The following discussion and analysis of the operations, results, and financial position of Gray Rock Resources Ltd. (the "Company" or "Gray Rock") should be read in conjunction with the Company's condensed consolidated interim financial statements for the six months ended June 30, 2020, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the notes thereto.

This Management Discussion and Analysis ("MD&A") is dated Aug. 24, 2020 and discloses specified information up to that date. Gray Rock is classified as a "venture issuer" for the purposes of National Instrument 51-102.

We recommend that readers consult the "Cautionary Statement" on the last page of this report.

Additional information relating to the Company can be obtained by contacting David Wolfin, the President & CEO of the Company, on SEDAR at www.sedar.com, or on the Company's website at www.grayrockresources.com.

Business Overview

Gray Rock Resources Ltd. ("the Company") was incorporated under the laws of the Province of British Columbia. Its principal business comprises the exploration for and development of mineral properties.

The Company is in the exploration stage. The common shares of the Company commenced trading on the TSX Venture Exchange on November 29, 2006 under trading symbol GRK. The Company is classified as a Mineral Exploration company. The financial statements, to which this MD&A relates, have been prepared on a going concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company has working capital of $38,445 at June 30, 2020 and has accumulated losses of $4,081,376 since incorporation. The Company's ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in the future.

Overall Performance

Option Agreement – Mexico Properties

Subsequent to June 30, 2020, the Company announced that an independent special committee of its board of directors has determined to proceed with an option agreement dated August 12, 2020 (the "Option Agreement") with Avino Silver & Gold Mines Ltd. ("Avino"), as optionor. Pursuant to the terms of the Option Agreement, Gray Rock was granted the exclusive right to acquire an 100% interest in the Ana Maria and El Laberinto properties in Mexico (the "Option"), in consideration of the issuance to Avino of share purchase warrants to acquire 300,000 common shares of the Company at an exercise price of $0.20 per share for a period of 36 months from the date of the TSX Venture Exchange's final acceptance of the Option Agreement (the "Approval Date").

In order to exercise the Option, Gray Rock will:

1. Pay or issue to Avino a total of $600,000 in cash or common shares of the Company as follows:
    a. $50,000 in common shares of the Company within 30 days of the Approval Date;
    b. A further $50,000 on or before the first anniversary of the Approval Date;
    c. A further $100,000 on or before the second anniversary of the Approval Date;
    d. A further $200,000 on or before the third anniversary of the Approval Date; and
    e. A further $200,000 on or before the fourth anniversary of the Approval Date; and

2. Incur a total of $750,000 in exploration expenditures on the properties, as follows:
    a. $50,000 on or before the first anniversary of the Approval Date;
    b. A further $100,000 on or before the second anniversary of the Approval Date; and
    c. A further $600,000 on or before the fourth anniversary of the Approval Date.

All share issuances will be based on the average volume weighted trading price of the Company's shares on the TSX Venture Exchange for the ten (10) trading days immediately preceding the date of issuance of the shares, and the shares will be subject to resale restrictions under applicable securities legislation for 4 months and a day from their date of issue. Under the Option Agreement, the parties intend that the first two year's payments ($200,000 in cash or shares), and first $150,000 in exploration work will be firm commitments by the Company.

Any exploration expenditures in excess of any period stated above will be applied towards the next succeeding period's minimum requirements. During the option period, the Company will also assume liability and be responsible for all required semi-annual property payments required to maintain the properties in good standing.

The Company also granted to Avino a right of first refusal on 60 days' notice to Avino to purchase and process any ore or concentrate extracted from the properties under a custom milling contract at Avino's mine facilities.

Ana Maria Property

The Ana Maria property is located 21 kilometres (km) northwest of the City of Gómez Palacio and the adjacent City of Torreón, and 1 km north of the town of Dinimita, in the municipality of Gómez Palacio, Durango, Mexico. The claims are located in the Minitas mining district in the Guadalupe Victoria mining region. The property consists of 9 mining concessions encompassing 2,549 hectares (ha).

Minimal documentation exists regarding the history and production at Ana Maria; however, historical reporting states that La Lucha was exploited for Iron (Fe) and Manganese (Mn). Production terminated in 1943 and it was estimated to have produced 12,000 tons of material and reserves of approximately 25,000 tons.

The historical estimates of production and reserves as stated above are for historical reference only and do not use the categories set out in NI 43-101. The estimates are deemed relevant from the perspective that mineralization is present on the property which may indicate the existence of other related mineral assemblages. The QP has not validated nor verified these historical estimates nor any underlying data as information and data is not available. The QP has not done sufficient work to classify the estimates and the issuer is not treating the historical estimate as current. The source of the information is the Mexican Government website and USGS (United States Geological Survey) website.

These projects are located in the North West-South East (NW-SE) striking fold-thrust belt of the Sierra Madre Oriental within a west trending prong known as the Sierras Transversales or the Monterrey-Torreón transverse system. It divides the Mesa Central, an elevated plateau to the South, from the eastern Mexican Basin and Range to the North.

The region hosts a number of carbonate replacement deposits (CRD´s) within Cretaceous limestones and dolomites. Mineralization is associated with large stocks, dykes or sills of granitoids ranging from diorites to quartz monzonites and rhyolites and inferred to be lower crustal in origin. Mineralization is present as skarns or massive sulphides and occurred during Mid-Tertiary volcanism when the aforementioned intrusions were emplaced (Megaw et al., 1988 and references therein). The deposits typically produce silver, lead, zinc and copper although some districts, such as Ojuela (~10 kilometres from Ana Maria and La Zorra), are enriched in gold relative to typical CRD´s.

Laberinto Project

The Laberinto Project is located in the “Sierra de la Silla” northwest of the town of Francisco I. Madero in the municipality of Panuco de Coronado. It is approximately 60 kilomteres northeast of the city of Durango City, México. The property consists of mining concession encompassing 91.7 ha.

El Laberinto is situated within the Tepehuano terrane, as are Ana Maria, La Recompensa, and the El Soldado projects, but in close proximity to the contact with the Tahue terrane, W of the Sierra Madre Oriental. The carbonates that host the CRD projects are absent; no Mesozoic rocks survived erosional processes in the region. Instead of the thrust belts of the Sierra Madre Oriental, the region is controlled by a series of North West-South East (NW-SE) to North North West-South South East (NNW-SSE) striking faults that create a horst-and-graben topography.

The main mineralized material at El Laberinto are comprised of iron, lead and zinc sulphides with minor silver sulphosalts. Gold and silver are present with minor lead and copper and to a lesser extent zinc. Values of gold and silver are localized in oxidized portions of the system suggesting that supergene enrichment may be an important component of the deposit. Mineralization is found in quartz veins, veinlet zones and, to a lesser degree, dissemination around veins and veinlets.

In the mid-1990’s, the El Laberinto historical exploration performed by “Compañía Minera Mexicana de Avino S.A. de C.V.” was focused on the objective of evaluating the potential of the main vein.

The historic work consisted of mapping and geological surface sampling, diamond drilling (3 Holes totaling 753.73 metres), mine development of the Jabalí Tunnel, with a strike length of 300 metres over the main structure and 80 metres in a cross-cut.

The historical exploration work as stated above are for historical reference only. The QP has not validated nor verified the data as the information is not currently available. The source of the information is an internal report from the previous operator, Endeavor Silver Corporation.

From September 2012 through to July 2013, work was carried out as part of the agreement between Avino Gold & Silver Mines (Avino) and Endeavour Silver Corp. (EDR) to test the potential of mineralization in the El Laberinto Claim.

This historical work included a mapping and systematic sampling campaign, collecting a total of 208 samples on surface with values of up to 8 grams per tonne (“g/t”) gold & 421 g/t silver with the anomalous values mostly coming from the Laberinto Structure.

The drilling completed at that time was focused on the South part of the Laberinto Structure which was thought to have had the best potential of mineralization with large volumes and low grades. A total of 5 Holes were completed with 1,367 meters drilled and 2,800 samples were collected in both alteration zones and structures focused particularly in the host rock.

The historic exploration activities as listed above were performed by previous operators. The QP has not validated nor verified the information nor any underlying data however the information is considered reasonable and reliable.

Qualified Person

Mr. Garth Kirkham P.Geo, Independent Consultant for Gray Rock Resources Ltd, is a Qualified Person ("QP") as defined by National Instrument 43-101 ("NI 43-101"), and has approved the scientific and technical disclosure on the Ana Maria and the Laberinto Properties, and prepared or supervised its preparation.

Canada Operations – Silver Stream Property

Located 25km northeast of Bralorne, B.C., in the Lillooet mining district of British Columbia, the Company holds 100% tenure in the Silver Stream I and II mineral claims (the "Silver Stream Property"). First explored in 1988, the Silver Stream Property has produced a number of anomalous-to-significant gold showings in sampling, trenching, and drilling. Although still an "early-stage" property, a July 2006 Technical Report filed on SEDAR states: *"…the nature of the mineralization seen in the known showings in the context of the Bridge River camp show the property has good potential to develop economic gold mineralization."*

The renowned Bralorne gold mine, which produced 4.1 million ounces of gold between 1932 and 1971, lies about 25 kilometers southwest of Silver Stream. The average grade of the Bralorne mine complex was 0.52 opt gold, and it remains the largest historic gold producer of the Canadian Cordillera.

Documented gold exploration on the Silver Stream Project, undertaken between 1987 and 2014, has involved approximately 1,759m of diamond drilling in 10 holes, hand and excavator trenching, mapping, rock geochemistry, and reconnaissance and grid soil geochemistry. Two significant zones of gold mineralization have been discovered, the Silverstream West and Southeast zones.

The Company had entered into a mining lease agreement for the Silver Stream 2 property with David R. Deering ("Deering") and Saxifrage Geological Services Ltd. ("Saxifrage"). In accordance with the terms of the agreement, Deering and Saxifrage have agreed to pay the Company an annual rental of $10,000 for a term of seven years, with the first payment due on December 12, 2015. On December 12, 2015, the parties agreed that the first annual rental payment of $10,000 would be postponed, added to the succeeding annual rentals, and paid in equal annual installments of $2,000 starting December 12, 2016. In addition, the Company granted Deering and Saxifrage an option to purchase the property for $500,000 payable at any time during the term of the agreement, subject to a 5% Net Smelter Returns Royalty on metals and a 5% Gross Overriding Royalty on any jade production. Any future royalty payments due to the Company from Deering and Saxifrage after the exercise of option shall be reduced by $500,000. On May 2, 2016, the parties further agreed that Deering and Saxifrage would perform exploration and development work of at least $12,000 in value in lieu of the $12,000 payment due on December 12, 2016.

In October 2017, the Company amended the existing mineral lease claim agreement for the Silver Stream I and II properties, by assigning and transferring to Marshall Creek Jade Inc. all rights, titles, interest and obligations from Saxifrage Geological Services Ltd.

During the year ended December 31, 2018, the Company received a notice from David Deering and Marshall Creek Jade Inc. to terminate the mineral claims lease agreement, as amended and assigned, for the Silver Stream Property.

The claims comprising the Silver Stream Claims remain in good standing until July 29, 2021.

Review of Operations

Three months ended June 30, 2020 compared with the three months ended June 30, 2019.

	2020	2019	Note
General and Administrative Expenses			
Administrative benefits and salaries	5,558	$ 6,846	**1**
Automobile	55	279	
Consulting fees	-	7,500	**2**
Depreciation	2,405	954	
Foreign exchange (gain) loss	(2)	4	
Interest and bank charges	866	50	**3**
Listing and filing fees	2,031	3,624	**4**
Office and miscellaneous	4,190	7,169	**5**
Professional fees	6,952	1,338	**6**
Shareholder information	-	1,703	**7**
Transfer agent fees	477	889	
Travel expenses	-	6	
Operating Loss	(22,532)	(30,362)	
Other Income			
Fair value adjustment for promissory notes payable	(7,045)	(5,033)	**8**
Net Loss For The Period	(29,577)	(35,395)	**10**
Other Comprehensive Income			
Items that may be reclassified subsequently to income or loss:			
Unrealized gain on investments	67,122	67,811	**9**
Total Comprehensive Income	37,545	32,416	
Basic and Diluted Loss per Share	$ (0.00)	$ (0.00)	**10**
Weighted Average Number of Shares Outstanding	22,260,941	22,960,941	

1. During the three months ended June 30, 2020, administrative benefits and salaries were $5,558 compared to $6,846 for the quarter ended June 30, 2019. During the quarter, the Company realized savings due to decreased corporate activity amid the uncertainty surrounding the COVID-19 pandemic.

2. During the three months ended June 30, 2020, consulting fees were $Nil compared to $7,500 in the same period in 2019. The decrease is due to a reduction in monthly consulting fees to a member of management beginning March 2020 until further notice.

3. During the three months ended June 30, 2020, interest and bank charges were $866 compared to $50 for the quarter ended June 30, 2019. The increase is due entirely to recognizing future, non-cash interest costs associated with the Company's office lease, now recognized as a right-of-use asset.

4. Listing and filing fees were $2,031 for the quarter ended June 30, 2020, compared to $3,624 in the corresponding period in 2019. The decrease is due to realizing savings from lower corporate activity with the uncertainty surrounding the COVID-19 pandemic, and less filings during this quarter.

5. Office and miscellaneous expenses were $4,190 for the quarter ended June 30, 2020, compared to $7,169 during the comparable period in 2019. The decrease is due to realized savings on a number of office expenses from lower corporate activity with the uncertainty surrounding the COVID-19 pandemic.

6. Professional fees were $6,952 for this quarter, compared with $1,338 in the three months ended June 30, 2019. The increase is primarily due to legal fees associated with the review of potential future projects, with no such similar activity occurring in 2019.

7. Shareholder information expenses were $Nil during this quarter, compared with $1,703 during the comparable period in 2019. The decrease is a result of lower investor relations activities as the Company wanted to lower expenditures with the uncertainty surrounding the COVID-19 pandemic.

8. The fair value adjustment for promissory notes payable fluctuates with the fair value calculations of each note payable. The Company currently has $241,890 in promissory notes payable to related parties as at June 30, 2020, and subsequent to June 30, 2020, the Company settled these promissory notes.

9. Unrealized gains or losses for the periods ended June 30, 2020 and 2019, are a direct result of the revaluation of the Company's investment in Garibaldi Resources Inc. ("GGI"). The Company held 190,000 common shares of GGI at June 30, 2020.

10. As a result of the transactions in the period, net loss of $29,577 for the three months ended June 30, 2020, has remained fairly constant compared to net loss of $35,395 for the three months ended June 30, 2019. The change in net loss had no impact on the loss per share, which was $Nil in both periods.

Six months ended June 30, 2020 compared with the six months ended June 30, 2019.

		2019		2019	Note
General and Administrative Expenses					
Administrative benefits and salaries	$	12,003	$	16,812	**1**
Automobile		189		608	
Consulting fees		5,000		15,000	**2**
Depreciation		4,810		1,908	
Foreign exchange gain (loss)		7		4	
Interest and bank charges		1,800		68	**3**
Listing and filing fees		3,781		4,924	
Office and miscellaneous		9,077		12,337	**4**
Professional fees		9,255		2,735	**5**
Shareholder information		24		1,763	**6**
Transfer agent fees		969		1,566	
Travel expenses		-		59	
Operating Loss		(46,915)		(57,784)	
Other Items					
Fair value adjustment for promissory note payable		(13,894)		(9,920)	**7**
Cost recovery on disposition of mineral property		-		-	
Net Income (Loss) For The Period		(60,809)		(67,704)	**9**
Other Comprehensive Loss					
Items that may be reclassified subsequently to income or loss:					
Unrealized loss on investment securities		(31,984)		65,723	**8**
Total Comprehensive Income (Loss)		(92,793)		(1,981)	
Basic and Diluted Income (Loss) per Share	$	(0.00)	$	(0.00)	**9**
Weighted Average Number of Shares Outstanding		22,260,461		22,260,461	

1. During the six months ended June 30, 2020, administrative benefits and salaries were $5,558 compared to $6,846 for the same period ended in 2019. During the period, the Company realized savings due to decreased corporate activity amid the uncertainty surrounding the COVID-19 pandemic.

2. During the six months ended June 30, 2020, consulting fees were $5,000 compared to $15,000 in the same period in 2019. The decrease is due to a reduction in monthly consulting fees to a member of management beginning March 2020 until further notice.

3. During the six months ended June 30, 2020, interest and bank charges were $1,800 compared to $68 for the six months ended June 30, 2019. The increase is due entirely to recognizing future, non-cash interest costs associated with the Company's office lease, now recognized as a right-of-use asset.

4. During the six months ended June 30, 2020, office and miscellaneous expenses were $9,077 compared to $12,337 for the period ended June 30, 2019. The decrease is due to realized savings on a number of office expenses from lower corporate activity with the uncertainty surrounding the COVID-19 pandemic.

5. Professional fees were $9,255 for the six months ended June 30, 2020, compared with $2,735 in the same period ended June 30, 2019. The increase is primarily due to legal fees associated with the review of potential future projects, with no such similar activity occurring in 2019.

6. Shareholder information expenses were $24 during the six months ended June 30, 2020, compared with $1,763 during the comparable period in 2019. The decrease is a result of lower investor relations activities as the Company wanted to lower expenditures with the uncertainty surrounding the COVID-19 pandemic.

7. The fair value adjustment for promissory notes payable fluctuates with the fair value calculations of each note payable. The Company currently has $241,890 in promissory notes payable to related parties as at June 30, 2020, and subsequent to June 30, 2020, the Company settled these promissory notes.

8. Unrealized gains or losses for the periods ended June 30, 2020 and 2019, are a direct result of the revaluation of the Company's investment in Garibaldi Resources Inc. ("GGI"). The Company held 190,000 common shares of GGI at June 30, 2020.

9. During the six months ended June 30, 2020, net loss of $60,809 decreased from $67,704 for the six months ended June 30, 2019. The reduction is a direct result of the items noted above, specifically lower corporate activity due to the uncertainty surrounding the COVID-10 pandemic.

Summary of Quarterly Results

Quarter ended	2020 Jun. 30 Q2	2020 Mar. 31 Q1	2019 Dec. 31 Q4	2019 Sep. 30 Q3	2019 Jun. 30 Q2	2019 Mar. 31 Q1	2018 Dec. 31 Q4	2018 Sep. 30 Q3
Total Revenue	-	-	-	-	-	-	-	-
Net income (loss)	(29,577)	(31,232)	(1,675)	(23,124)	(35,395)	(32,309)	(4,361)	(44,671)
Other comprehensive gain (loss)	67,122	(99,107)	(154,654)	95,399	67,811	(2,088)	(160,344)	(238,609)
Basic and diluted loss per Share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	576,853	532,132	762,777	665,644	619,483	626,457	789,165	1,038,231

The overall decrease in expenses during the fourth quarters of 2019 and 2018 were direct results of the Company recording fair value adjustments on the initial recognition of promissory notes payable at the end the quarters.

The overall movements in other comprehensive loss in each quarter is a direct result of movements in the share price of the Company's investment in GGI, which is recorded through other comprehensive income or loss.

Historically, the Company has generally kept its operating expenditures consistent, and will continue to review ways to operate in a cost-efficient manner throughout the remainder of 2020.

Management expects that costs will increase in the coming quarters with the acquisition of the Option Agreement on the Ana Maria and Laberinto Properties announced subsequent to June 30, 2020.

Liquidity and Capital Resources

Historically, the Company has raised funds through equity financing to fund its operations. At June 30, 2020, the Company had a cash balance of $72,985, working capital of $38,445, and accumulated losses of $4,081,376 since incorporation. The Company's ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in the future. However, there can be no assurance that the Company will be able to obtain additional financing, or achieve profitability or positive cash flow. If the Company is unable to generate positive cash flow or obtain adequate financing, the Company will need to further decrease its operations and exploration activities.

During the six months ended June 30, 2020, the Company did not undertake any financing activities other than lease payments on its right-of-use office lease asset.

The Company is reviewing other financing options to raise capital in 2020 to meet its current and future obligations and operating expenses. Mineral exploration and development is capital extensive, and in order to maintain the terms of the recently announced Option Agreement, the Company will be required to raise new equity capital in the future. There is no assurance that the Company will be successful in raising additional new equity capital.

The Company is in the exploration stage. The investment in and expenditures on the mineral properties comprise substantially all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern is dependent upon the continued support from its directors, the discovery of economically recoverable reserves, and the ability of the Company to obtain the financing necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Related Party Transactions

(a) Key management compensation

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the six months ended June 30, 2020 and 2019, are as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Salaries, benefits, and consulting fees	$ 2,655	$ 10,353	$ 10,399	$ 19,890
Share-based payments	-	-	-	-
	$ 2,655	$ 10,353	$ 10,399	$ 19,890

(b) Amounts due to related parties

In the normal course of operations the Company transacts with companies related to its directors or officers. All amounts payable are non-interest bearing, unsecured, and due on demand. As at June 30, 2020 and December 31, 2019 the following amounts were due to related parties:

	June 30, 2020	December 31, 2019
Oniva International Services Corp.	$ 26,299	-
Intermark Capital Corp.	5,250	
	$ 31,549	-

(c) Promissory notes issued to related parties

	Intermark Capital Corp.		Oniva	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Beginning balance	$ 29,458	$ 7,364	$ 198,538	$ 155,512
Borrowing	-	31,500	-	61,345
Repayment of the note	-	-	-	-
Loss on repayment of the note	-	-	-	-
Unwinding of the discount	1,794	924	12,091	19,518
Fair market value adjustment	-	(10,330)	-	(37,837)
Ending balance	$ 31,252	$ 29,458	$ 210,629	$ 198,538

As at June 30, $309,367 (December 31, 2019 - $283,068) was due to Oniva International Services Corp. ("Oniva"). The Company receives rent, office and administrative supplies, and services from Oniva, a private company related by common management.

At December 31, 2019, the Company and Oniva agreed to convert the current portion due to Oniva of $61,345, along with the existing $221,723, to a long-term promissory note payable of $283,068 that is non-interest bearing, unsecured, and due on demand after December 31, 2022.

The fair value of the promissory note at June 30, 2020 was $210,629 (December 31, 2019 - $198,538), reflecting a fair market interest rate. The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the three year period. The initial fair value adjustment of $37,837 was recognized in the statement of operations and comprehensive income (loss). The Company further recorded expenses of $12,091 related to the quarterly unwinding of the discount during the six months ended June 30, 2020 (2019 - $9,471).

During the year ended December 31, 2019, the Company entered into a loan agreement with one of its directors. The Company and the director agreed to convert the current portion due to the director of $31,500 to a long-term promissory note payable. The note payable is non-interest bearing, unsecured and is due on demand after December 31, 2022.

The fair value of the promissory note at June 30, 2020 was $31,252 (December 31, 2019 - $29,458) The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the period. The initial fair value adjustment of $10,330 was recognized in the statement of operations and comprehensive loss. The Company further recorded expenses of $1,794 related to the quarterly unwinding of the discount during the six months ended June 30, 2020, 2020 (2019 - $449).

Subsequent to June 30, 2020, the Company entered into settlement agreements with both Oniva and Intermark in aggregate of $330,318, in exchange for 1,651,587 common shares at a deemed price of $0.20 per share. The proposed debt settlements are subject to the acceptance of the TSX Venture Exchange. The shares will be subject to resale restrictions for a period of 4 months and a day from their issuance.

(d) Related party transactions

During the six months ended June 30, 2020, $25,046 (2019 - $32,260) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid $611 of administrative fees during the six months ended June 30, 2020 (2019 - $713) to Oniva and $Nil (2019 - $500) for reimbursement of mineral claim taxes, license fees, and staking.

The Company takes part in a cost-sharing arrangement to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on the total overhead and corporate expenses. The arrangement may be terminated with one-month notice by either party.

Critical Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period they become known.

Financial Instruments

The fair values of the Company's cash, loan from a related party, trade and other payables, and amounts due to related party approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's available for sale investments and promissory notes payable are detailed in the notes to the condensed consolidated interim financial statements.

The Company's financial instruments are exposed to certain financial risks comprising credit risk, liquidity risk and market risk.
(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company manages credit risk, in respect of cash, by maintaining the majority of cash at high credit rated Canadian financial institutions.

Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with a single Canadian financial institution.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At June 30, 2020, the Company had cash in the amount of $72,985 (December 31, 2019 - $101,846) in order to meet short-term business requirements. At June 30, 2020, the Company had current liabilities of $41,456 (December 31, 2019 – $23,214). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms.

The maturity profiles of the Company's contractual obligations and commitments as at June 30, 2020, are summarized as follows:

	Total	**Less Than 1 Year**	**1-5 years**	**More Than 5 Years**
Accounts payable and accrued liabilities	$ 5,197	$ 5,197	$ -	$ -
Due to related parties	31,549	31,549	-	-
Promissory notes payable to related parties	241,890	-	241,890	-
Total	$ 278,636	$ 36,746	$ 241,890	$ -

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk, and other price risk. These are discussed further below.

Interest Rate Risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rate in the

Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash is currently held in highly liquid short-term investments and therefore management considers the interest rate risk to be minimal.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

At this time, the Company is not exposed to significant foreign currency risk, as the company currently has minimal transactions and balances in currencies other than the Canadian dollars.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk with respect to its investment in marketable securities, as they are carried at fair value based on quoted market prices.

(d) Classification of Financial instruments

IFRS 7 *'Financial Instruments: Disclosures'* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as at June 30, 2020:

	Level 1	**Level 2**	**Level 3**
Cash	$ 72,985	$ -	$ -
Investments	157,134	-	-
	$ 230,119	$ -	$ -

Risks

Mineral exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable.

Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value.

As at August 24, 2020, the following common shares, warrants and stock options were outstanding:

	Number of shares	Exercise price	Remaining life (years)
Share capital	22,260,461	-	-
Warrants	1,225,250	$0.10 - $0.60	0.98 – 2.07
Stock options	1,440,000	$0.39 - $0.44	1.51 – 1.84
Total	24,925,711		

The following are details of outstanding warrants as at June 30, 2020, and August 24, 2020:

Expiry Date	Exercise Price Per Share	Number of Underlying Shares (June 30, 2020)	Number of Underlying Shares (August 24, 2020)
August 15, 2021	$0.10	905,000	905,000
September 15, 2022	$0.60	320,250	320,250
Total:		**1,225,250**	**1,225,250**

The following are details of outstanding stock options as at June 30, 2020, and August 24, 2020:

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (June 30, 2020)	Number of Shares Remaining Subject to Options (August 24 2020)
February 23, 2022	$0.39	1,040,000	1,040,000
June 23, 2022	$0.44	400,000	400,000
Total:		**1,440,000**	**1,440,000**

Subsequent Events

Option Agreement – Mexico Properties

Subsequent to June 30, 2020, the Company announced that an independent special committee of its board of directors has determined to proceed with an option agreement dated August 12, 2020 (the "Option Agreement") with Avino Silver & Gold Mines Ltd. ("Avino"), as optionor.

For further details, see the "Overall Performance" section of this MD&A.

Promissory Note Settlement

Subsequent to June 30, 2020, the Company announced that it has entered into debt settlement agreements with two of its principal creditors, Oniva International Services Corp. ("Oniva"), which provides administrative services to the Company, and Intermark Capital Corp. ("Intermark"), which provides management services to the Company, through the Company's President & CEO, David Wolfin.

The Company will settle an aggregate of $330,318 in indebtedness in exchange for the issuance of a total of 1,651,587 common shares at a deemed price of $0.20 per share.

For further details, see the “Related Party Transactions” section of this MD&A.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for evaluating the effectiveness of the Company’s disclosure controls and procedures and have concluded, based on our evaluation, that they are effective as at June 30, 2020 to ensure that information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized, and reported within the time period specified in those rules and regulations.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

Cautionary Statement

This MD&A is based on a review of the Company’s operations, financial position, and plans for the future based on facts and circumstances as of August 24, 2020. Except for historical information or statements of fact relating to the Company, this document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.