis or on terms acceptable to the Company.

The Company has historically funded its acquisition, exploration and development activities through equity financings and debt facilities. The Company may choose to fund additional capital requirements through equity, debt, convertible debentures or other financings, on an as-needed basis, in order facilitate growth or fund operations until the Company achieves positive cash flow.



Guanajuato Silver CO LTD

OPERATING RESULTS

	Three Months Ended			Year Ended		
	Dec 31 2021	Dec 31 2020	Change %	Dec 31 2021	Dec 31 2020	Change %
Unit Operation						
Tonnes mined	89,082	-	100%	89,082	-	100%
Tonnes milled	77,524	-	100%	77,524	-	100%
Average tonnes milled per day						
Average silver grade (g/t)	62.36	-	100%	62.36	-	100%
Average gold grade (g/t)	0.75	-	100%	0.75	-	100%
Average silver recovery (%)	82.9	-	100%	82.9	-	100%
Average gold recovery (%)	78.8	-	100%	78.8	-	100%
Production						
Silver ounces produced	124,750	-	100%	124,750	-	100%
Gold ounces produced	1,440	-	100%	1,440	-	100%
Silver equivalent ounces produced[1]	239,968	-	100%	239,968	-	100%
Sales						
Silver ounces sold	105,203	-	100%	105,203	-	100%
Gold ounces sold	1,179	-	100%	1,179	-	100%
Silver equivalent ounces sold	199,526	-	100%	199,526	-	100%
Realized silver price per ounce ($)[5]	23.35	-	100%	23.35	-	100%
Realized gold price per ounce ($)[5]	1,784.02	-	100%	1,784.02	-	100%
Costs						
Cash cost per AgEq ounce ($)[3]	20.36	-	100%	25.45	-	100%
All-in sustaining cost per AgEq ounce ($)[4]	33.31	-	100%	73.70	-	100%
Production cost per tonne ($)[2]	63.35	-	100%	79.10	-	100%
Capital expenditures ($000's)						
Sustaining	2,163,893	-	100%	10,636,780	-	100%

1. Silver equivalents are calculated using an 80:1 (Ag/Au) ratio.
2. Production costs include mining, milling, and direct overhead at the operation sites. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021. See Reconciliation to IFRS on page 24.
4. AISC per oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021. See Reconciliation to IFRS on page 24.
5. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.

Production

During the year, the Company produced 239,968 silver equivalent ounces, consisting of 124,750 ounces of silver and 1,440 ounces of gold after completion of refurbishment of the EL Cubo Complex processing facility.

Total ore processed amounted to 77,524 during the quarter and the year and was comprised of ore from El Cubo-Villalpando and the El Pinguico above ground stockpile. The El Cubo mill's maximum capacity is 45,000 tonnes per month. Over the 4th quarter of 2021, the Company ramped up the material processed at the El Cubo mill reaching 33,000 tonnes processed during the month of December. The Santa Cecilia area commenced production in December, joining El Cubo-Villalpando and El Pinguico as the Company's third source of mineralized material. The Company anticipates average grades to increase in 2022 with the inclusion of mineralized material from Santa Cecilia in the production schedule.

Silver grades in the quarter and the year averaged 62.36 g/t and gold grades averaged 0.75 g/t mainly due to the immediate availability of lower grade operating stopes at Villalpando and the addition of more Pinguico material.

The Pinguico surface stockpile provided over 21,000 of mineralized material averaging 0.56 g/t of gold and 49.2 g/t of silver during this period of time. Recoveries averaged 75% for silver and 78% and for the Pinguico mineralized material, performing better than the 1,000-tonne bulk sample test conducted on this material in 2019.

Cash Cost and All-In Sustaining Cost per Ounce

Cash cost per AgEq ounce produced for the quarter and the year were $20.36 and $25.45 respectively, in line with expectation, and primarily due to the initial work related to re-starting the operations at the Villalpando and Pinguico Mines. Such initial work required preparing and filling some of the stopes with a different mining method (long hole stopping) in the Villalpando mine, the 2175, 4-1500 and 1850 stopes. The Company has identified various projects to be implemented over the next 12 months to improve production and reduce costs at both the mine and processing plant.

All-in Sustaining Cost ("AISC") per AgEq ounce produced in the quarter and the year were $33.31 and $73.70 per ounce primarily attributed to cash costs, combined with sustaining capital costs related to the initial refurbishment of the Cubo-Villalpando site, including the processing plant and the underground mine during the fourth quarter of 2021 and commencement of production during the last quarter of the year.

MINE DEVELOPMENT AND EXPLORATION

The Combined Project is located within the major epithermal mineral vein system common to the Guanajuato area and together share many of the same geological, mineralogical, metallurgical characteristics, and mining methods. El Cubo is approximately 8 kilometers (km) from El Pinguico. Both properties utilize El Cubo's existing mill infrastructure and administration facilities, processing blended (or campaigned) mineralized material from the El Cubo mine and the El Pinguico stockpiles.

El Pinguico is located approximately 7 km southeast of the City of Guanajuato and 8 km southwest by road of the El Cubo property. Due to the proximity of Guanajuato, the area offers excellent infrastructure with paved and well-maintained gravel district roads, local grid power to both projects, as well as a local skilled labor force.

Mining on the El Cubo property has occurred since the 17th Century. In the 19th and 20th Centuries, mining at El Cubo focused on northwest striking veins known as the Villalpando, Dolores, La Loca, and La Fortuna.

El Cubo Complex

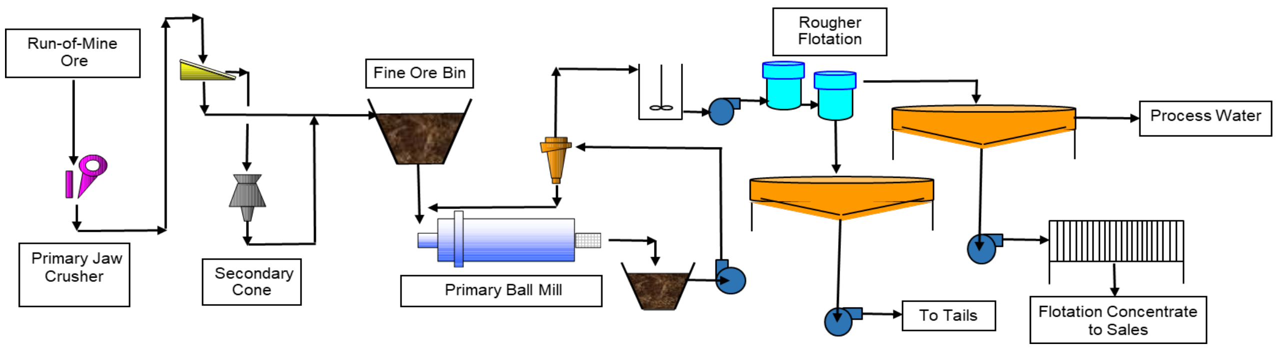
(El Cubo mill)

The Company completed the refurbishment of the El Cubo mill in September 2021, with crushing and grinding of mill feed from El Cubo commencing on October 8, 2021, after GSilver had accumulated over 20,000 tonnes of stockpiled material in the El Cubo storage yard.

The completed $3.5 million in planned upgrades at the El Cubo floatation processing plant included cleaning and refurbishing the ball mills, including replacing the ball mill liners, and completing mechanical inspections throughout the plant. A used secondary crusher, a Symons 4.25ft Standard in excellent condition, and a new tertiary crusher, also a Symons 4.25ft Standard, were both craned into the plant, installed, and commissioned by September 2021. Installation of additional pumps upgraded lubricating systems and a complete electrical re-wiring were also completed with over 8 km of wires being installed.

The plant is capable of handling approximately 1500 tonnes per day, or over 500,000 tonnes per year. Mine production from El Cubo was initially planned at 750 tonnes per day, however with the addition of the Santa Cecilia material, the Company anticipates producing at 1,000 tonnes per day for 2022. The Company's mill continues to have ample capacity for expansion to handle additional material from nearby El Pinguico and/or other sources of material from the greater Guanajuato Mining District.

The plant was constructed with a two-stage crushing circuit, ball mill grinding, reagent storage, flotation, and flotation concentrate filtration for product shipment with tailings disposal through a conventional tailings pond facility. Water supply for the El Cubo Mill will be from the existing underground workings, which currently provide sufficient water for the plant requirements. Power supply for the El Cubo Mill will be from an existing 13 kV overhead transmission line. A simplified process flow diagram below outlines the milling process.



El Cubo Mill simplified process flow diagram

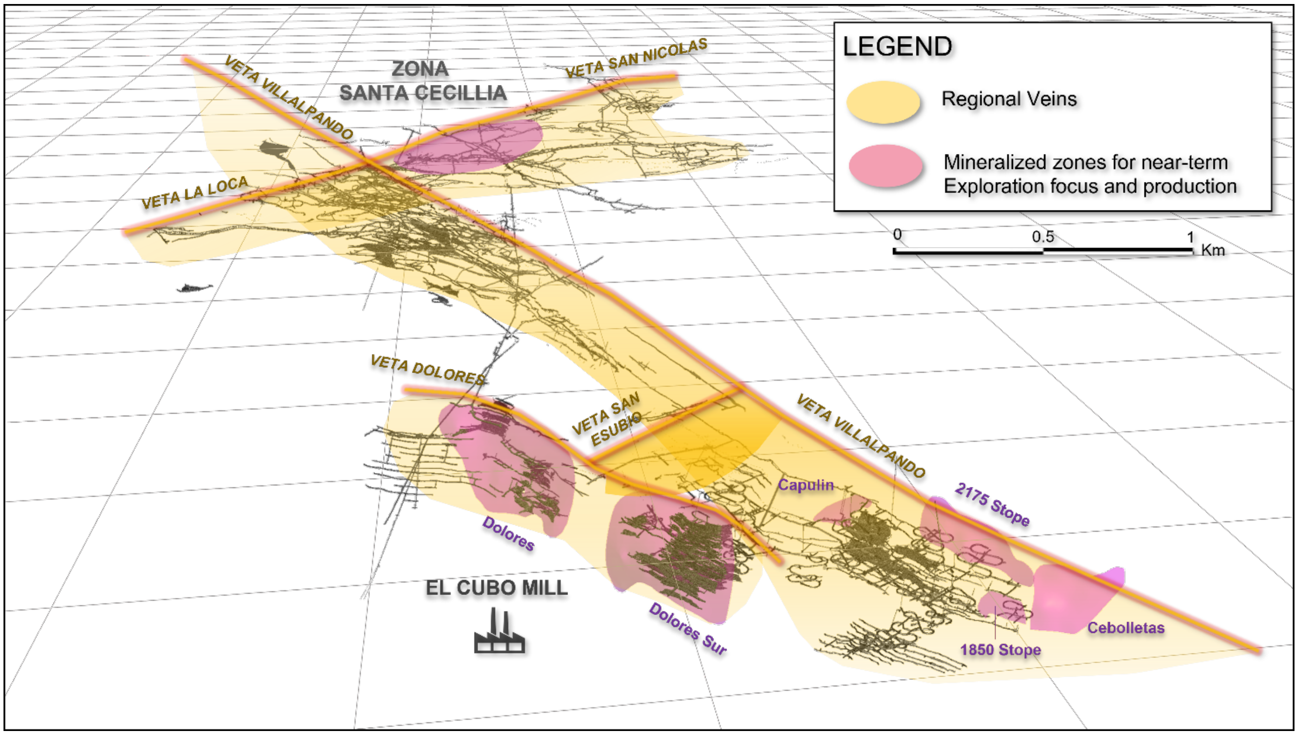
Rehabilitation of the mine haulage tunnels from the main Dolores access portal to the 1850 and 2175 and Cebolletas stopes is also complete, and the Company is focussing its mining efforts on these stopes which exist within the main Villalpando vein structure, (the "Villalpando Stopes"). The Company intends to focus its El Cubo mining efforts for the next 12-18 months on the Villalpando vein structure and veins in the Santa Cecilia area. The Company's engineers believe that the Villalpando Stopes could consistently provide up to 15,000 tonnes of mineralised material per month**.** The Company decided to initially focus on the Villalpando stopes for several reason; they are readily available, with infrastructure consisting of 4x4m wide access and ramps. Crews have cleaned these access routes, installed new lighting and ventilation services, and have cleared and re-established emergency exit routes from within the mine. In 2022, the Company is adding veins in the Santa Cecilia area as an active mining area and commenced mining broken material of the old workings from Level 0 to Level 4 of the 14 existing levels.

(The Dolores Portal entrance at the El Cubo Mine)

The Company's exploration efforts at El Cubo continues to be focused on two fronts: a) drilling expansion of the main NW striking Dolores and Villalpando vein systems and b) exploration of numerous NE striking, perpendicular, transversal veins. These transverse veins are well known in the region, are usually narrow but are often high grade and with proportionately higher gold grades. Management feels these veins offer an overlooked exploration opportunity, and has begun mapping, sampling, and drilling numerous such targets both underground and from surface.

The Company completed 5,200 meters of planned underground drilling at Villalpando in 2021 and anticipates an additional 8,000 meters at Villalpando and Dolores and 7,500 meters at Santa Cecilia in 2022 with a total anticipated drilling cost of approximately $1.0 million. Drilling will consist of primarily NQ diameter holes, generally no more than 300m in length. This current drill program is primarily intended to continue to increase the confidence level of the inferred and indicated resources as outlined in the Company's PEA as well as provide better grade control data for mining in the Villalpando and Santa Cecilia areas. Additional pure exploration drilling will also be conducted.

The Villalpando and Santa Cecilia areas are just a few of the stope areas where mining had previously occurred prior to shutdown of the mine in November 2019. There are numerous other existing areas of the mine where the Company believes it will be able to take the same approach. The areas where the Company plans to focus its mining in the months and years ahead include the Dolores North, Dolores South, La Loca, San Eusebio, and Asuncion vein structures.



As discussed in the Company's PEA, the Company planned to use contract miners in the early stages of its operations at El Cubo. GSilver received bids from six contractors and after a critical review of all the bids, MGA Contratista Minera S.A. de C.V. ("MGA") was selected. MGA has over two decades of experience and has provided mine contracting services to many Mexican mining companies.

As part of the refurbishment of the El Cubo Complex, the Company has established an internal chemical and metallurgical laboratory. Metallurgical testing of material from El Cubo and El Pinguico was tested at third party laboratories, prior to the establishment of the Company owned laboratory, to determine whether combining material from the two deposits, or treating material from the deposits separately, would generate higher metallurgical recoveries.

At the anticipated run rate of 30,000 tonnes per month, there is tailings capacity of 2.0 years at two different dams at the El Cubo Complex. Wood Engineers PLC of Aberdeen, Scotland (Denver, Colorado office) has been engaged as the Company's ongoing tailings facility supervisor and to perform tailings geotechnical studies. The Company is actively evaluating options to expand its tailings capacity, including new tailings ponds, dry stacking, and hydraulic fill within the past producing open stopes of the El Cubo mine. The Company's environmental assessment for El Cubo, granted to Endeavour under Mexico's Cambio de Titularidad of the Manifiesto de Impacto Ambiental ("MIA") and authorized by environmental authorities (SEMARNAT) has been transferred to the Company's subsidiary (OMPSA) that holds the El Cubo Complex. The MIA governs all mining activities such as beneficiation, tailings facilities and waste dumps.

El Pinguico Mine Project

The Company has a 100% interest in the historic El Pinguico mine property which consists of two mining concessions covering 71 hectares, located approximately 7 km southeast of Guanajuato City in Guanajuato State, Mexico, and contains the past-producing high-grade El Pinguico-El Carmen silver-gold mine. The historic mine has two main access adits: the El Carmen Adit and the Sangria del Carmen Adit. The El Pinguico is also located 2 km from Mina Las Torres, owned by Fresnillo PLC.

The property was originally subject to a 4% net smelter return ("NSR") and a 15% net profits interest ("NPI") on minerals recovered from existing stockpiles of mineralized rock and a 3% NSR and 5% NPI on all in-situ mineralization. On August 18, 2020, as amended on November 8, 2020, the Company entered into an option agreement to repurchase the 4% NSR, 3% NSR and the 5% NPI from the vendor. The 15% NPI remains in place on minerals recovered from the existing stockpile of surface and underground mineralized rock.

(El Pinguico surface stockpile)

The Company also owns 302 hectares of surface land that includes El Pinguico and provides significant land area for mining infrastructure, development and construction. The Company has a Use of Land permit, issued by the Guanajuato municipality, that provides the Company with all the rights and entitlement for initiating necessary infrastructure work and preparing the surface stockpile for production. These activities include road construction, building structures, hauling and waste dumping activities. The Company owns 89.6 hectares and has a rental with option to purchase agreement of the 212 remaining hectares.

In March 2021, the Company acquired a further 89.6 hectares of land that covers portions of the surface of the El Pinguico mining claims for $22,773. The Company also has an option to purchase 212.98 hectares covering additional portions of surface area of the El Pinguico mining claims for $44,727.

On February 2020, the Company signed a Surface Land Access Agreement for the mine with the Ejido Calderones, the local Ejido group. The Land Access Agreement allows for unrestricted road access for exploration and mining equipment and personnel to El Pinguico through the community of Calderones. The agreement is for a period of 15 years. Under the terms of the agreement, the Company paid $7,100 and will make annual payments of approximately $3,200 adjusted for yearly inflation.

The surface access and the Company's land use agreements, together with its existing mining rights, provide the Company with all key land components necessary to carry out its current planned exploration and operational activities at El Pinguico.

From 1906 to 1913, El Pinguico produced 250 tonnes per day from shrinkage mining techniques, liberating high-grade silver and gold ore at cut-off grades over 15 grams per tonne ("g/t") gold equivalent ("Au eq"). Due to local and national civil unrest related to the Mexican Revolution, El Pinguico prematurely closed, abandoning large surface and underground stockpiles of mineralized material.

The Guanajuato Mining District is mainly characterized by epithermal deposits associated with continental tertiary acid volcanism. The El Carmen-El Pinguico vein is considered an extension of the Veta Madre vein system, the main vein in the historic Guanajuato Silver District. The mineralization consists of a mixture of native gold and silver, polybasite, pyrargyrite, tetrahedrite, marcasite, sphalerite, galena, pyrite and chalcopyrite. The property has excellent access routes, communications, basic mining infrastructure and proximity to processing plants.

El Pinguico Shaft

The Company can access El Pingüico through 2 access portals on levels 4 and 7, as well as the entrance of the shaft where a one-ton hoist is installed on a metal head frame and a large winch. A diesel generator powers the winch, which is used to transport crews to and from the various adit levels, as well as to help remove debris and mineralised material from the bottom of the shaft.

The Company's operators have cleaned and renovated levels 4, 5 and 6 and gained access to the 7th level. Initially, access to the 7th was blocked from its portal and through the shaft. However, the Company used a mechanized scoop-tram to assist in the removal of material from a small rock fall that blocked the access portal. The Company has reinforced the back, or "roof", of the steel-beamed rock pit in the area of the rock fall, as well as cleared the shaft of fallen rocks and debris up to level 7 and an additional 15 meters deeper attempting access to the Level. 8.

Within Level 7, crews can now advance about 80 m north of the Pinguico shaft, or about 1/6 of the length of the underground stockpile, before a rock fall blocks any further advance; however, a continuation of the level 7 adit can be observed to the north through the fallen rocks. The Company also plans to further rehabilitate Level 7 to the south. Similar to the blockage in the north, there is a rockfall that blocks immediate access to the south approximately 200 m south of the shaft. Cleaning this material from this southern extension of the adit can provide a potentially safe and economical pathway to bring the underground stockpile material as well as additional in situ vein material to the surface for subsequent delivery to the El Cubo mill for processing. The explosive permit obtained on May 3, 2021, expired on October 21, 2021, the Company expects to receive a new construction explosive permit for El Pingüico in June 2022, which will allow the Company to continue to remove material from adit Level 7, as well as from other areas of the historic mine in anticipation of accessing both stored material and fresh vein material.

The underground stockpile consists of material that in 2012 the Mexican Geological Survey (SGM) agency determined was 148,966 tonnes in size. In 2017, the Company carried out a trench digging program at the top of this underground material. This program resulted in a weighted average of all trench samples of 1.75 gpt Au and 183 gpt Ag, (323 gpt AgEq), which is similar to the grades cited in 2012 by SGM of 1.66 gpt Au and 143 gpt Ag.

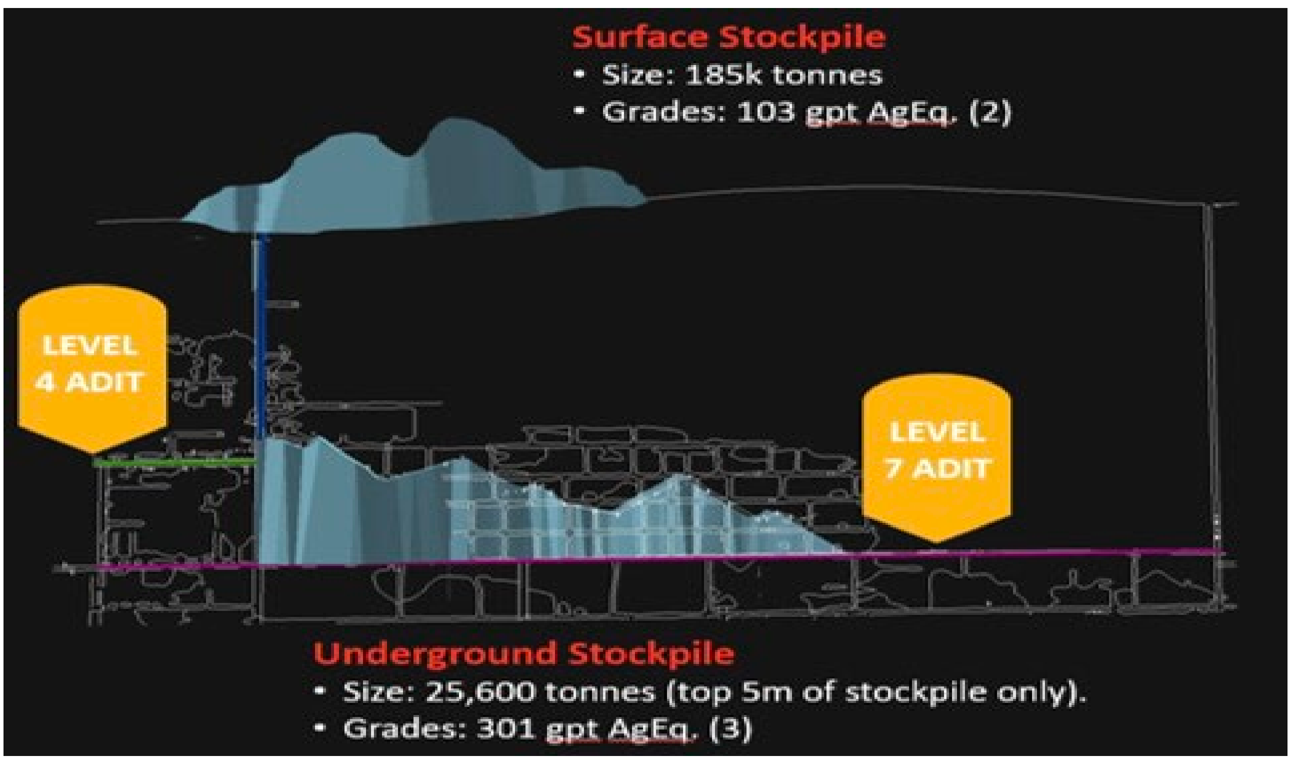


Illustration of the surface stockpile and the underground stockpile

Drilling

In October 2020, the Company purchased its own portable drill rig, (delivered January 2021) an Explorer – 75E core drill, for use underground at El Pinguico. Among other desirable attributes, this drill is small enough to fit into many of the adits, drifts, and galleries of El Pinguico's old workings, while still being able to target the long strike length of potential new in-situ material of the main El Pinguico and San Jose vein systems. The machine is rated capable for drilling 200 meters of HQ size core, or 430 meters of NQ size core. The Company has also purchased 200m and 430m of drill still, respectively, of the corresponding drill casing in order to have the capacity to drill holes of those lengths. The Company is focused, for 2022, on drilling the Veta El Pinguico Northing and San Jose Vein structures to further delineate and define the resource and expects to drill approximately 2,800.

The Company has also applied for an environment permit to expand drilling at El Pinguico to include the Veta Madre and the southern extensions to the vein structures located on the Pinguico mining claims. Company geologists feel that drilling the interpreted Veta Madre target from the southern portion of the property may allow drilling to intersect the target at a shallower distance than depth than drilling at locations further north on the property. The Company anticipates receiving environmental approval during the first half of 2022 which upon receipt, the Company expects to drill approximately 3,400 meters over the remainder of 2022.

The results of these drill programs will allow for further modelling of the El Pinguico vein system, as well as fault structures on the property that have down-dropped stratigraphic sections of the project to the south, which will continue to help the Company to reinterpret the potential location of the intersection of the El Pinguico vein system with the Veta Madre.

(Country Manager Gerardo Dorado Cantu looking at drill core from the underground drilling program at Cubo-Villalpando mine at the Cebolletas area drilling program)

El Cubo / El Pinguico Preliminary Economic Assessment

During the month of February 2021, a Preliminary Economic Assessment ("PEA") on the Combined Project was completed by Behre Dolbear & Company (USA), Inc., an independent mineral industry advisory ("Behre").

The Mineral Resource estimate used as the basis for this PEA was derived from the previous NI 43-101 Technical Report and computer models developed by Endeavour Silver in 2016 for the El Cubo property and the NI 43-101 Technical Report for the El Pinguico property by GSilver in 2017.

The remaining Mineral Resources in 2021, at El Cubo, are shown in the table below and total approximately 1.96 million tonnes.

Estimate of the Remaining El Cubo Mineral Resources as of January 31, 2021						
Classification	Tonnes	Silver		Gold		Silver Eq
		g/t	Oz	g/t	Oz	g/t
Measured	None	-	-	-	-	-
Indicated	508,055	194	3,169,000	2.44	39,860	389
Inferred	1,453,000	214	10,004,000	2.78	129,900	435

Notes:

1. Silver Equivalent calculated using 1 ounce of gold is equal to 80 ounces of silver, on the basis of the average 5-year historic silver and gold prices.
2. Numbers have been rounded

The El Pinguico Mineral Resources in 2021 are show in the table below and total approximately 210,000 tonnes. Mineral Reserves have not been identified for El Pinguico.

El Pinguico Mineral Resources as of January 31, 2021						
Classification	Tonnes	Silver		Gold		Silver Eq
		g/t	Oz	g/t	Oz	g/t
Measured	None	-	-	-	-	-
Indicated						
Surface Stockpile	185,000	67	398,500	0.45	2,680	103
Undergrounds Stockpile	25,600	166	136,600	1.67	1,375	300
Total	210,600	79	535,100	0.60	4,055	127

Notes:

1. Silver Equivalent calculated using 1 ounce of gold is equal to 80 ounces of silver, on the basis of the average 5-year historic silver and gold prices.
2. Numbers have been rounded
3. Mineral Resources ae not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimate will be converted into Mineral Reserves.

The El Cubo and El Pinguico Mines are similar mineralogically and typical of the Guanajuato Mining District. Mineralization is open-ended due to a lack of exploration drilling and development. Vein mineralization is normally 1 to 2 m wide, with mineralized breccia zones of up to 10 m wide. Typical of this style of mineralization, economic concentrations of silver and gold occur in ore shoots distributed vertically and laterally between barren or weakly mineralized portions of the veins. Bonanza grades may occur at the site of vein intersections, such as the nearly perpendicular San Nicolas-Villalpando vein intersection.

El Cubo and El Pinguico mineralization is typical of the classic high-grade silver-gold, banded epithermal vein deposits with low sulfidation mineralization. Silver occurs in dark sulfide and sulfosalt-rich bands within the veins, with little mineralization but significant alteration minerals in the surrounding wall rocks. Native silver occurs primarily in the near surface oxidized zones. Particulars of the PEA are as follows:

- Base Case metal prices used in the PEA are $1,527 per gold ("Au") ounce ("oz") and $19.49 per silver ("Ag") oz. These prices are based on long-term consensus average prices. A silver equivalent ("AgEq") price ratio of 1:80 (Au:Ag) applies throughout to Mineral Resources and production.

- Mineral Resource Estimate Total Indicated Mineral Resources for the Combined Project are 718,655 tonnes grading 160 gpt Ag and 1.90 gpt Au, or 306 gpt AgEq, which equates to 7.2 M oz AgEq using a conversion ratio of 1 oz of Au is equivalent to 80 oz of Ag.

- Total Inferred Mineral Resources for the Combined Project are 1,453,000 tonnes grading 214 gpt Ag and 2.78 gpt Au, or 435 gpt AgEq, which equates to 20.4 M oz AgEq using a conversion ratio of 1 oz of Au is equivalent to 80 oz of Ag.

- 7 Year Economics – Behre prepared a discounted cash flow model for the Combined Project to determine the Net Present Value (NPV), Internal Rate of Return (IRR), Initial Capital and Sustaining Capital, and payback period. Cash flow estimates were prepared on an after-tax basis and in accordance with NI 43-101 Standards of Disclosure for PEA studies. The PEA considers a plan to ramp up to a 750 tonne-per-day ("tpd") operation, with an initial mine life of 7.0 years. On an after-tax basis, the Combined Project generates a Base Case NPV (5%) of $32.9 million and an IRR of 105%, excluding El Cubo acquisition costs. Using commodity prices of $22.41/oz Ag and $1756/oz Au, which are +15% above the Base Case, the after-tax NPV(5%) is $79.0 million and the IRR is 344%. Behre calculates a Base Case payback period of 1.87 years.

- Operating Costs – Dividing Behre's Total Operating Costs of $124.4 million by the life of mine ("LOM") AgEq oz of 13.2 M to be recovered from the Combined Project, gives GSilver an operating cost per AgEq ounce of $9.42 over seven years of production, positioning the Company's operation to be attractive in nearly all commodity price scenarios.

- Opportunities to Grow and Optimize – Given that planning for the Combined Project has been advanced through the PEA stage within only a five (5) month period, numerous opportunities remain for growth and optimization. The most significant immediate opportunities are the potential to expand the Company's Mineral Resources - both at El Cubo and El Pinguico through exploration drilling and development, which is now ongoing at El Pinguico. Other noteworthy opportunities include optimization of the surface stockpile metallurgy and recoveries, which the Company remains confident can be improved during the mill's recommissioning process.

Please refer to News release dated February 16, 2021 and the Company's 43-101 filed April 5, 2021 for more details.

Mexican Silver Belt Claims

The Company has 7,800 hectares of additional mining claims within the Guanajuato and Queretaro regions as follows:

a) Patito I and II concessions - located approximately 1.5 km southwest, and 3.0 km due south of El Pinguico.
b) The Analy I & Analy II concessions - located 100 km east of the city of Guanajuato, Mexico
c) El Ruso, Ysabela and Camila concessions – located near the northern boundary between the States of Guanajuato and Queretaro in central Mexico
d) Over 7,000 hectares of mining claims south and east of the city of Guanajuato acquired from Endeavour as part of the El Cubo Complex transaction.

A 2.5% NSR exists on the seven concessions (a, b, and c above) of which, one half (1.25%) may be repurchased for $500,000.

OMPSA acquired the Patito I and Patito II concessions to expand its land position adjacent to El Pinguico. The remaining five concessions are owned by GSilver's other Mexican subsidiary, CanMex Silver S.A. de C.V.

Patito I and Patito II

Providing additional mineral rights to El Pinguico, these claims are in close proximity to and along strike from the Veta Madre system. Several vein structures are present, possibly representing a parallel vein system to the Veta Madre or El Pinguico veins. Host rocks are sub-aerial acid volcanics. Numerous Au-Ag rock chip anomalies have been identified by historical sampling. The mineralization is associated with brecciation and mesothermal/epithermal quartz veining/stockwork and silicification controlled by narrow structures 0.3 m to 1.5 m wide at surface with potential for expansion at depth.

Analy I and Analy II

These claims represent a total land area of 723 hectares, located within 50 km of Guanajuato, in the middle of the prolific Silver Belt. The claims are located in an old Ag-Pb-Zn mining area that has never been explored using modern methods, providing potential for new discoveries.

El Ruso

The El Ruso claim area is located adjacent to an old mercury ("Hg") prospecting pit and several other small historical Hg and Au-Ag mines are present in the area, including the El Nacimiento skarn deposit. No historical production/grade records are available. Historical and current fieldwork have returned high- grade Au and Ag assays.

Ysabela and Camila

These are granted claims in an old Ag-Pb-Zn-Au mining area in the Sierra Madre Oriental. The Camila claim boundary is located on the abandoned Santa Ana Ag-Pb-Zn mine, a manto or skarn deposit that operated intermittently from the late 1800s to 1995. Several other abandoned Ag-Pb-Zn mines are located on the claim boundary, including the Guadalupe Mine, an Ag-Pb-Zn mine that operated intermittently from the late 1800s to about 1985, with maximum production prior to closure of 1,000 tonnes per day. A 200 m deep shaft is connected to a lower 530 m long haulage and ventilation tunnel. An inactive mill site occurs within the claim. The area has never been explored using modern exploration methods and has never been drilled, offering significant mineralization potential. The area is easily accessible by road and the terrain is amenable to rapid screening by conventional reconnaissance exploration techniques.

FINANCIAL PERFORMANCE

Commercial production at the El Cubo-Villalpando Mine commenced on October 1, 2021, and hence there are no comparable financial results for revenue, cost of sales and earnings from mine operations for the last quarter and the year ended December 31, 2021.

	Three Months Ended			Year Ended		
	Dec 31, 2021	Dec 31, 2020	Change %	Dec 31, 2021	Dec 31, 2020	Change %
Financial Results						
Revenue						
Gold	$1,938,839	$ -	100%	$1,938,839	$ -	100%
Silver	2,177,972	-	100%	2,177,972	-	100%
Cost of Sales						**0%**
Production Costs	4,911,576	-	100%	6,132,275	-	100%
Transportation and selling cost	109,452	-	100%	109,452	-	100%
Inventory changes	60,994	-	100%	(1,159,705)	-	100%
Depreciation	1,268,841	-	100%	1,268,841	-	100%
Mine operating loss	**2,234,052**	**-**	**100%**	**2,234,052**	**-**	**100%**
General and Administration	1,201,721	380,020	216%	4,326,383	948,095	356%
SBC Compensation	349,992	254,666	37%	2,547,339	389,604	554%
Exploration - other direct costs	224,692	23,945	838%	1,140,308	296,388	285%
Foreign exchange loss	199,204	283,608	(30%)	453,185	130,520	247%
Other operating expenses	(18,077)	10,507	(272%)	199,526	(234)	(85,368%)
Interest and finance (costs) income, net	585,545	9,090	6,342%	1,234,704	6,170	19,911%
Other income	(30,884)	(36,386)	(15%)	(285,697)	(36,386)	685%
Net loss	**$4,746,245**	**$925,450**	**413%**	**$11,849,800**	**$1,734,157**	**583%**
Loss per share - basic and diluted	(0.02)	(0.01)	162%	(0.06)	(0.02)	201%
EBITDA[1]	$(2,858,086)	$(916,360)	212%	$(9,312,481)	$(1,727,987)	439%
Adjusted EBITDA[2]	$(2,538,978)	$(698,080)	264%	$(7,050,839)	$(1,374,769)	413%
Cash cost per ounce[3]	$20.36	$ -	100%	$25.45	$ -	100%
All-in sustaining cost per ounce[4]	$33.31	$ -	100%	$73.70	$ -	100%
Realized silver price per ounce[5]	$23.35	$ -	100%	$23.35	$ -	100%
Realized gold price per ounce[5]	$1,784.02	$ -	100%	$1,784.02	$ -	100%

1. See Reconciliation of Earnings before interest, taxes, depreciation and amortization on page 23.
2. See reconciliation of Adjusted EBITDA on page 23.
3. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021. See Reconciliation to IFRS on page 24.
4. AISC per oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021. See Reconciliation to IFRS on page 24.
5. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.

Revenues

During the three months and year ended December 31, 2021, the Company sold 105,203 ounces of silver at a realized price of $23.35 and 1,179 ounces of gold at a realized price of $1,748.02 resulting in revenues of $4,116,811 net of treatment and refining costs which amounted $302,166.

Cost of sales

Cost of sales is comprised of production cost, including mine, processing, maintenance and site general administration net of inventory changes, transportation and selling cost and depreciation and depletion.

General and administration

General and administration expenses increased by $821,701 or 216% and $3,378,288 or 356% for the three months and the year ended December 31, 2021, respectively, mainly due to adding members to the executive team and employees in the Vancouver, Canada office, at the Guanajuato, Mexico office and the El Cubo site, as well as, increased security costs, professional fees and promotion expensed in conjunction with its acquisition and subsequent re-start and ramp-up of operations of the El Cubo Complex.

Exploration – other direct costs

General exploration costs increased in the three months ended December 31, 2021, to $224,692 from $23,945 in the same 2020 period as the Company expanded its diamond drill program to the Villapando area. For the three months ended December 31, 2021, costs increased substantially to $1,140,308, compared to $296,388 in the 2020 comparative period as the Company expanded its drilling program for the El Cubo and El Pinguico mines, 2,593 and 4,135 meters respectively, throughout the year.

Share-based compensation

Share-based compensation increased by $95,326 and $2,157,735 for the three months and year ended December 31, 2021, compared to the same period in 2020, due to options granted to employees, consultant and directors as the Company expanded its operations and personnel.

Interest and finance (costs) income, net

Interest and finance (costs) income, increased by $588,795 and $1,240,878 for the three months and year ended December 31, 2021, compared to the same 2020 period due to interest accrued on the $7,500,000 loan with OCIM Group ("OCIM") drawn down on July 28, 2021, and the advance payment of $1,500,000 received in October 2021 from Ocean Partners (*See Liquidity and Capital Resources)*.

LIQUIDITY AND CAPITAL RESOURCES

The Company's ability to generate sufficient amounts of cash, both in the short term and the long term, to maintain existing capacity and to fund ongoing development and exploration, is dependent upon the ability of the Company to generate positive cash flows from operations and/or obtain the financing necessary to generate and sustain profitable operations.

The Company will evaluate, from time to time, sales of its common shares to improve the Company's liquidity and working capital position. To the extent that cash generated by operations during 2022 is less than anticipated or in the event the Company determines it will undertake other projects that are currently not part of its plans, or if the Company undertakes an acquisition, additional capital may be required. Sources of capital include accessing the private and public capital markets for debt and equity over the next 12 months. Adverse movement in metal prices and unforeseen impacts to the Company's operation may increase the need to raise new external sources of capital, and the inability to access sources of capital could adversely impact the Company's liquidity and require the Company to curtail capital and exploration program and other discretionary expenditures.

	Three months ended December 31		Year ended December 31	
	2021	**2020**	**2021**	**2020**
Cash Flow				
Cash used in operating activities	$ (2,302,062)	$ (715,588)	$ (8,929,043)	$ (1,639,348)
Cash provided (used) in investing activities	(811,474)	(747,136)	(13,963,888)	(758,337)
Cash generated by financing activities	6,017,918	1,987,884	27,120,690	6,190,518
Effect of exchange rate changes on cash	(101,914)	(29,268)	(173,681)	(31,805)
Change in cash	2,248,149	495,891	4,054,082	3,761,028
Cash, beginning of period	5,985,894	3,684,071	4,179,962	418,934
Cash, end of period	**$ 8,234,043**	**$ 4,179,962**	**$ 8,234,043**	**$ 4,179,962**

As at December 31, 2021, the Company had cash of $8,234,043 and positive working capital of $1,670,108 compared with cash of $4,179,962 and positive working capital of $4,278,430 at December 31, 2020.

Operating activities

Cash used in operating activities was $2,302,062 during the three months ended December 31, 2021 (December 31, 2020 - $715,588). The significant non-cash adjustments to the net loss of $4,746,245 in the three months ended December 31, 2021 (December 31, 2020 – $925,450) were depreciation and amortization of $1,332,355 (December 31, 2020 – $8,466), gain on derivatives of $30,884 (December 31, 2020 – $Nil), share-based compensation of $304,952 (December 31, 2020 –$389,604), and a decrease in non-cash working capital of $38,913 (December 31, 2020 – decrease of $225,229). The net change in non-cash working capital was primarily due to an increase in amounts receivable, inventories and other assets offset by an increase in accounts payable and accrued liabilities and the advance payment received from Ocean Partners.

During the year ended December 31, 2021, cash used in operating activities was $8,929,043 (December 31, 2020 - $1,639,348). The significant non-cash adjustments to the net loss of $11,849,800 in the year ended December 31, 2021 (December 31, 2020 –$1,721,817) were depreciation and amortization of $1,518,580 (December 31, 2020 – $11,693), gain on derivatives of $365,293 (December 31, 2020 – $Nil), share-based compensation of $2,547,339 (December 31, 2020 –$389,604), and a net decrease in non-cash working capital of $2,044,064 (December 31, 2020 - $283,289). The net change in non-cash working capital was primarily due to an increase in amounts receivable, inventories and other assets offset by an increase in accounts payable and accrued liabilities and the advance payment received from Ocean Partners.

Investing activities

Investing activities used cash of $811,476 and $13,963,888 in the three months and year ended December 31, 2021, compared with the use of cash of $278,583 and $758,337 in same three months and year ending December 31, 2020. The significant use of cash during the three months and year ending December 31, 2021, was the acquisition of the El Cubo Mine Complex and the corresponding property, plant and equipment expenditures to refurbish the El Cubo Mine Complex to bring it back into production.

Financing activities

Financing activities for the year ended December 31, 2021, increased cash by $27,120,699, compared to increasing cash by $6,190,518 in the same period in 2020. This increase was due to the following:

i. On March 11, 2021, the Company completed a non-brokered private placement and issued 56,500,000 units at $0.24 (CAD$0.30) per unit for gross proceeds of $13,415,117 (CAD$16,950,000). Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at $0.35 (CAD$0.45) per share for a period of three years. In connection with the private placement, the Company paid $270,565 (CAD$341,839) in cash, issued 518,139 common shares at $0.23 (CAD$0.30) per share and 1,648,669 finder's warrants with a fair value of $532,915 (CAD$670,141) as finders fees.

ii. On May 31, 2021, the Company entered into a definitive agreement for an 18-month gold and silver loan with European based OCIM for $7,500,000. Upon execution, the Company had 90 days in which to drawdown the loan. Upon drawdown, the loan includes an initial nine-month payment-free grace period and is then repayable over the following 12 months commencing February 28, 2022, with the Company delivering 228,916 silver and 2,141 gold ounces on a monthly basis. The number of silver and gold ounces was fixed at 15% discount to the spot price on July 26, 2021, the date the Company served notice of drawdown of funds.

iii. Between April and September 2021, the Company entered into 3-year vehicle loan agreements. The Company paid aggregate down payments of $77,524 (MXP 1,256,138 including VAT) with aggregate principal totalling $271,467 (MXP 4,428,740). The loans are secured by the respective vehicles, bear interest at 16.83% and are repayable in monthly installments of between $706 and $1,032 (MXP 11,576 and MXP 16,913).

iv. On December 8, 2021, the Company completed a non-brokered private placement and issued 17,304,306 units at $0.43 (CAD$0.55) per unit for gross proceeds of $7,450,683 (CAD$9,517,368). Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at $0.59 (CAD$.0.75) per share for a period of two years. In connection with the private placement, the Company paid $73,284 (CAD$92,928) in cash, issued 352,910 finder's warrants with a fair value of $37,597 (CAD$47,665) as finders fees.

v. The Company issued 15,211,453 common shares on exercise of 15,211,543 warrants for net proceeds of $3,142,165 and issued 1,412,500 common shares on the exercise of 1,412,500 options for net proceeds of $197,678.

During the year ended December 31, 2020, the Company issued common shares as follows:

i. On March 18, 2020, the Company issued 403,640 common shares with a fair value of $13,922 (CAD$20,182) to settle accounts payable of $7,023 (CAD$10,182) owed to a vendor and $6,898 (CAD$10,000) owed to a company controlled by the Chief Executive Officer of the Company. The Company recognized a gain on settlement of debt of $10,204 (CAD$14,793).

ii. On August 5, 2020, and August 11, 2020, the Company completed non-brokered private placements and issued 25,641,902 units at $0.084 (CAD$0.155) per unit for gross proceeds of $2,167,767 (CAD$3,974,494). Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrants entitles the holder to purchase one additional common share at $0.25 per share for a period of two years. In connection with the private placement, the Company paid $103,055 (CAD$137,123) in cash, issued 214,665 common shares at $0.084 (CAD$0.155) per share and 821,011 finders' warrants with a fair value of $89,854 (CAD$119,542) as finders' fees.

iii. On November 30, 2020, the Company issued 3,750,000 units with a fair value of $ 1,325,467 (CAD$1,703,085) pursuant to an option to acquire royalties (note 8). Each unit consists of one common share and on non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.137 (CAD$0.175) per share for a period of five years.

iv. During the year ended December 31, 2020, the Company adopted a warrant acceleration bonus program ("Acceleration Program") for its outstanding common share purchase warrants granted in connection with the Company's 2019 non-brokered private placement financing. Under the program, warrant holders would receive one bonus common share for every 10 warrants exercised if exercised on or before June 26, 2020 (the "Bonus Shares"). The Company issued 21,363,055 common shares, including 1,266,055 Bonus Shares, on exercise of 20,097,000 warrants at $0.08 (CAD$0.10) per share for gross proceeds of $1,708,942 (CAD$2,009,700).

Trends in liquidity and capital resources

The Company expects to generate positive cash flows from its mining operations in 2022 before capital investments, exploration and evaluation and development costs, debt repayment obligations, at current metal prices, and current exchange rates for the Mexican Peso and the USD. This also assumes no significant operational disruptions related to government measures to reduce the spread of COVID-19. The Company may raise additional debt or equity over the next 12 months to improve working capital, fund planned capital investments and exploration programs for its operating mine, acquisitions, and meet scheduled debt repayment obligations.

SELECTED ANNUAL INFORMATION

	For the Years Ended December 31		
	2021	2020	2019
	$	$	$
Revenue	4,116,811	-	-
Net loss	(11,849,800)	(1,721,817)	(423,461)
Basic loss per share	(0.06)	(0.02)	(0.01)
Total assets	51,319,876	7,873,129	1,774,371
Total long-term liabilities	7,571,043	15,303	-

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recent quarters:

Quarter ended	Revenue $	Mine operating loss $	Net loss $	Basic and fully diluted earnings (loss) per share $
December 31, 2021	4,116,811	(2,234,052)	(4,746,245)	(0.02)
September 30, 2021	-	-	(3,708,558)	(0.02)
June 30, 2021	-	-	(2,278,901)	(0.02)
March 31, 2021	-	-	(2,898,649)	(0.02)
December 31, 2020	-	-	(913,110)	(0.01)
September 30, 2020	-	-	(815,665)	(0.01)
June 30, 2020	-	-	(297,884)	(0.00)
March 31, 2020	-	-	(197,178)	(0.00)

NON-IFRS FINANCIAL MEASURES

The Company has disclosed certain non-IFRS financial measures and ratios in this MD&A, as discussed below. These non-IFRS financial measures and non-IFRS ratios are widely reported in the mining industry as benchmarks for performance and are used by Management to monitor and evaluate the Company's operating performance and ability to generate cash. The Company believes that, in addition to financial measures and ratios prepared in accordance with IFRS, certain investors use these non-IFRS financial measures and ratios to evaluate the Company's performance. However, the measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures disclosed by other companies. Accordingly, non-IFRS financial measures and non-IFRS ratios should not be considered in isolation or as a substitute for measures and ratios of the Company's performance prepared in accordance with IFRS.

Non-IFRS financial measures are defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure ("NI 52-122") as a financial measure disclosed that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ration, fraction, percentage or similar representation.

A non-IFRS ration is defined by 52-112 as a financial measure disclosed that (a) is in the form of a ration, fraction, percentage or similar representation, (b) has a non-IFRS financial measure as one or more of its components, and (c) is not disclosed in the financial statements.

Working Capital

Working capital is a non-IFRS measure that is a common measure of liquidity but does not have any standardized meaning. The most directly comparable measure prepared in accordance with IFRS is current assets and current liabilities. Working capital is calculated by deducting current liabilities from current assets. Working capital should not be considered in isolation or as a substitute from measures prepared in accordance with IFRS. The measure is intended to assist readers in evaluating our liquidity.

	As at December 31 2021	2020
Current assets	$14,618,380	$4,479,006
Current liabilities	12,948,272	200,576
Working capital	$ 1,670,108	$4,278,430

EBITDA

EBITDA is a non-IFRS financial measure, which excludes the following from net earnings:

- Income tax expense;
- Finance costs;
- Amortization and depletion.

Adjusted EBITDA excludes the following additional items from EBITDA:

- Share based compensation;
- Non-recurring impairments (reversals);
- Significant non-routine items.

Adjusted EBITDA per share is calculated by dividing Adjusted EBITDA by the basic weighted average number of shares outstanding for the period.

Management believes EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures. Management uses EBITDA for this purpose. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" based on an observed or inferred relationship between EBITDA and market values to determine the approximate total enterprise value of a Company.

EBITDA is intended to provide additional information to investors and analysts. It does not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of operating performance prepared in accordance with IFRS. EBITDA excludes the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined by IFRS. Other companies may calculate EBITDA and Adjusted EBITDA differently.

	Three months ended December 31, 2021	2020	Year ended December 31, 2021	2020
	$	$	$	$
Net loss per financial statements	(4,746,245)	(913,110)	(11,849,800)	(1,721,817)
Depreciation and depletion – cost of sales	1,268,841	-	1,268,841	-
Depreciation and depletion – general and administration	33,774	-	33,774	-
Interest and finance costs (income), net	585,545	(3,250)	1,234,704	6,170
EBITDA	**(2,858,086)**	**(916,360)**	**(9,312,481)**	**(1,727,987)**
Stock based compensation	349,992	254,666	2,547,339	389,604
Gain on derivatives	(30,884)	(36,386)	(285,697)	(36,386)
Adjusted EBITDA	**(2,538,978)**	**(698,080)**	**(7,050,839)**	**(1,374,769)**

Cash Cost per AgEq Ounce, All-In Sustaining Cost per AgEq Ounce and Production Cost per Tonne

Cash costs per silver equivalent oz and production costs per tonne are measures developed by precious metals companies in an effort to provide a comparable standard; however, there can be no assurance that the Company's reporting of these non-IFRS measures and ratios are similar to those reported by other mining companies. Cash costs per silver equivalent ounce and total production cost per tonne are non-IFRS performance measures used by the Company to manage and evaluate operating performance at its operating mining unit, in conjunction with the related IFRS amounts. They are widely reported in the silver mining industry as a benchmark for performance, but do not have a standardized meaning and are disclosed in addition to IFRS measures. Production costs include mining, milling, and direct overhead at the operation sites**.** Cash costs include all direct costs plus royalties and special mining duty. Total production costs include all cash costs plus amortization and depletion, changes in amortization and depletion in finished goods inventory and site share-based compensation. Cash costs per silver equivalent ounce is calculated by dividing cash costs and total production costs by the payable silver ounces produced. Production costs per tonne are calculated by dividing production costs by the number of processed tonnes. The following tables provide a detailed reconciliation of these measures to the Company's direct production costs, as reported in its consolidated financial statements.

All-in Sustaining Costs ("AISC") is a non-IFRS performance measure and was calculated based on guidance provided by the World Gold Council ("WGC"). WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining capital expenditures. AISC is a more comprehensive measure than cash cost per ounce and is useful for investors and management to assess the Company's operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations, in conjunction with related IFRS amounts. AISC helps investors to assess costs against peers in the industry and help management assess the performance of its mine.

AISC includes total production costs (IFRS measure) incurred at the Company's mining operation, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, operating lease payments and reclamation cost accretion. The Company believes this measure represents the total sustainable costs of producing silver and gold concentrate from current operations and provides additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver and gold concentrate production from current operations, new projects capital at current operation is not included. Certain other cash expenditures, including share-based payments, tax payments, dividends and financing costs are also not included.

The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021.

The following tables provide detailed reconciliations of these measures to cost of sales, as reported in notes to our consolidated financial statements.

		December 31, 2021			
			Three months		Year ended
Cost of sales		$	**6,350,863**	$	**6,350,863**
Transportation and selling cost			(109,452)		(109,452)
Inventory changes			(60,994)		1,159,705
Depreciation			(1,268,841)		(1,268,841)
Production cost[4]	A	**$**	**4,911,576**	**$**	**6,132,275**
Add (subtract):					
Government royalties and mining taxes			(24,911)		(24,911)
Total cash cost[2]	B	**$**	**4,886,665**	**$**	**6,107,364**
General and administrative - corporate			942,237		942,237
Sustaining capital expenditures			2,163,893		10,636,780
Total All-in sustaining cash cost[3]	C	**$**	**7,992,795**	**$**	**17,686,381**
Tonnes milled	D		77,524		77,524
Silver equivalent ounces produced[1]	E		239,968		239,968
Production cost per tonne[4]	A/D	**$**	**63.35**	**$**	**79.10**
Cash cost per AgEq ounce produced	B/E		**20.36**		**25.45**
All-in sustaining cash cost per AgEq ounce produced[3]	C/E		**33.31**		**73.70**
Mining cost per tonne		$	26.81	$	42.55
Milling cost per tonne		$	22.18	$	22.18
Indirect cost per tonne		$	14.37	$	14.37
Production cost per tonne		**$**	**63.35**	**$**	**79.10**

1. Silver equivalents are calculated using an 80:1 (Ag/Au) ratio.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021.
3. AISC per oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital.
4. Production costs include mining, milling, and direct overhead at the operation sites. The production costs for the year ended December 31, 2021 include mining cost from July to September 2021, prior to the commencement of milling and concentrate production, and therefore differ from the production costs for the three months ended December 31, 2021.

SHARE CAPITAL

The Company share capital consists of the following:

i. unlimited common shares without par value
ii. unlimited preferred shares without par value

The following common shares, warrants and stock options were outstanding as follows:

	December 31 2021	As at the date of this MD&A
Common shares	224,216,031	225,832,555
Warrants	54,890,334	48,591,329
Stock options	13,325,000	13,325,000
Fully diluted	**292,431,365**	**287,748,884**

The details of outstanding stock options outstanding are as follows:

Expiry date	**Exercise price per share CAD$**	**Options outstanding (December 31, 2021)**	Options outstanding (As at the date of this MD&A)
August 18, 2022	0.40	262,500	262,500
March 30, 2023	0.08	2,225,000	2,225,000
May 31, 2023	0.10	50,000	50,000
June 27, 2023	0.20	550,000	550,000
October 12, 2023	0.30	2,025,000	2,025,000
January 4, 2024	0.30	150,000	150,000
February 6, 2024	0.30	150,000	150,000
February 17, 2024	0.30	37,500	37,500
March 24, 2026	0.51	6,450,000	6,450,000
April 26, 2026	0.60	250,000	250,000
May 14, 2026	0.60	400,000	400,000
July 15, 2023	0.45	200,000	200,000
September 8, 2026	0.49	400,000	400,000
October 12, 2026	0.41	150,000	150,000
November 5, 2021	0.53	25,000	25,000
Total		**13,325,000**	**13,325,000**

The details of outstanding warrants outstanding are as follows:

Expiry date	**Exercise price per share CAD$**	**Warrants outstanding (December 31, 2021)**	Warrants outstanding (As at the date of this MD&A)
January 18, 2022	0.50	4,504,925	-
August 11, 2022	0.25	7,948,814	6,671,029
November 30, 2023	0.75	7,627,289	7,450,834
December 7, 2023	0.75	1,201,317	1,201,317
March 11, 2024	0.45	29,857,989	29,518,149
November 30, 2025	0.18	3,750,000	3,750,000
Total	**0.45**	**54,890,334**	**48,591,329**

On January 18, 2022, 4,504,925 warrant units expired unexercised.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management personnel

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management personnel is as follows:

		December 31 2021		December 31 2020
Salaries, bonus and benefits	$	**123,654**	$	-
Management fees [(1)]		**279,218**		137,898
Consulting fees		**310,411**		138,927
Share-based compensation		**1,464,713**		147,968
Total	$	**2,177,996**	$	424,793

[(1)] Total management fees were paid to Blueberry Capital Corp. a company controlled by the CEO of the Company and Universal Solution Inc a company controlled by the VP Corporate Development and Corporate Secretary of the Company.

Royalty purchase option

On August 18, 2020, as amended on November 8, 2020, the Company entered into a royalty purchase option vendor agreement to acquire 3 of the 4 underlying royalties on the El Pinguico Project from the original vendor of the property (the "Option Agreement"), Exploraciones Mineras Del Bajio S.A. de C.V. ("EMBSA"), a company controlled by a director of the Company. Under the Option Agreement, the Company has the option to repurchase the following royalties from EMBSA:

- the 4% NSR on all "broken material" within both the above ground and underground stockpiles;
- the 3% NSR on all newly established in-situ material discovered on the El Pinguico Project; and
- the 5% NPI on all newly established in-situ material discovered on the El Pinguico Project.

Under the terms of the Option Agreement, the Company will pay a total of CAD$1,675,000 cash and issue 3,750,000 units (each unit comprised of one common share and one non-transferable share purchase warrant, exercisable at CAD$0.175 per share for a term of 5 years) to EMBSA as follows:

- CAD$200,000 cash (paid) and 3,750,000 units on or before November 30, 2020 (issued);
- CAD$325,000 cash on or before February 22, 2021 (paid);
- CAD$525,000 cash on or before February 22, 2022;
- CAD$625,000 cash on or before February 22, 2023.

Upon completion of the payments and exercise of the option, the Company will own an undivided 100% interest in the El Pinguico Mine Project with only a 15% NPI on the existing above and underground stockpiles as the remaining royalty.

On April 7, 2022, the Company and EMBSA amended the Option Agreement whereby the CAD$525,000 option payment due on February 22, 2022, was deferred and will be paid as follows:

- CAD$262,500 on or before April 10, 2022 (paid)
- CAD$262,500 on or before October 10, 2022 (Second Installment)

The Second Installment shall bear interest from February 22, 2022, at an annual rate of 5%, compounded annually, until the date of repayment.

CONTINGENCY AND CONTRACTUAL OBLIGATIONS

As at December 31, 2021, the Company had commitments of $149,800, for equipment purchases and other services which are expected to be expended within one year.

MANAGEMENT OF CAPITAL

The Company's capital consists of share capital, equity reserves and deficit. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support mine refurbishment, exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. The Board of Directors has not established quantitative capital structure criteria management, but reviews, on a regular basis, the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and

- To obtain the necessary financing to complete mine refurbishment and exploration and development of its properties, when it is required.

The properties in which the Company currently holds interests in are in the production, pre-production and exploration stages and the Company is dependent on external financing to fund its activities in order to carry out planned activities and pay for administrative costs. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In addition, the Company may issue new equity, incur additional debt, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.
There were no changes in the Company's approach to capital management during the year ended December 31, 2021 compared to the year ended December 31, 2020. The Company is not subject to externally imposed capital requirement.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value measurement and valuation techniques

Financial instruments included in the consolidated statements of financial position are measured either at fair value or amortized cost. Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in an arm's-length transaction between knowledgeable and willing parties.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The table below summarizes the valuation methods used to determine the fair value of each financial instrument:

Financial asset or liability	Methods and assumptions used to estimate fair value
Silver and gold bullion (other assets)	Valued at the lower of cost or net realizable value, which is the estimated sale price of the silver and gold, generally determined based on the spot price at the period end.
Trade receivables	Trade receivables arising from the sales of metal concentrates are subject to provisional pricing, and the final selling price is adjusted at the end of a quotational period. These are marked to market at each reporting date based on the forward price corresponding to the expected settlement date.
OCIM Loan	The fair value of the loan was estimated using the discounted cash flow method at a rate that equates to the risk-free rate plus a comparable current market interest rate.
Derivative	Valued using inputs derived from observable market data, including quoted commodity forward prices
Vehicle loans	The carrying values of vehicle loans approximate their fair values as a result of relatively unchanged interest rates since inception of the loans.
Contingent Liability	The fair value of the contingent liability was based on the Monte-Carlo averaging simulation technique on simulated gold prices. The paths of the gold prices are simulated as geometric Brownian motions which is an industry standard approach for simulating the expected future paths of gold prices.

The carrying value of cash and cash equivalents is measured at fair value using level 1 inputs as the basis for measurement in the fair value hierarchy. The carrying value of deposit, accounts payable, promissory note and accrued liabilities, all of which are carried at amortized cost, approximate their fair value given their short-term nature. Trade receivables, loans and the derivative are classified within Level 2 of the fair value hierarchy.

During the three and year ended December 31, 2021, and 2020, there were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy.

December 31, 2021	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Carrying value approximates Fair Value
Financial assets measured at Fair Value						
Trade receivables from sale of concentrate	$ 491,731	$ -	$ 491,731	$ -	$ 491,731	$ -
Derivative	365,293	-	365,293	-	365,293	-
	$ 857,024	**$ -**	**$ 857,024**	**$ -**	**$ 857,024**	**$ 1,622,935**
Financial assets not measured at Fair Value						
Cash and cash equivalents	$ -	$ 8,234,043	$ 8,234,043	$ -	$ -	$ 8,234,043
Other receivables	-	2,129,178	2,129,178	-	-	2,129,178
Other assets - silver and gold bullion	-	1,622,935	1,622,935	-	-	1,622,935
	$ -	**$ 11,986,155**	**$ 11,986,155**	**$ -**	**$ -**	**$ 11,986,155**
Financial liabilities measured at Fair Value						
Contingent liability	$ (750,000)	$ -	$ (750,000)	$ -	$ (750,000)	$ -
	$ (750,000)	**$ -**	**$ (750,000)**	**$ -**	**$ (750,000)**	**$ -**
Financial liabilities not measured at Fair Value						
Accounts payable and accrued liabilities	$ -	$ (3,467,293)	$ (3,467,293)	$ -	$ -	$ (3,467,293)
Vehicle loan	-	(174,277)	(174,277)	-	-	(174,277)
OCIM Loan	$ -	$ (8,372,366)	$ (8,372,366)	$ -	$ -	$ (8,372,366)
	$ -	**$ (12,013,936)**	**$ (12,013,936)**	**$ -**	**$ -**	**$ (12,013,936)**

				Fair value		
December 31, 2020	**Fair value through profit or loss**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Carrying value approximates Fair Value**
Financial assets not measured at Fair Value						
Cash and cash equivalents	$ -	$ 4,179,962	$ 4,179,962	$ -	$ -	$ 4,179,962
Other receivables	-	83,672	83,672	-	-	83,672
	$ -	**$ 4,263,634**	**$ 4,263,634**	**$ -**	**$ -**	**$ 4,263,634**
Financial liabilities not measured at Fair Value						
Accounts payable and accrued liabilities	$ -	$ (194,123)	$ (194,123)	$ -	$ -	$ (194,123)
Vehicle loan	-	(21,756)	(21,756)	-	-	(21,756)
	$ -	**$ (215,879)**	**$ (215,879)**	**$ -**	**$ -**	**$ (215,879)**

RISKS AND UNCERTAINTIES

The Company is exposed to many risks in conducting its business, including but not limited to: metal price risk as the Company derives its revenue from the sale of silver and gold; trading and credit risk in the normal course of dealing with other companies; foreign exchange risk as the Company reports its financial statements in USD dollars whereas the Company operates in Canada and Mexico that utilize the Canadian and Mexican Peso, respectively; risks relating to cyber security; the inherent risk of uncertainties in estimating mineral reserves and mineral resources; political, economic and social risks related to conducting business in jurisdictions such as Canada, and Mexico; environmental and permitting regulation; risks related to its relations with employees and local communities where the Company operates, and risks relating to the spread of COVID-19, which has to date resulted in profound health and economic impacts globally and which presents future risks and uncertainties that are largely unknown at this time. Certain of these risks are described below, and are more fully described in GSilver's Annual Information Form (available on SEDAR at www.sedar.com). Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent to GSilver's business.

Financial risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign fluctuations in metal prices, exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits its cash and cash equivalents with high credit quality major Canadian and Mexican financial institutions as determined by ratings agencies. trade accounts receivables from concentrate sales are held with large international metals trading companies. The carrying amount of financial assets, as stated in the consolidated statement of financial position, represents the Company's maximum credit exposure.

As of		December 312021		December 31 2020
Cash and cash equivalents	**$**	**8,234,043**	$	4,179,962
Trade receivables		**491,731**		-
VAT recoverable		**2,083,843**		-
Other receivables		**55,651**		83,672
	$	**10,865,268**	$	4,263,634

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

The Company enters into contracts that give rise to commitments in the normal course of business. The following table summarizes the remaining contractual maturities of the Company's financial liabilities, operating and capital commitments, shown in contractual undiscounted cash flows, at December 31, 2021:

	Expected payments due by year as at December 31, 2021							
		Less than 1 year		1 -3 years		After 5 years		Total
Trade and other payables	$	3,580,431	$	-	$	-	$	**3,580,431**
Advance payment		1,293,103		-		-		**1,293,103**
Loans		7,632,937		913,706		-		**8,546,643**
Lease obligations		218,942		547,546		-		**766,488**
Other liabilities		750,000		-		6,535,333		**7,285,333**
Total	**$**	**13,475,414**	**$**	**1,461,252**	**$**	**6,535,333**	**$**	**21,471,998**

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is mainly held in bank accounts at a Canadian chartered bank. The interest rate risks on cash and cash equivalents are not considered significant.

The Company's interest rate risk principally arises from the interest rate impact on interest charged on its advance payment, loan payable and lease liability. The Company's loan payable and lease liability are subject to fixed interest rates thus any changes in external interest rates would not result in a significant impact on the Company's net loss. The Company's advance payment is subject to 12-month LIBOR. Based on the Company's interest rate exposure at December 31, 2021, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net loss.

Currency risk

Currency risk is the risk that foreign exchange rates will fluctuate significantly from expectations. The Company reports its financial statements in US dollars; however, it operates in Mexico which utilized both the Mexican Peso and the US Dollar ("USD") and Canada wich utilized the Canadian dollar ("CAD") (collectively "Local Currencies"). Consequently, the financial results of the Company's operations as reported in US dollars are subject to changes in the value of the US dollar relative to the Local Currencies. Since a significant portion of the Company's operating costs and capital spending are in Local Currencies, the Company is negatively impacted by strengthening local currencies relative to the US dollar and positively impacted by the inverse.

The Company is exposed to foreign currency risk through the following financial assets and liabilities:

As at December 31, 2021	Canadian dollars	Mexican pesos
Cash and cash equivalents	11,835,196	11,208,940
Amounts receivable	65,912	88,721,508
Accounts payable and accrued liabilities	(298,040)	(68,756,797)
Current portion of lease liabilities	(63,547)	(1,920,676)
Advance payment	-	(26,616,595)
Other long-term liabilities	-	(20,583,500)
Lease liabilities	(286,197)	(4,676,790)
Provision for reclamation and rehabilitation	-	(82,845,688)
Total foreign currency exposure	11,253,324	(105,469,598)
USD equivalent of foreign currency exposure	8,876,261	(5,123,987)

As at December 31, 2020	Canadian dollars	Mexican pesos
Cash and cash equivalents	4,923,346	6,214,766
Amounts receivable	273,388	1,320,300
Accounts payable and accrued liabilities	(217,434)	(882,771)
Lease liabilities	-	(432,542)
Total foreign currency exposure	4,979,300	6,219,753
USD equivalent of foreign currency exposure	3,910,858	312,844

The Company is primarily exposed to fluctuations in the value of CAD$ against US$ and US$ against Mexican pesos ("MX$"). With all other variables held constant, a 10% change in CAD$ against US$ or US$ against MX$ would result in the following impact on the Company's net loss for the year:

Currency	Change		Effect
Canadian dollars	+/- 10%	$	820,911
Mexican pesos	+/- 10%	$	465,024

Commodity price risk

Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The ability of the Company to develop its mineral properties and exploration and evaluation assets is highly correlated to the market price of gold and silver. If metal prices decline for a prolonged period below the anticipated cost of production of the Company's mine, it may not be economically feasible to commence production.

The following table summarizes the effect on provisionally priced sales and accounts receivables of a 10% change in metal prices from the realized prices used at December 31, 2021:

Metal	Change		Effect on Sales
Canadian dollars	+/- 10%	$	212,569
Mexican pesos	+/- 10%	$	195,673

COVID-19 Pandemic

The Company's business could be significantly adversely affected by the effects of a widespread global outbreak of contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of the COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions to planned drill programs, mining and processing operations shutdowns, and other factors that will depend on future developments beyond the Company's control. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries (including those in which the Company operates), resulting in an economic downturn that could negatively impact the Company's operating results and ability to raise capital.

Climate Change

Extreme weather events (such as prolonged drought, increased frequency and intensity of storms, flooding and wildfires) have the potential to disrupt the Company's operations and the transportation routes that the Company uses. The Company's ability to conduct mining operations also depends upon access to the volumes of water that are necessary to operate its mines and processing facilities. Changes in weather patterns and extreme weather events including flooding or wildfires, either due to normal variances in weather or due to global climate change, could adversely impact, disrupt or increase the costs of the Company's mining operations including the volume of water or other supply lines necessary to operate its facilities, or damage to facilities, plant and operating equipment, any of which would adversely impact the Company's cash flow and profitability.

Also, various governments around the world have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels regulating, among other things, emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If current regulatory trends continue, this may result in increased costs at some or all of the Company's operations.

ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

The areas that require management to make significant, estimates and assumptions in applying the Company's accounting policies in determining carrying values include, but are not limited to:

a. Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

b. Decommissioning, restoration and similar provisions

The Company has obligations for decommissioning, restoring and other similar activities related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations.

Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of the obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions.

c. Revenue recognition

The Company's sales of metal in concentrates allow for price adjustments based on the market price at the end of the relevant quotational period ("QP") stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on the prevailing spot price on a specified future date. At each balance sheet date, the Company estimates the value of the trade receivable using forward metal prices.

Adjustments to the sale price occurs based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP is generally between one and three months. Any future changes over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. As such, the provisional price adjustments are accounted for as derivatives and presented separately in Note 17 of the financial statements.

d. Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

e. Value-added tax ("VAT") receivable

Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the VAT receivable and its classification as current or non- current at each reporting date. This is impacted by several factors, including the status of discussions with the tax authorities, and current interpretation of relevant tax legislation. Changes in these estimates can materially affect the amount recognized as VAT receivable and the classification and could result in an increase in other expenses recognized.

f. Leases

Primarily judgements include whether a lease conveys the right to use a specific asset, whether the Company obtains substantially all of the economic benefits from the use of the asset, whether the Company has the right to direct the use of the asset, evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets, and to determine the lease term where a contract includes renewal options. Significant estimates, assumptions and judgements over these factors would affect the present value of the lease liabilities, as well as the associated amount of the ROU asset.

Information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

a. Functional currency

Assessment of functional currency involves certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

b. Acquisitions

On the acquisition of a set of assets and liabilities, a company must determine whether what was acquired includes the inputs, processes and outputs necessary to constitute a business or an asset acquisition as defined in *IFRS 3 – Business Combinations*. Based on an assessment of the relevant facts and circumstances including, the mill facility was on care and maintenance, proven and probable reserves were exhausted before the acquisition and workforce was not acquired with the purchase, the Company concluded that the acquisition of El Cubo Complex in Guanajuato, Mexico from Endeavour Silver Corp. on April 9, 2021, met the criteria of an asset acquisition, see note 9 in the consolidated financial statements.

c. Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

A liability is recognized in the consolidated financial statements when the outcome of the legal proceedings is probable, and the estimated settlement amount can be estimated reliably. Contingent assets are not recognized in the consolidated financial statements until virtually certain.

d. Life of El Cubo Complex

Judgment is required in estimating the life of mine of the El Cubo Complex, including the expected tonnes to be mined economically in the future. The total expected tonnes to be produced is the denominator in determining units of production depreciation in any period. The life of mine is also used in the determination of the reclamation and rehabilitation liability recognized. There have been no mineral reserves identified at the El Cubo complex. Consequently, the life of mine has been estimated using mineral resources including a portion of identified inferred resources. Inferred resources account for approximately 62% of the life of mine at December 31, 2021.

CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Foreign currency translation

i. Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates. This has been determined within each entity within the Company. The Company considers the functional currency for its Canadian operations to be the C$.

Until September 30, 2021, the Company considered the functional currency of its Mexican subsidiaries to be the MXN$, after which the functional currency changed to the US$. The functional currency determinations were conducted through an analysis of the consideration factors identified in *IAS 21, The Effects of Changes in Foreign Exchange Rates*. The factor that caused the change include the currency of sales which are denominated in US$ upon entering into the concentrate sales agreement and the commencement of sales in the fourth quarter of 2021. The functional currency was changed on a prospective basis.

For entities with a functional currency other than the presentation currency, foreign currency balances are translated as follows:

- Assets and liabilities are translated at period end exchange rates;
- Revenue and expenses are translated using exchange rates approximating those in effect on the date transactions occurred; and
- Exchange gains and losses arising on translation are recorded to foreign currency translation reserve in other comprehensive income.

ii. Presentation currency

During the fourth quarter of 2021, the Company changed its presentation currency to the United States dollar ("US$") from the Canadian dollar ("C$"). The Company has determined that this change in presentation currency better reflects the Company's current activities, increases the comparability to its peers, and better enhances the relevance of the financial statements to users. The Company applied the change in presentation currency retrospectively and restated the comparative financial information as if the presentation currency had always been US$, in accordance *with IAS 21, The Effects of Changes in Foreign Exchange Rates, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Error.*

The change in presentation currency has been performed on a retrospective basis with comparative periods translated into US$ as follows:

- Assets and liabilities previously presented in C$ were translated into US$ using the comparative reporting date exchange rates;
- Equity, including reserves and deficit, were translated using the historical exchange rates; and
- The consolidated statements of loss and comprehensive loss were translated using the average foreign exchange rates in effect during that period.

The resulting foreign currency exchange differences were recorded to the foreign currency translation reserve.

New accounting standards issued but not yet effective

a. Classification of liabilities as current or non-current (amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

b. Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

In May 2021, the IASB issued an amendment to *IAS 12 Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction,* which amended *IAS 12 Income Taxes*. The amendments will become effective January 1, 2023. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of the consolidated financial statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. There have been no significant changes in the Company's disclosure controls and procedures during the year ended December 31, 2021.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

(GSilver personnel inspecting the Company's primary crusher)