



## Management's Discussion and Analysis

### Year Ended – December 31, 2020

(Expressed in Canadian dollars, unless otherwise noted)

April 12, 2021

*For further information on the Company, including the Company's Annual Information Form ("AIF") dated July 28, 2020, reference should be made to its public filings on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company's website at [www.chesapeakegold.com](http://www.chesapeakegold.com). This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A contains certain forward looking statements, please review the disclaimers that are provided on the last page of the report.*

## CORPORATE OVERVIEW

Chesapeake Gold Corp. (the "Company") is a development stage company focusing on the discovery, acquisition and development of major gold-silver deposits in North and South America. The Company trades on the TSX Venture Exchange under the symbol "CKG" and on the OTCQX market in the United States under the symbol CHPGF. The Company has its head office in Vancouver, B.C.

The Company's primary asset is the Metates project ("Metates") located in Durango State, Mexico. Metates hosts one of the largest in-situ undeveloped gold-silver-zinc deposits in the Americas. In 2013, a pre-feasibility study on Metates entitled "Metates Gold-Silver Project Amended NI 43-101 Technical Report – Preliminary Feasibility Study" with an effective date of October 31, 2013 (the "2013 PFS") was filed on SEDAR in November 2013. An updated pre-feasibility study entitled "Metates Gold-Silver Project NI 43-101 Technical Report – Updated Preliminary Feasibility Study" with an effective date of April 29, 2016 (the "2016 Updated PFS") based on a lower initial 30,000 tonnes per day ("tpd") production rate versus the Phase I 60,000 tpd in the 2013 PFS, was filed on SEDAR in May 2016.

The Company also has a portfolio of exploration properties in Mexico comprising 115,484 hectares in the states of Durango, Oaxaca and Veracruz. The Company owns 74% of Gunpoint Exploration Ltd. ("Gunpoint") which owns the Talapoosa gold project in Nevada ("Talapoosa") and two Mexican properties, Rio Minas, and Cerro Minas.

## ALDERLEY ACQUISITION

On January 20, 2021, the Company closed the acquisition Alderley Gold Corp ("Alderley") pursuant to a definitive agreement dated December 9, 2020 (the "Agreement") in order to gain access to an innovative precious metals oxidation processing technology (the "Alderley Transaction").

Under the terms of the Agreement, the Company issued 10 million common shares of the Company ("Common Shares") to the shareholders of Alderley (the "Alderley Shareholders") resulting in the Alderley Shareholders holding approximately 14.2% of the outstanding Common Shares on a fully diluted basis. The Common Shares issued were subject to escrow with release based on time and milestone conditions over 7 years as follows:

- (a) 5% released on each of the first four anniversaries of the closing date of the Alderley Transaction;
- (b) 10% released on the earlier of (i) date of a positive feasibility study and (ii) the fifth anniversary of the closing date of the Alderley Transaction;
- (c) 30% released on the earlier of (i) duly certified commencement of construction of a mine and (ii) the sixth anniversary of the closing date of the Alderley Transaction; and
- (d) 40% released on the earlier of (i) duly certified commencement of commercial production and (ii) the seventh anniversary of the closing date of the Alderley Transaction.

At closing of the Alderley Transaction, Alan Pangbourne became the Chief Executive Officer and a director of the Company, and Randy Buffington became a director of the Company. In addition, Taje Dhatt joined the Company as Vice President, Corporate Strategy and Development.

With the technology acquired in connection with the Alderley Transaction, the Company intends to investigate and develop the technology's commercial application to Metates. The Company plans to undertake extensive metallurgical testwork to determine the economic viability of Metates as a heap leach mine operation. If successful this will potentially lead to a new development approach that will be financeable, deliverable and operable by the Company and once operational, expandable as a sulphide heap leach.

## **HIGHLIGHTS – FISCAL YEAR ENDED 2020**

- Cash of \$34.2 million and marketable securities of \$1.5 million as at December 31, 2020.
- On December 10, 2020, the Company entered into a definitive agreement to acquire Alderley, a private British Columbia mining technology company.
- On August 18, 2020, the Company completed a non-brokered private placement of 4.0 million Common Shares at a price of \$5.00 per Common Share for gross proceeds of \$20.0 million.
- Alternative oxidation metallurgical test work was undertaken on Metates whole ore and sulfide concentrate samples by three different laboratories.
- Regional exploration program completed on the eastern flank of Metates generated three prospective targets.

## **COVID-19**

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

In June 2020, the Mexican federal government and the state of Durango lifted the suspension permitting the Company to resume its exploration activities. The Company has adopted proper safety protocols in respect to these regulations and does not expect any significant impact on its operations. However, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations in the future.

## **METATES (Durango State, Mexico)**

### **Overview**

Metates is one of the largest, undeveloped disseminated in-situ gold, silver and zinc deposits in Mexico. The Metates property is comprised of fourteen mineral concessions totalling 14,727 hectares. The Metates deposit is hosted by Mesozoic sedimentary rocks that have been intruded by a quartz latite body up to 300 metres thick and 1,500 metre long. Mineralization occurs in two zones: the Main Zone which is centered around the intrusive and the North Zone, within the sediments including conglomerate, sandstone and shale. The gold-silver mineralization occurs as sulphide veinlets and disseminations in both the intrusive and sedimentary host rocks.

The 2013 PFS and 2016 Updated PFS provide viable alternative development options for Metates. The 2013 PFS features a rapid production ramp up with higher initial capital and superior project economics. The 2016 Updated PFS has lower initial capital, lower project execution risk with expansion funded by cash flow. The scalable mine plans and multiple metal streams provide optionality and financing flexibility in Metates future development.

In the opinion of management of the Company, the delivery of the 2013 PFS and 2016 Updated PFS significantly advanced and de-risked Metates. The 2013 PFS and 2016 Updated PFS demonstrated that in building either a large or smaller initial mine, Metates is economically viable at current metal prices of approximately US\$1,730/oz au (as at the

date of this MD&A). Going forward, the Company has continued to evaluate alternative metallurgical technologies that potentially may simplify the process flow sheet.

The following table represents the project to date exploration expenditures on Metates:

<i>(table amounts are expressed in thousands of CAD dollars)</i>	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>	<b>Project to date</b>
Acquisition from American Gold in 2006	\$ -	\$ -	\$ 20,213.3
Concession	62.7	72.1	980.4
Assay	-	-	1,476.4
Community, taxes, camp and supplies	358.8	330.9	5,360.5
Drilling	-	-	5,982.5
Environmental	-	-	52.8
Geological and engineering	457.9	80.0	26,363.6
Travel & other	23.8	14.2	1,188.7
Other	-	11,972.2	11,972.2
<b>Total additions</b>	<b>\$ 903.2</b>	<b>\$ 12,469.4</b>	<b>73,590.4</b>

### ***2016 Updated PFS***

On May 3, 2016, the Company filed on SEDAR the National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”) compliant technical report for the 2016 Updated PFS. The 2016 Updated PFS is based on an initial ore throughput rate of 30,000 tpd (“Phase 1”) with a staged expansion up to 90,000 tpd (“Phase 2”), funded primarily from internally generated cash flow. Phase 1 will operate for the first four years of the mine life with Phase 2 production starting in year five. Active pit mining is planned for 27 years followed by 10 years of processing stockpiled low grade ore. The 2016 Updated PFS provides a viable alternative option to build Metates at a lower initial capital cost while maintaining key operating efficiencies and economies of scale.

### ***Mineral Reserves and Mining Schedule***

The 2016 Updated PFS uses a revised mineral resource estimate from the 2013 PFS and is based on resources extracted from an open pit using assumed metal prices of US\$1,200/oz gold and US\$19.20/oz silver, with no zinc credits. The open pit mineral reserves were estimated within a detailed engineered pit design using the measured and indicated resources only. Measured and indicated mineral resources in the production schedule are converted to proven and probable mineral reserves, respectively. The pit design has overall slope angles from 37 to 46 degrees and life of mine (“LOM”) strip ratio of 1.1:1.

The mining schedule employs an elevated cut-off strategy to supply higher grade ore for processing during the early years, with lower grade ore stockpiled for treatment later in the mine life. The above cut-off but lower than mill feed grade ore that is stockpiled is processed during the last ten years of operations (years 28-37).

The table below presents the mineral reserves for the Metates project based on the mine and plant production schedules.

<b>Metates Mineral Reserve</b>								
<b>Reserve Class</b>	<b>Ktonnes</b>	<b>AuEq* (g/t)</b>	<b>Gold (g/t)</b>	<b>Gold (Koz)</b>	<b>Silver (g/t)</b>	<b>Silver (Koz)</b>	<b>Zinc (%)</b>	<b>Zinc (M lbs)</b>
<b>Proven</b>								
Mill Ore	283,777	0.982	0.696	6,350	17.2	156,929	0.171	1,070
<b>Probable</b>								
Mill Ore	515,849	0.777	0.546	9,056	13.5	224,398	0.147	1,672
<b>Proven/Probable</b>								
Total Mill Ore	799,626	0.850	0.599	15,406	14.8	381,327	0.156	2,742
<b>Probable</b>								
Stockpile	302,703	0.533	0.295	2,873	12.4	120,229	0.188	1,256
<b>Total Proven/Probable</b>	<b>1,102,329</b>	<b>0.764</b>	<b>0.516</b>	<b>18,279</b>	<b>14.2</b>	<b>501,556</b>	<b>0.164</b>	<b>3,997</b>

\*Gold equivalent grade (AuEq) is defined as  $Au\ g/t + (Ag\ g/t \times Ag\ rec./Au\ rec. \times Ag\ price) + (Zn\ \% / 2204.6\ lbs/tonne \times 1000 \times Zn\ rec./Au\ rec. \times Zn\ price)$ . Overall metal recoveries are 90% Au, 66% Ag and 81% Zn. Assumed metal prices are US\$1250/oz. Au, US\$20/oz. Ag and \$1.00/lb. Zn. Contained resources may not add due to rounding.

### **Development Overview**

The 2016 Updated PFS envisioned a conventional truck and shovel open pit mining operation starting with a nominal 30,000 tpd ore throughput in Phase 1 expanding in year 5 to 90,000 tpd throughput for Phase 2. Crushed ore will be fed to a conventional SAG and ball mill circuit followed by a single stage flotation plant to produce a bulk sulphide concentrate. Tailings from the flotation concentration plant are dry filtered to remove water and then co-disposed with waste rock in a dedicated storage facility. The sulphide concentrate is transported downhill via a 103-kilometre long slurry pipeline to the El Paso site southwest of Metates. The pipeline will follow an all-weather access road that will be constructed between Metates and El Paso.

The El Paso site is situated beside a large high-grade limestone resource and close to key infrastructure including power, water, transportation and labour. At El Paso, the sulphide concentrate is treated in a pressure oxidation (POX/autoclave) plant with subsequent cyanidation and Merrill-Crowe recovery of gold and silver doré. Acidic solutions from the pressure oxidation process will be neutralized with ground limestone and lime produced from an on-site quarry and related processing facilities. The neutralization product will be dry filtered as will cyanide leach tailings prior to mixing for co-disposal in an adjacent storage facility. Zinc will be recovered from the pressure oxidation solutions via solvent extraction/electrowinning (SX/EW) methods to produce SHG grade (+99.9% purity) zinc ingots.

### **2016 Updated PFS compared to 2013 PFS**

The 2013 PFS fast tracked the mine development with Phase 1 processing 60,000 tpd and Phase 2 ore throughput increasing to 120,000 tpd in year 2. The LOM metal production for the 2013 PFS is essentially the same for the Updated PFS, but with active mining completed in year 19 and all metal production completed over 25 years. The mining, processing and metal recovery operations are similar for both studies.

Besides the relative scale of mining operations, significant changes and improvements in the 2016 Updated PFS have further de-risked the project in respect to site and infrastructure development, water management, power supply, reclamation and stakeholder interests. The principal changes since the 2013 PFS are noted below.

El Paso Site

The former Ranchito processing site in the 2013 PFS has been relocated 8 kilometres east to the El Paso site close to the town of Cosala. Cosala has a population of about 10,000 people providing an excellent labour pool and support services. The El Paso site has more favourable topography for the process facilities and tailings storage and is adjacent to a large high-grade limestone resource. In addition, the El Paso site will eliminate 69 kilometres of access road improvements and reduce the length of the concentrate pipeline from 126 to 103 kilometres.

#### Water Supply and Management

The Mexican government increased the cost of surface water use by nearly 100% in 2015. Metates projected mine life is over 30 years. Metates's close proximity to the Pacific Ocean and low-cost power allows for desalinated seawater to be a cost-effective alternative with lower supply risk. The desalination plant will supply 20 million cubic metres of water per year and be located within the same hydrologic basin and irrigation district as existing water users and stakeholders. The Company plans to outsource the construction and operation of the desalination plant to a third party.

#### Power Supply

Power for the project will be sourced from a dedicated natural gas-fired power plant located northwest of the El Paso site and adjacent to a new pipeline constructed by the Mexican government. The power plant will be owned and operated by an independent power provider with any excess power not required by the Metates project sold into the national power grid. Power will be delivered from the power plant to the project sites by owner-constructed dedicated power transmission lines.

#### Tailings Management

The waste rock and dewatered tailings storage design at the Metates site allows for concurrent LOM reclamation and reduces water demand by over 60% compared to conventional tailings facilities. At completion of mining, the tailings from the processed ore stockpile will be backfilled into the pit and contribute to a sustainable, long-term pit lake. At the El Paso site, the 2016 Updated PFS incorporates dry stack storage of combined neutralization products and cyanide leach tails rather than a conventional wet storage facility. The integrated dry stack disposal facility will substantially reduce water consumption and the environmental footprint.

#### Financial Comparison

For comparison with the 2016 Updated PFS, the 2013 PFS has been adjusted to the 2016 Updated PFS base case metal prices, changes in the 2014 Mexican tax regime, revised metal recoveries and elimination of the cash reserve. The initial Phase 1 capital cost for the 2013 PFS is US\$2.94 billion (60,000 tpd rate) increasing to US\$4.22 billion to achieve full nameplate capacity (120,000 tpd rate) in Phase 2. The initial Phase 1 throughput (30,000 tpd rate) in the 2016 Updated PFS has a capital cost of US\$1.91 billion with US\$1.59 billion in capital to complete Phase 2 to the 90,000 tpd rate.

Operating costs on a per tonne of ore basis have increased in the 2016 Updated PFS as compared to the 2013 PFS largely due to the lower throughput rates, mine fleet leasing costs and outsourcing the limestone/lime plant. For the 2013 PFS, the adjusted LOM by-product cash cost is US\$417 per ounce. The 2016 Updated PFS by-product cash cost is US\$628 per ounce LOM. The AISC is US\$662 per ounce, ranking in the lowest industry quartile of 2015 gold production. The attractive LOM cash costs for both the 2013 PFS and 2016 Updated PFS reflect the significant silver and zinc by-product credits along with the low stripping ratio, low power and neutralization costs.

<b>Comparison of Adjusted 2013 PFS and 2016 Updated PFS</b>		
	<b>2013 PFS</b>	<b>2016 Updated PFS</b>
<b>Contained Metal Reserves</b>		
Gold (thousand oz.)	18,452	18,279
Silver (thousand oz.)	526,111	501,556
Zinc (million lbs.)	4,185	3,997
<b>Production</b>		
Total Mine Life (years)	19	27
Total Plant Operating Life (years)	25	37
Phase 1 (years)	1	4
Phase 1 Production Rate (tonnes/day)	60,000	30,000
Phase 2 Production Rate (tonnes/day)	120,000	90,000
Average Annual Gold Production (thousand oz)	664	445
Average Annual Silver Production (thousand oz)	13,708	8,856
Average Annual Zinc Production (million lbs.)	128.0	88.3
<b>Capex and Opex</b>		
Initial Phase 1 Capital (\$000)	\$2,939,670	\$1,909,644
Initial Phase 1 & 2 Capital (\$000)	\$4,218,244	\$3,496,415
Total Operating Cost (\$ per tonne milled)	\$13.59	\$17.12
LOM Cash Cost (gold only by-product basis)	\$417	\$628
<b>Financial Results</b>		
Pre-tax NPV (5%) (\$000)	\$3,471,455	\$1,779,313
Pre-tax IRR (%)	14.4	10.9
Pre-tax Payback (years)	5.5	8.7
After-tax NPV (5%) (\$000)	\$1,948,365	\$737,416
After-tax IRR (%)	10.7	7.7
After-tax Payback (years)	6.7	10.1

*Note: 2013 PFS adjusted with Updated PFS metal price assumptions, Mexican taxes, metal recoveries, 0.5% royalty and no cash reserve.*

On August 9, 2019, the Company exercised the option to re-purchase a 1% NSR on Metates for US\$9.0 million from Wheaton Precious Metals Corp. Refer to the discussion in the section entitled Related Party Transactions below.

At the annual meeting with the San Juan de Camarone Ejido (“Ejido”) held in October, 2019, the Ejido agreed to extend the surface rights agreement for the same annual flat payment until 2026 in return for the Company committing to \$30,000 in road and power infrastructure improvements. The Company undertook these improvements in 2020.

During the year ended December 31, 2020, the Company incurred expenses of \$903,200 on Metates largely incurred in undertaking metallurgical testwork of alternative processes to oxidize sulfide ores. Since acquisition, the Company has spent \$73.6 million exploring and advancing Metates.

## REGIONAL EXPLORATION

The Company continues to explore for additional gold and silver prospects in northwestern Mexico. The Company has an ongoing program of systematic regional exploration focused within a 100-kilometre radius of Metates and the El Paso plant site near Cosala in Sinaloa State, Mexico. During the past three years, the Company has acquired several prospects by option and staking totalling approximately 95,000 hectares in this region. Excellent infrastructure exists in the region with close proximity to a paved highway, power grid and natural gas pipeline constructed by the Mexican government.

In Sinaloa State, the Company focused on Yarely located 25 kilometres northwest of the planned El Paso process site. During 2018, an exploration program including mapping, sampling, mechanized trenching, ground geophysics and diamond drilling was undertaken. Several multiphase mineralized prospects including Spaniard, Loretos, Sundae, Yasmin, Lucy, Los Mimbres and Goyo were identified. A Phase I drill program at Spaniard, Lucy and Loretos discovered narrow high-grade gold-silver veins, a polymetallic skarn system and a large porphyry.

During 2020, the Company has been undertaking regional exploration on the eastern flank of Metates. Three gold-silver prospects, Crisy, San Javier and Cerro Pelon, were explored within different regional structural settings associated with intermediate composition intrusive rocks.

Bulldozer trenching at Crisy defined a mineralized area that extends across a ridgeline measuring 600 metres along strike up to 200 metres in width and 150 metres vertically along the predominant northwest-southeast trend. An Induced Polarization and Resistivity Survey (“IP Survey”) over the bulldozer trenching correlated well with the gold-silver mineralization identified and suggest the outcropping quartz zones extend to over 200 metres depth. The IP Survey also defined a large northwest-southeast trending high chargeability anomaly 200 metres southwest of the bulldozer trenching.

Exploration work at San Javier located seven kilometres northeast of Crisy discovered a new northeast trending high-grade gold-silver quartz vein structure over 1,200 metres along strike and 300 metres in elevation. Exploration in the third quarter included detailed mapping, an IP Survey and mechanized trenching to advance San Javier to the drill stage.

During the year ended December 31, 2020, the Company spent \$760,800 on regional exploration.

## OTHER EXPLORATION PROJECTS

### EL DURAZNITO (Durango State, Mexico)

On March 3, 2020, the Company announced an option to acquire a 100% interest in the El Duraznito gold-silver project (“El Duraznito”) located near the town of Tayoltita in Durango State, Mexico. El Duraznito is located 18 kilometres east of First Majestic Silver Corp.’s San Dimas Mine (“San Dimas”).

The Company will provide US\$228,000 in staged payments to two concession owners (“Owners”) over three years to earn a 60% interest in El Duraznito. After completion of a feasibility study, the Company will pay the Owners US\$500,000 to earn an additional 20% interest in the project. Upon commencement of commercial production, the Company will have acquired a 100% interest in El Duraznito with a final US\$550,000 payment to the Owners. The development timeline is at the Company’s sole discretion.

As at December 31, 2020, the definitive agreement was still being finalized and expected to be completed before the end of 2021.

### TATATILA (Veracruz State, Mexico)

In 2007, the Company acquired through purchase and staking the Tatatila project (“Tatatila”) in Veracruz State. The Company acquired seven concessions comprising 2,767 hectares for US\$56,000 from the CRM, a mining division of the Mexican government. The Company also staked one concession comprising 13,902 hectares. The Tatatila

concessions surround Mexican Gold Corp's ("Mexican Gold") Las Minas project ("Las Minas"). Mexican Gold reported a resource estimate of 304,000 gold equivalent ounces (gold-silver-copper) at a grade of 1.9 g/t gold equivalent and an inferred resource of 719,000 gold equivalent ounces at a grade of 2.17 g/t gold equivalent. Mexican Gold has commenced a 10,000 metre drill program to expand and upgrade the current resource for a preliminary economic assessment as well as to test other exploration targets.

The Company undertook a follow-up exploration program to determine the potential extension of the Las Minas skarn zones along regional limestone-intrusive contacts and associated structural trends. Rock chip sampling and a magnetics geophysical survey discovered four gold-copper-zinc mineralized skarn bodies along a three-kilometre southeast trending corridor from Las Minas. Generative exploration has discovered additional mineralized skarn zones along an irregular five-kilometre northeast trending intrusive-limestone corridor.

## **GUNPOINT EXPLORATION PROJECTS**

### **TALAPOOSA (Nevada, USA)**

On November 26, 2010, Gunpoint acquired from the Company a 100% interest in Talapoosa located in Lyon County, Nevada. Talapoosa is a low-sulphidation gold/silver property in the Walker Lane gold trend of western Nevada, approximately 45 kilometres east of Reno. Talapoosa consists of 535 unpatented lode mining claims and seven additional fee land sections which cover 14,780 hectares.

Talapoosa has a NI 43-101 compliant resource estimate (April 2013) hosting a measured (0.6 million) and indicated resource (0.4 million) of 1.0 million ounces of gold (31.2 million tons at a grade of 0.032 oz/t AuEq) and an inferred resource of 233,532 ounces of gold (11.2 million tons at a grade of 0.021 oz/t AuEq) using a cut-off of 0.015 oz/t gold equivalent.

In March 2015, the Company entered into an agreement (the "Option Agreement") with Timberline Resources Corporation ("Timberline"), granting Timberline an option (the "Option") to acquire from Gunpoint's subsidiary, American Gold Capital US Inc. ("American Gold"), a 100% interest in Talapoosa.

On August 10, 2015, Timberline filed a "Preliminary Economic Assessment on the Talapoosa Project" (the "PEA") on SEDAR. At a 5% discount rate, the PEA indicated an after-tax NPV of US\$136 million and 39% IRR at US\$1,150/oz gold and US\$16/oz silver.

Timberline did not make a US\$2.0 million option payment due March 31, 2018 to Gunpoint. Timberline's option to acquire Talapoosa was terminated and 100% ownership reverted back to Gunpoint. Total consideration received by Gunpoint under the option payment is US\$1.3 million cash and 3.0 million common shares of Timberline.

Gunpoint has reviewed the technical work undertaken by Timberline and updated the project's database.

### **LA GITANA (Oaxaca State, Mexico)**

The La Gitana project ("La Gitana") was acquired by Gunpoint in November 2010 from the Company, together with Talapoosa, La Cecilia (as defined herein) and Cerro Minas.

La Gitana is a large low sulphidation epithermal system hosting precious metals mineralization that is both structurally and lithologically controlled. During 2005 and 2006, the Company completed 40 diamond drill holes comprising 8,462 metres on La Gitana. The drill program primarily tested Cerro di Oro, a 1.5-kilometre long, NW-trending, structurally-controlled, epithermal system where gold-silver mineralization is found as high-grade shoots in a set of N-W trending, sub-vertical structures, and as low grade disseminations within broad zones of quartz stockworks and breccias.

A NI 43-101 compliant technical report on La Gitana concluded that the exploration program undertaken by the Company on the Cerro di Oro zone (including detailed surface mapping and sampling, ground geophysics and diamond drilling) provided sufficient information to confirm the existence of well-defined gold-silver mineralization extending 500 metres in length, 50 to 150 metres wide and 50 to 300 metres deep. Step-out drilling discovered additional gold-silver mineralization along strike for over 300 metres to the southeast.



On June 4, 2019, Gunpoint signed a non-binding letter of intent (the "LOI") with Inomin Mines Inc. ("Inomin") to sell its 100% interest in La Gitana. Pursuant to the LOI, Inomin has an option to acquire La Gitana in consideration for \$300,000 in cash payments and 2,000,000 Inomin common shares issued as follows:

- A payment of \$10,000 on signing the LOI; (Received)
- A payment of \$25,000 and 150,000 shares following execution of definitive agreement;
- A payment of \$50,000 and 250,000 shares on first anniversary;
- A payment of \$65,000 and 450,000 shares on second anniversary;
- A payment of \$75,000 and 500,000 shares on third anniversary; and
- A payment of \$75,000 and 650,000 shares on fourth anniversary.

The definitive agreement required a surface rights agreement with the Santa Maria Lachixonace Ejido community. The Company was unable to reach an agreement with the Santa Maria Lachixonace Ejido community and on August 4, 2020, Gunpoint agreed to sell La Gitana and another exploration property in Oaxaca state ("Pena Blanca") to Inomin for \$25,000 and 1.0 million common shares of Inomin. Gunpoint retains a 1.5% NSR on Pena Blanca. Inomin has the option to purchase 0.5% of the 1.5% NSR from Gunpoint for \$1.0 million dollars. The transaction was subsequently approved by the TSX Venture Exchange in March, 2021.

### **CERRO MINAS (Oaxaca State, Mexico)**

Gunpoint acquired the Cerro Minas project ("Cerro Minas") from the Company in 2010. Cerro Minas is located 130 kilometres southwest of Oaxaca City and comprises 899 hectares. The mineralization at Cerro Minas consists of skarn and polymetallic replacement zones with silver, copper, zinc, lead and locally gold. Previous exploration identified two mineralized zones, La Reyna and La Fe, associated to the contact of an intermediate intrusion within a sequence of Cretaceous limestones and shales converted to marble and hornfels.

On October 16, 2019, Gunpoint entered into an agreement ("Megastar Agreement") with Megastar Development Corp. ("Megastar") whereby Megastar was granted an option to acquire a 100% interest in Cerro Minas. Pursuant to the Megastar Agreement, Megastar can acquire Cerro Minas by making US\$100,000 in cash payments and issuing 800,000 Megastar common shares to Gunpoint per the following schedule:

- A payment of US\$10,000 and 100,000 common shares of Megastar on the effective date of the Megastar Agreement (Received);
- A US\$20,000 cash payment and 150,000 common shares of Megastar on or before the first anniversary of the effective date of the Megastar Agreement (Received);
- A US\$30,000 cash payment and 250,000 common shares of Megastar on or before the second anniversary of the effective date of the Megastar Agreement; and
- A US\$40,000 cash payment and 300,000 common shares of Megastar on or before the third anniversary of the effective date of the Megastar Agreement.

Gunpoint retains a 1.5% NSR royalty on Cerro Minas which Megastar has the option to purchase a 0.5% NSR royalty for US\$1.0 million dollars. Megastar will be responsible for the property taxes and holding costs (including surface right agreement) to maintain Cerro Minas in good standing during the term of the Megastar Agreement.

### **LA CECILIA (Sonora State, Mexico)**

In 2010, Gunpoint acquired the La Cecilia project ("La Cecilia") from the Company. Located in northeastern Sonora State, Mexico, La Cecilia comprises three mineral concessions totalling 794 hectares.

La Cecilia is a low-sulphidation, epithermal-type gold-silver system related to two well-developed northwest and northeast trending sets of faults centred on "Cerro Magallanes", a rhyolite dome complex. The mineralization occurs as high grade in vein structures and as lower grade within broader zones of stockworks and breccias. Numerous other anomalous zones of silicification, brecciation and argillic alteration exist across the extent of the flow dome complex.

On January 31, 2017, Gunpoint entered into an agreement (the “Riverside Agreement”) with Riverside Resources Inc. (“Riverside”) whereby Riverside has been granted an option to acquire a 100% interest in La Cecilia. Pursuant to the Riverside Agreement, Riverside can acquire a 100% interest in La Cecilia by making \$250,000 in cash payments and issuing 1.0 million Riverside common shares to Gunpoint per following schedule:

- A payment of \$10,000 upon execution of the Riverside Agreement;
- A \$15,000 cash payment and issuance of 100,000 common shares of Riverside concurrent with the execution of registerable agreement in Mexico which occurred April 24, 2017 (the “Effective Date”);
- A \$25,000 cash payment and issuance of 200,000 common shares of Riverside on or before the first anniversary of the Effective Date;
- A \$75,000 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date; and
- A \$125,000 cash payment and issuance of 400,000 common shares of Riverside on or before the third anniversary of Effective Date.

During the first quarter of 2020, Riverside completed its acquisition of La Cecilia with a \$125,000 cash payment and 400,000 Riverside common shares issued to Gunpoint. As at December 31, 2020, La Cecilia is recorded at \$nil (December 31, 2019 - \$nil) value due to a previous impairment. The consideration received from Riverside was recognized as income in the consolidated statement of operations.

During the year ended December 31, 2020, Riverside spun out their Penoles project in Mexico by way of a plan of arrangement by issuing common shares (“Capitan Shares”) of Capitan Mining Inc. (“Capitan”) to existing Riverside shareholders. Capitan is a new public company on the TSX Venture Exchange. The Company received 259,399 Capitan Shares. As at December 31, 2020, the fair market value of the Capitan Shares was \$49,286 and recorded as an unrealized gain on investment.

As at December 31, 2020, the Company does not have any continuing interest in La Cecilia.

## SUMMARY OF CONSOLIDATED LOSS

	Year Ended		
	2020	2019	2018
<i>(tabled amounts are expressed in thousands of CAD dollars)</i>			
Depreciation	\$ (17.0)	\$ (16.9)	\$ (16.9)
Exploration	(238.1)	(264.0)	(234.6)
General & administration <sup>(1)</sup>	(2,452.6)	(997.0)	(1,008.7)
Share based compensation	(578.6)	(611.6)	(1,407.5)
	(3,286.3)	(1,889.5)	(2,667.7)
Finance income, net	249.0	237.2	317.2
Foreign exchange gain (loss)	(82.0)	(130.2)	(102.3)
Impairment on PPE	-	-	(571.2)
Unrealized gains (loss) on investments	1,958.8	138.7	(796.6)
Other income	229.3	173.5	-
Net income (loss) before income tax	(931.2)	(1,470.3)	(3,820.6)
Income tax provision	(571.1)	(185.1)	(191.2)
Net income (loss)	(1,502.3)	(1,655.4)	(4,011.8)
Other comprehensive gain (loss)	635.0	78.1	(712.1)
Net loss and comprehensive income loss	(867.3)	(1,577.3)	(4,723.9)
Basic/Diluted loss per share	(0.03)	(0.04)	(0.09)
Non current financial liabilities	-	3.8	-
Total assets	128,325.1	105,062.3	91,516.4

(1) General and administration (“G&A”) consists of general and administrative expenses, professional fees and management fees for the Canadian, U.S. and Mexican offices.

The Company incurred net loss of \$1.5 million (\$0.03 loss per share) for the year ended December 31, 2020, compared to a loss of \$1.7 million (\$0.04 loss per share) in 2019 and a loss of \$3.8 million (\$0.09 loss per share) in 2018. The reduction in the net loss in 2020 as compared to 2019 was principally due to a higher unrealized gain on investments of \$1.9 million offset by a higher management fees of \$1.5 million including \$1.3 million in executive bonus compensation.

The Company had an unrealized gain on investments of \$1,958,800 in 2020 compared to a gain of \$138,700 in 2019 and a loss of \$796,600 in 2018. The difference in the unrealized gain or loss on investment was due to the change in market conditions and fluctuation of the share prices for marketable securities and long-term investments.

As more options vested during 2019 as compared with 2020, share based compensation expense was lower in 2020 (\$578,600) compared to 2019 (\$611,600) and 2018 (\$1,407,500)..

Excluding the \$1.3 million executive bonuses accrued in 2020, the scale and nature of the Company's corporate and administrative activity have remained relatively consistent over the past two years.

Other comprehensive gain (loss) fluctuations over the years are due to changes in the macro-economic environment related to foreign exchange translation, marketable securities and stock-based compensation expense. This includes the translation gains and losses incurred when translating subsidiary financials with local currency and the IFRS non-cash adjustment related to the translation of measurement currency to reporting currency.

The total assets increased since 2018 due to a non-brokered private placement for gross proceeds of \$20.0 million. Total assets increased in from 2018 to 2019, due to a bought-deal private placement for gross proceeds of \$12.0 million, and a non-brokered private placement for gross proceeds of \$3.0 million.

### ***Consolidated quarterly loss – 8 quarters historic trend***

<i>(tabled amounts are expressed in thousands of CAD dollars)</i>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>Q3 2019</b>	<b>Q2 2019</b>	<b>Q1 2019</b>
Amortization	(0.1)	(3.8)	(3.5)	(9.6)	1.8	(4.1)	(4.3)	(10.3)
Exploration	(62.1)	(69.4)	(41.0)	(65.6)	(101.7)	(63.3)	(46.6)	(52.4)
General & administration <sup>(1)</sup>	(1,743.5)	(257.2)	(226.5)	(225.4)	(229.8)	(250.8)	(291.3)	(225.1)
Share-based compensation	(216.7)	(152.1)	(110.2)	(99.6)	(104.7)	(150.1)	(154.2)	(202.6)
	(2,022.4)	(482.5)	(381.2)	(400.2)	(434.4)	(468.3)	(496.4)	(490.4)
Finance (cost) income, net	65.7	56.0	60.6	66.7	93.7	(12.5)	70.2	85.8
Foreign exchange (loss) gain	(1)	(7.4)	12.7	(86.3)	(83.9)	(23.4)	(19.5)	(3.4)
Unrealized gain(loss) on investments	571.9	1,048.5	811.3	(472.9)	137.2	86.1	(182.6)	98.0
Other income	43.5	-	3.5	182.3	28.1	4.5	4.4	136.5
Income tax provision	(571.1)	-	-	-	(185.1)	-	-	-
Net income (loss)	(1,913.4)	614.6	506.9	(710.4)	(444.4)	(413.6)	(623.9)	(173.5)
Other comprehensive (loss) income	(534.6)	(156.9)	130.5	1,196.0	(224.8)	143.5	107.6	51.8
Total comprehensive gain (loss)	(2,448.0)	457.7	637.4	485.6	(699.2)	(270.1)	(516.3)	(121.7)
Basic/Diluted earnings (loss) per share	(0.03)	0.01	0.00	(0.01)	(0.04)	(0.03)	(0.02)	(0.00)
Total assets	128,325.1	127,526.1	106,780.7	105,914.3	105,062.3	105,510.3	91,375.6	91,628.7

(1) General and administration ("G&A") consists of general and administrative expenses, professional fees and management fees

### ***Three months ended December 31, 2020 vs. all historic quarters in 2020 and 2019***

The Company incurred a net loss of \$1.9 million (\$0.01 loss per share) for the three months ended December 31, 2020. The net loss in the fourth quarter was higher than all of the previous quarters in 2020 due to the accrual of executive bonus compensation for the President of the Company of \$1.3 million.

When excluding the bonus accrued for the current year, the exploration expense and general and administrative expense are consistent with minor differences resulted from timing differences of expenses.

Unrealized gains and losses on investment are dependent on market conditions which fluctuate from quarter to quarter.

Foreign exchange gains and loss along with cumulative translation adjustment (other comprehensive income or loss) fluctuate from quarter-to-quarter dependent on the strength of the Canadian Dollar against the Mexico Pesos.

Non-cash income tax provisions resulted from the changes between accounting carrying value and tax carrying value of the Company's assets and liabilities. The losses are mainly triggered by the expiry of tax loss carry-forwards in the Company's Mexico subsidiary.

### ***Change in total assets***

In Q3 2020, the total assets increased due to a non-brokered private placement for gross proceeds of \$20.0 million. Total assets increased in Q3 2019, due to a bought-deal private placement for gross proceeds of \$12.0 million, and a non-brokered private placement for gross proceeds of \$3.0 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

	Year ended December 31,		
	2020	2019	2018
<i>(table amounts are expressed in thousands of CAD dollars)</i>			
Cash outflow from operating activities	\$ (1,512.8)	\$ (886.2)	\$ (817.2)
Cash inflows from financing activities	22,187.2	2,267.1	85.3
Cash outflows from investing activities	(1,557.1)	(1,550.8)	(2,392.1)
Foreign exchange impact on cash	(127.7)	(199.5)	(162.6)
Net cash flows	18,989.6	(369.4)	(3,286.6)
Cash balance	\$ 34,247.8	\$ 15,258.2	\$ 15,627.6

<i>(table amounts are expressed in thousands of CAD dollars)</i>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Opening cash balance</b>	<b>\$ 15,258.2</b>	<b>\$ 15,627.6</b>	<b>\$ 18,914.2</b>
Proceeds from private placements	19,846.2	14,329.6	-
Repayment of related party loan	-	(12,055.6)	-
Purchase of other investment	(417.2)	-	-
Proceeds from sales of market securities	862.8	-	225.0
Proceeds from options exercised	2,347.3	-	40.3
Settlement of other receivables	21.2	(109.4)	(124.2)
Investment income – cash received	249.0	237.2	317.2
Increase in accounts payable	(397.0)	128.2	330.1
General & administration and other overhead	(1,304.6)	(997.0)	(1,008.7)
General exploration expense	(238.1)	(264.0)	(234.6)
Capitalized Exploration Expense (Metates,	(1,998.0)	(1,547.6)	(2,617.1)
Foreign exchange impact on cash and others	18.0	(90.8)	(214.6)
<b>Ending cash balance</b>	<b>\$ 34,247.8</b>	<b>\$ 15,258.2</b>	<b>\$ 15,627.6</b>

As at December 31, 2020, the Company's net working capital was \$34.6 million, higher than the \$15.2 million in 2019, and \$15.3 million in 2018. The increase net working capital is due to the Company completing a \$20 million private placement during the third quarter of 2020. The cash balance as at December 31, 2020 was \$34.2 million compared to \$15.3 million in 2019 and \$15.6 million in 2018. The cash balance is primarily held in major Canadian chartered banks and Canadian government securities with short-term maturity dates.

The cash outflows from operating activities for the year ended December 31, 2020 were \$1.5 million compared to a cash outflow of \$0.9 million in 2019 and \$0.8 million in 2018. The cash inflow of \$125,000 from Riverside and \$26,264 from Megastar were offset by movement in working capital items, general exploration activities (\$238,100), corporate overhead (\$912,100), and management fees (\$1,548,000) in the current year.

The cash inflow from financing activities for the year ended December 31, 2020 was \$22.2 million which included a \$20 million private placement and \$2.3 million from stock options exercised, compared to a cash inflow of \$2.3 million in 2019 and a cash inflow of \$85,300 in 2018. In 2019, the Company completed a \$15 million private placement and made a repayment of \$12 million on a related party loan related to Metates NSR buyback. The cash inflow of \$85,300 in 2018 was from options exercised.

The cash outflow from investing activities for the year ended December 31, 2020 was \$1.5 million similar to \$1.5 million in 2019 and lower than \$2.4 million in 2018. In the current year, the Company sold \$862,800 of marketable securities and invested \$417,200 in other marketable securities.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds. The Company has sufficient working capital to fund the planned development and corporate expenses through 2021 and beyond.

The following table reflects the Company's aggregate contractual commitments as of December 31, 2020:

<b>Contractual Obligations</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Operating lease – office	\$ 3.5	\$ 3.5	\$ -	\$ -	\$ -
Decommissioning obligations	302.9	-	-	-	302.9
	<b>\$ 306.4</b>	<b>\$ 3.5</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 302.9</b>

On August 18, 2020, the Company closed a private placement with net proceeds of \$19.8 million. The net proceeds from the private placement will be used to undertake Metates metallurgical test work and ongoing regional exploration and for general working capital.

As at December 31, 2020, the use of proceeds was estimated as follows:

Category	In million \$
Metallurgical testing	0.56
Regional exploration	0.30
<b>Total expenditures</b>	<b>0.86</b>
<b>Net proceeds raised</b>	<b>19.85</b>
<b>Remaining proceeds</b>	<b>18.99</b>

## SHAREHOLDERS' EQUITY

As at December 31, 2020 and date of this M&DA, the Company has the following common shares outstanding and stock options:

'000 in thousands	Common shares outstanding	Stock options outstanding
<b>As at December 31, 2020</b>	<b>56,307</b>	<b>5,955</b>
Bonus shares issuance – President of the Company	200	-
Share issuance – Alderley Gold Corp	10,000	-
Stock option cancellation	-	(24)
Stock option grant	-	300
Stock option exercised	860	(860)
<b>As at date of this report</b>	<b>67,367</b>	<b>5,371</b>

On January 20, 2021, the Company closed the acquisition of Alderley and issued 10 million common shares. See page 1 of the MD&A for details.

On January 19, 2021, the Company granted 300,000 stock options to the directors of the Company. These options vest equally over 4 years with the first vesting date on January 19, 2022, with an exercise price of \$4.55 and an expiry date of January 19, 2026.

On January 27, 2021, the Company issued the President of the Company 200,000 bonus shares that was declared in December 2020.

During the month of March 2021, 860,000 stock options were exercised with an exercise price of \$2.15. Total proceeds received by the Company was \$1,849,000.

The following table discloses the number of options and vested options outstanding as at the date of this MD&A:

Number of options (‘000s)	Vested (‘000s)	Exercise price \$	Expiry Date
2,115	2,115	\$ 3.30	29-Aug-24
706	529	3.75	27-Sept-22
400	-	3.15	14-May-25
1,850	-	4.56	10-Dec-25
300	-	4.55	19-Jan-26
5,371	2,644	3.85	

The following table discloses the number of options and vested options outstanding as at December 31, 2020:

Number of options (‘000s)	Vested (‘000s)	Exercise price \$	Expiry Date
2,115	2,115	\$ 3.30	29-Aug-24
860	860	2.15	21-Mar-21
730	547	3.75	27-Sept-22
400	-	3.15	14-May-25
1,850	-	4.56	10-Dec-25
5,955	3,522	3.57	

## REGULATORY DISCLOSURES

### *Off-Balance Sheet Arrangements*

As at the date of this MD&A, the Company did not have any off-balance sheet arrangements.

### *Proposed Transactions*

Aside from the agreement to acquire Alderley for the Technology together with certain asset rights and proprietary database (see page 2 for details), the Company does not have any proposed transactions as at December 31, 2020 other than as disclosed elsewhere in this MD&A.

### *Related Party Transactions*

The Company’s related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm’s length.

The Company incurred the following expenses with related parties during the years ended December 31:

Amounts in ‘000s	2020	2019
Consulting	\$ 160.1	\$ 108.5
Legal	198.2	48.5
Management fees	1,584.0	200.0
Rental	24.0	24.0
Share based compensation	630.0	500.9

Management and rental fees were paid or accrued to a private company owned by the President of the Company. Consulting fees were paid or accrued to directors of the Company. As at December 31, 2020 the Company had amounts payable of \$302,000 (2019 - \$907,400).

As at December 31, 2020, Gunpoint has a promissory note in the principal amount of \$700,000 (2019 - \$700,000) due to the President of the Company. The promissory note is unsecured, bears interest at 5% per annum and is due on demand. Interest accrued on the promissory note for the year ended December 31, 2020 was \$35,000 (2019 - \$35,000). As at December 31, 2020, the total accrued interest related to the promissory note was \$307,700 (2019 - \$272,700) and included in the account payables and accrued liabilities.

During August 2019, the Company obtained a US\$9 million bridge loan from the President of the Company to exercise the option on re-purchasing the 1% NSR on Metates. The US\$9.0 million bridge loan was at an interest rate of 5% per annum. The loan and the accrued interest were fully repaid in 2019.

### **Financial Instruments**

The following provides a comparison of carrying and fair values of each classification of financial instrument:

<i>(tabled amounts are expressed in thousands of CAD dollars)</i>	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Carrying value \$</b>	<b>Fair value \$</b>	<b>Carrying value \$</b>	<b>Fair value \$</b>
<b>Financial assets</b>				
Cash	34,247.8	34,247.8	15,258.2	15,258.2
Marketable securities	1,546.7	1,546.7	1,544.5	1,544.5
Long term investment	2,026.4	2,026.4	442.2	442.2
<b>Financial liabilities</b>				
Accounts payable & accrued liabilities	1,067.6	1,067.6	1,418.7	1,418.7
Lease liabilities	3.5	3.5	5.5	5.5
Promissory note	700.0	700.0	700.0	700.0

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 other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

The following table sets forth the Company's assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

<i>(tabled amounts are expressed in thousands of CAD dollars)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total December 31, 2020</b>
Marketable securities	1,546.7	-	-	1,546.7
Long-term investments	2,026.4	-	-	2,026.4
	\$ 3,573.1	\$ -	\$ -	\$ 3,573.1

<i>(tabled amounts are expressed in thousands of CAD dollars)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total December 31, 2019</b>
Marketable securities	1,544.5	-	-	1,544.5
Long-term investments	442.2	-	-	442.2
	\$ 1,986.7	\$ -	\$ -	\$ 1,986.7



The fair value of other financial instruments, including cash, other receivables, accounts payable and accrued liabilities, and promissory note payable, approximate their carrying values due to the relatively short-term maturity of these instruments. The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the year ended December 31, 2020 and 2019.

#### *Credit Risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, marketable securities, and long-term investments. The Company's marketable securities and long-term investments are held in bonds and common shares of publicly traded companies. The carrying amount of the financial assets represents the maximum credit exposure. The Company's cash are held through large Canadian financial institutions.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company settles its financial liabilities using its cash. The Company manages liquidity risk through the management of its capital structure as described in Note 14. The accounts payable and accrued liabilities is due within the current operating period.

#### *Market Risk*

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. The Company closely monitors market values to determine the most appropriate course of action.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities. A 1% change in market interest rates would result in no significant change in value of cash. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity and held with large Canadian financial institutions.

#### *Foreign Exchange Rate Risk*

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in the United States, Mexico, and Guatemala. Certain costs and expenses are incurred in US dollars, Mexican pesos, and Guatemala quetzal. The Company attempts to mitigate currency risk through the preparation of short and long-term expenditure budgets in the foreign currencies.

#### *Price Risk*

The Company is exposed to price risk with respect to its investments, which consists of common shares of publicly-traded companies and is dependent upon the market price or the fair value of the common shares of these companies. The market price or the fair value of the common shares of publicly-traded companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

#### ***Significant Accounting Policies***

Please refer to the audited annual financial statements for the year ended December 31, 2020 which was filed on SEDAR.

***Risk and uncertainties***

This MD&A contains forward-looking statements. Readers are cautioned as to the risks and uncertainties related to the forward-looking statements and are directed to those risks and uncertainties discussed in the Annual Information Form (“AIF”) dated July 28, 2020, of which was filed on SEDAR. Also, please refer to the “Cautionary Statement on Forward-Looking Information” at the end of the MD&A.

***Cautionary Statement on Forward Looking Statements***

This MD&A contains “forward-looking statements” and “forward-looking information” (collectively, “forward-looking statements”) within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information herein include, but are not limited to: statements regarding prospective gold, silver and zinc production and planned work programs; the timing and amount of estimated future production; costs and timing of the development of new deposits; timing of completion of exploration programs; the success of exploration and development activities and mining operations; the impact of the COVID-19 pandemic on the Company’s operations; the future price of commodities; timing and expenditures to develop Metates; gold, silver and zinc resources, grades and recoveries; cash costs per ounce, capital and operating expenditures and sustaining capital; the Company’s plans and intentions surrounding the technology acquired from the Alderley Transaction; completion of acquisitions and their potential impact on the Company and its operations; and the ability to fund mine development at Metates. The Company does not intend to, and does not assume any obligation to update such forward-looking statements or information, other than as required by applicable law.

Forward-looking statements are made based upon certain assumptions and other important factors that, while considered reasonable by the Company, are inherently subject to significant business economic, competitive, political and social uncertainties and contingencies. The Company has made assumptions based on many of these factors which include, without limitation: present and future business strategies; the environment in which the Company will operate in the future, including the future price of gold, silver and zinc; currency exchange rates; estimates of capital and operating costs; production estimates; estimates of mineral resources and metallurgical recoveries; mining operational and development risks; regulatory restrictions; activities by governmental authorities and changes in legislation; community relations; the speculative nature of mineral exploration; the global economic climate; loss of key employees; additional funding requirements; title to mineral claims or property; and the ultimate impact of the COVID-19 pandemic on operations. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others: ability to finance mine development, fluctuations in the prices of gold, silver and zinc, fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and U.S. dollar); changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological conditions, pressures, cave-ins and flooding); risks of local violence; risks related to natural disasters, terrorism, civil unrest, public health concerns (including health epidemics or outbreaks of communicable diseases such as the COVID-19 pandemic) and other geopolitical uncertainties; inadequate insurance, or inability to obtain insurance; availability of and costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, diminishing quantities or grades of mineral reserves as properties are mined; risks in obtaining necessary licenses and permits, and challenges to the Company’s title to properties.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or information, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended. There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.

***Qualified Persons***

Mr. Gary Parkison (Metates Project Manager) and Alberto Galicia (VP Exploration) are Qualified Persons as defined by NI 43-101 is responsible for the technical information on Metates in this MD&A.

Mr. Doug Austin, P.E., Senior Vice President, Dr. Art Ibrado, QP Member, MMSA, Project Manager and Mr. Richard Zimmerman, R.G. Environmental Geologist, of M3 Engineering & Technology Corp., Mr. Michael Hester F AUS IMM, Vice President, and Ms. Sylvia Y. Genglet, Senior Geological Engineer of Independent Mining Consultants, Inc., Dr. Deepak Malhotra, SME, President of Resource Development Inc., and Mr. Grenvil M. Dunn, P. Eng, C. Eng, Director of Hydromet (Pty) Ltd. prepared the 2013 PFS and Updated 2016 PFS.