



**FOR THE YEAR ENDED DECEMBER 31, 2020
MANAGEMENT DISCUSSION AND ANALYSIS**

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FOR THE YEAR ENDED DECEMBER 31, 2020 MANAGEMENT DISCUSSION AND ANALYSIS

DATE

This Management Discussion & Analysis (“MD&A”) of Kootenay Silver Inc. and its subsidiaries (referred to as the “Company” or “Kootenay”) was prepared by management as at April 29, 2021 and was reviewed and approved by the Board of Directors of Kootenay. The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited consolidated financial statement for the year ended December 31, 2020 and 2019, and notes thereto (the “Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The information provided herein supplements but does not form part of the Financial Statements. This discussion covers the year ended December 31, 2020, and the subsequent period up to the date of issue of this MD&A. Additional information relating to the Company is available at www.sedar.com.

The Company has prepared this MD&A following the requirements of National Instrument 51-102 (“NI-51-102”). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars unless otherwise noted.

Unless otherwise indicated the technical disclosure contained within this MD&A has been reviewed and approved by Kootenay's President & CEO, James McDonald, P. Geo (a qualified person for the purpose of National Instrument 43-101 (“NI 43-101”), Standards of Disclosure for Mineral Projects). Mr. McDonald is also a director of Kootenay.

Forward-Looking Information

This MD&A contains “forward-looking information” within the meaning of Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”). All statements, other than statements of historical fact, which address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to anticipated developments in the Company’s continuing and future operations, the adequacy of the Company’s financial resources and financial projections; statements concerning or the assumptions related to the estimation of mineral resources, methodologies and models used to prepare resource estimates; the conversion of mineral properties to resources; the potential to expand resources; future exploration budgets, plans, targets and work programs; development plans; activities and timetables; grades; metal prices; exchange rates; results of drill programs; environmental risks; political risks and uncertainties; unanticipated reclamation expenses; statements about the Company’s plans for its mineral properties; acquisitions of new properties and the entering into of options or joint ventures; and other events or conditions that may occur in the future.

Forward-looking statements are frequently, but not always, identified by words such as “expects,” “anticipates,” “believes,” “intends,” “estimated,” “potential,” “possible” and similar expressions, or statements that events, conditions or results “will,” “may,” “could” or “should” occur or be achieved. Forward-looking statements are statements concerning the Company’s current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that: (i) any of the assumptions in the resource estimates turn out to be incorrect, incomplete, or flawed in any respect; (ii) the methodologies and models used to prepare the resource estimates either underestimate or overestimate the resources due to hidden or unknown conditions, (iii) operations are disrupted or suspended due to acts of god, internal conflicts in the country of Mexico, unforeseen government actions or other events; (iv) the Company experiences the loss of key personnel; (v) the Company’s mine operations are adversely affected by other political or military, or terrorist activities; (vi) the Company becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vii) the Company is subjected to any hostile takeover or other unsolicited attempts to acquire control of the Company. Other factors that could cause the actual results to differ materially from current expectations

include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions, as well as those risks described under the heading “RISKS AND UNCERTAINTIES” below. These forward-looking statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The Company’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company assumes no obligation to update such forward-looking statements in the future, except as required by law. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. For the reasons set forth above, investors should not place undue reliance on the Company’s forward-looking statements.

DESCRIPTION OF BUSINESS

The Company is an exploration stage mining company involved in the exploration and development of mineral properties in Mexico and Canada. The Company is classified as a Tier One issuer on the TSX Venture Exchange (“TSX-V”) and its common shares are listed and trade under the symbol ‘KTN’ and certain share purchase warrants trade under the symbol ‘KTN.WT’. The management and technical team have extensive experience in mineral exploration, development and mining, public company management and operations and Canadian venture capital markets.

OBJECTIVES AND STRATEGY

The primary objective and business plan of the Company is to discover or acquire silver dominant mineral deposits that have the potential to become economically viable for further development. The Company assesses financial, technical and market risk associated with a particular project before deciding whether to advance the project with its own capital or share the risk by optioning all or a portion of the project to a partner to conduct further exploration work or to provide funding to advance the project. If a project demonstrates potential to be economically viable via completion of a preliminary economic assessment, prefeasibility or feasibility study then it will be moved to a production decision and, when appropriate, funding will be sought to build a mine through traditional mine finance sources, joint venture or sale of the company or project. The rate at which a given project is advanced is dependent on several factors including management’s assessment of project and the risks of development, including the probability of discovery and potential economic viability based on past work, results of additional drilling, resource estimates, metallurgy, environmental impact, community involvement to operate and permitting among others. It is also strongly influenced by access to capital to advance the various stages of assessment. When markets for commodities are favorable towards precious metals and exploration then capital is more accessible, allowing the Company more flexibility in the balance between advancing select projects while maintaining a 100% interest and seeking partner funded programs on other projects through option or joint venture agreements. When markets are not favorable towards equity investment more emphasis is given to seeking funding through option or joint venture agreements to advance projects for ongoing development.

The Company has been successful in discovering mineral resources through grassroots exploration with two significant silver discoveries on its Promontorio property in Sonora, Mexico, namely Promontorio and La Negra.

Since the acquisition of the La Cigarra Project, the Company had focused its financial resources and management effort on expanding the current resource size and delineating further discoveries within the project. Due to lower silver prices, commencing in 2018, the Company began to focus on targets with the potential for high grade discoveries. In late 2018, the Company entered into an option agreement to acquire two properties with such potential, namely the Columba Project (“Columba”) in Chihuahua State, Mexico and the Copalito Property (“Copalito”) in Sinaloa State, Mexico. Both of which are classic epithermal vein systems demonstrating potential for discovery of high-grade resources.

In early 2021, a fully funded 5,000 and 3,500-meter drilling program commenced on the Columba and Copalito projects, respectively.

OVERVIEW OF PERFORMANCE - 2020

On January 8, 2020, the Company announced the assay results for the remaining seven core drill holes related to the 2019 drill program at its Columba silver project.

Highlights include:

CDH-19-035

- 405 gpt silver over 2.28 meters within a wider interval of 103 gpt silver over 11.35 meters in a footwall vein to the F Vein;
- 494 gpt silver over 1.35 meters in the F Vein within 274 gpt silver over 3.0 meters and 60 gpt silver over 23.0 meters;
- 547 gpt silver over 1.0 meter within a wider interval of 114 gpt silver over 7.05 meters in a hydrothermal breccia in the E Vein.

CDH-19-038

- 628 gpt silver over 1.5 meters within a wider interval of 301 gpt silver over 4.63 meters and 175 gpt silver over 10.0 meters in the B Vein.

On February 19, 2020, the Company commenced a 7,000-meter Phase II drill program to follow up on high grade results from the 2019 campaign at the Columba silver project.

The 2021 Columba drill program consisted of 40 to 45 holes for approximately 7,000 meters, with a budget of \$1,750,000. Drilling concentrated on the historically mined F Vein, infilling large gaps between phase 2019 holes aimed at defining the strike length and depth extent. Both of the latter are open. A second drill rig is planned for testing numerous other high-grade intercepts on different veins. The exact size of the program is dependent on results, market conditions and Covid 19 restrictions.

On February 20, 2020, the Company was recognized in the 2020 TSX Venture 50™ as one of the top 50 performing companies on the TSX Venture Exchange. The TSX Venture 50™ are the top 10 companies listed on the TSXV, in each of the five major industry sectors – mining, oil & gas, clean technology & life sciences, diversified industries and technology – based on three equally weighted criteria: market capitalization growth, share price appreciation and trading volume for the year ending December 31, 2019.

The Company commenced in March 2020, the maiden drill program for Copalito with a budgeted 3,000 meters program over approximately 25 holes with a budget of \$750,000. Drilling was focused on the six veins mapped on surface. Drilling was completed late October 2020, with a total of 4,153 meters having been drilled with the final seven holes to be released in November 2020.

During March 2020, there was a global pandemic caused by the outbreak of Coronavirus (“COVID-19”), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial, municipal and foreign governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact of the COVID-19 outbreak may have on the Company, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, Mexico and other countries to fight the virus.

The Company announced the suspension the Columba 2020 drill program, having completed 10 holes for a total of 1,679 meters completed before drilling was suspended on March 30, 2020, due to Mexican Presidential decree halting mining activities in Mexico. Additionally, the Company also suspended its drill program at the Copalito project before the suspension of activities having completed one hole for 105.2 meters.

On May 19, 2020, the Company announced the first six holes completed before the suspension of its 2020 drill program at the Columba high-grade silver project. These holes tested the F Vein structure along 400 meters of strike length with holes 42 to 45 focussing on gaps in the 2019 drill program, while holes 46 and 47 were step outs along strike.

Highlights of Holes CDH-20-042 to CDH-20-047:

CDH-20-045

- 456 gpt silver over 1.5 meters within 2.5 meters of 350 gpt silver and 239 gpt silver over 4.3 meters in the F Vein.
- 974 gpt silver over 0.5 meters within 208 gpt silver over 3 meters in a footwall Vein.

CDH-20-046

- 1,585 gpt silver over 0.6 meters within 911 gpt silver over 1.4 meters and 553 gpt silver over 2.9 meters and 689 gpt silver over 0.5 meters all in the F Vein.

CDH-20-047

- 782 gpt silver over 1.05 meters within 400 gpt silver over 4.97 meters all within a wider interval of 15.65 meters averaging 166 gpt silver.

CDH-20-042

- Intercepted 111 gpt silver over 5.9 meters before entering an old mine working.

CDH-20-043

- Intercepted 105 gpt silver over 1 meter before entering an old mine working.
- Intercepted a footwall Vein grading 119 gpt silver over 5 meters.

These holes continue to show good continuity across the area of the F Vein as tested to date. They also returned some of the highest grades reported to date with two of the holes, CDH-20-046 and 047, expanding the tested area toward previously reported CDH-19-035, which encountered 494 gpt silver over 1.35 meters in the F Vein and sits about 140 meters to the southeast of CDH-20-046 and 047.

The government of Mexico decreed an extension of the suspension of all non-essential activities until May 30, though it ceased to be applicable as of May 18 in municipalities with few or no known cases or transmission. The Company resumed drilling programs on June 9 and June 11, 2020 for the Columba and Copalito, respectively having introduced and implemented safety plans and procedures and utilizing remote isolated camps, where possible, to minimize physical contact with surrounding communities.

On June 17, 2020, the Company announced the first hole tested the eastern edge of the 5 Senores Vein located in the southern portion of the Property, where drilling returned a cumulative 8 meters grading 248 gpt silver and 0.562 gpt gold. These assay results correlate very well with previously reported chip sampling taken at surface, which returned 282 gpt silver and 1.4 gpt gold over 10.2 meters.

Highlights of Hole BDH-20-001 include:

- 22 meters averaging 106 gpt silver including the following:
 - 244 gpt silver and 1.09 gpt gold over 3.0 meters including 286 gpt silver over 1.0 meters;
 - 360 gpt silver and 0.1 gpt gold over 1.0 meters within 250 gpt silver and 0.247 gpt gold over 5.0 meters.

On July 16, 2020, the Company announced results from 5 drill holes from the Columba Project. Mineralization on the F Vein remains open along strike and to depth and continues to be a promising target for further investigation. To date the spacing of drill holes along the F Vein has varied from 50 meters to over 200 meters which will require more infill and step out drilling. However, sufficient drilling of the F Vein has been completed to establish continuity along approximately 700 meters of strike so drilling will move onto the other veins.

Holes CDH-20-052 and CDH-20-053 fill in a 140 meter gap between previous holes CDH-20-046, which reported 1585 gpt silver over 0.6 meters within 553 gpt silver over 2.9 meters, and CDH-19-035 with 494 gpt silver over 1.35 meters.

Highlights from the additional 5 holes include:

CDH-20-052

- 601 gpt silver over 1.23 meters within a wider intercept of 279 gpt silver over 4.08 meters and 199 gpt silver over 7.53 meters within the F Vein.

CDH-20-053

- 753 gpt Ag over 0.95 meters within 620 gpt silver over 2 meters, 496 gpt silver over 3 meters and 116 gpt silver over 34 meters within the F Vein.
- CDH-20-053 is about 53 meters down dip and 15 meters north of CDH-20-052

CDH-20-054

- 319 gpt silver over 1.8 meters within 158 gpt silver over 5 meters within the F Vein.
- CDH-20-054 is 20 meters south of CDH-19-035 and approximately 20 meters further down dip.

CDH-20-055

- Returned two lower grade intervals within the F Vein approximately 100 meters and 125 meters down dip of holes CDH-19-035 and CDH-20-054 respectively.

Hole CDH-20-056 was abandoned due to bad ground about 150 meters before reaching target depth.

On July 22, 2020, the Company announced a further 3 drill holes from the Copalito project. Holes BDH-20-002 to 004, tested the 5 Senores Vein located in the southern area of the Property. These holes, along with the previously released hole show good continuity for at least 500 meters of strike length along 5 Senores. In addition, drilling has shown high-grade mineralization matching up with the promising results garnered from surface sampling.

Two holes contained high-grade results at a shallow depth hole BDH-20-004 intercepted 2,830 gpt silver with 0.145 gpt gold over 1 meter within 3.2 meters of 1,297 gpt silver and 0.285 gpt gold all within 13.1 meters of 347 gpt silver and 0.216 gpt gold. BDH-20-002 hit 10.3 meters of 80 gpt silver and 0.905 gold including 1.7 meters of 3.2 gpt gold beginning at a depth of 42 meters.

Highlights from BDH-20-002 to BDH-20-004:

BDH-20-002

- 118 gpt silver and 0.346 gpt gold over 6.0 meters includes:
- 1.69 gpt gold over 4.3 meters and 3.02 gpt gold over 1.7 meters

BDH-20-004

- 2,830 gpt silver and 0.145 gpt gold over 1.0 meters within
- 1,297 gpt silver and 0.285 gpt gold over 3.2 meters and
- 347 gpt silver and 0.216 gpt gold over 13.1 meters within the 5 senores vein; this interval encapsulates the first two highlights.

Hole BDH-20-005, drilled beneath BDH-20-004, intersected a calcite breccia along the vein projection and is interpreted to be fault offset.

On August 13, 2020, the Company announced results from holes CDH-20-057 to CDH-20-059 tested along the F-Vein. Hole CDH-20-60 intercepted the J and Z Vein system and encountered a well mineralized breccia and quartz vein stockwork zone located approximately 700 meters east from the F-Vein.

Highlights from J and Z Vein system include:

CDH-20-060

- 132 gpt silver over 64 meters including two notable intervals:
- 1,025 gpt silver over 1.0 meters within 226 gpt silver over 9.0 meters.
- 361 gpt silver over 11 meters including 608 gpt silver over 5.0 meters, and 1,160 gpt silver over 1.0 meters all within 229 gpt silver over 22 meters.

Hole CDH-20-060 is about 40 meters deeper and 20 meters along strike from previously announced hole CDH-19-030 (see [news release dated December 12, 2019](#)). The silver mineralization in the J and Z Vein system is related to silicified breccias and thin quartz vein stock works following classic banded quartz vein structures more characteristic of the F-Vein.

On August 25, 2020, the Company closed its brokered private placement and issued 17,500,000 Units at a price of \$0.40 per unit for aggregate gross proceeds of approximately \$7,000,000. The Offering was led by Mackie Research Capital Corporation, as lead agent and sole bookrunner, on behalf of a syndicate which also included PI Financial Corp. Eric Sprott, through 21764123 Ontario Ltd., participated in the Offering to maintain his proportionate equity interest in the Company by acquiring 2,500,000 Units. See Financing Activities section of this MD&A.

On October 5, 2020, the Company reported an additional six drill holes from its Columba project. Holes CDH-20-061 to CDH-20-066 reported:

CDH-20-062

- 93 gpt silver over 11.6 meters hitting hydrothermal breccias and quartz stockwork includes:
 - 115 gpt silver over 8.3 meters
 - 161 gpt silver over 1.0 meter

CDH-20-063 (two mineralized zones intercepted)

- 762 gpt silver over 0.49 meters in hydrothermal breccias and quartz stockwork within 187 gpt silver of 2.49 meters and
- 91 gpt silver over 9.0 meters

CDH-20-66 (two mineralized zones intercepted)

- 22 gpt silver over 19.0 meters in hydrothermal breccia and stockwork and
- 773 gpt silver over 1.5 meters within 9.0 meters of 154 gpt silver and 25.5 meters of 69 gpt silver

On October 27 and November 12, 2020, the Company announced results from 36 holes from its Copalito project. Drilling successfully verified the existence and continuity of mineralized gold and silver veins at the project, where there is no evidence of modern exploration. Results demonstrate several areas having potential to host high grade deposits that will be the focus of follow up drilling. Highlights included:

BDH-20-009

- 95.4 gpt silver Equivalent (“AgEq”); 63 gpt silver, 0.15 gpt gold and 0.47% lead + zinc (“Pb+Zn”) over 18.0 meters includes:
 - 1,047 gpt AgEq; 936 gpt silver, 0.29 gpt gold and 3.31% Pb+Zn over 1 meter.

BDH-20-015

- 110.60 gpt AgEq over 7.0 meters with 1.2% Pb+Zn, includes:
 - 394 AgEq.; 51 gpt silver, 2.28 gpt gold, 6.18 % Pb+Zn over 1.2 meters.

BDH-20-022, with copper mineralization

- 431.43 gpt AgEq; 307 gpt silver, 0.154 gpt gold, 0.15% Pb+Zn and 1.27% Cu over 0.7 meters

BDH-20-031

- 205.25 gpt AgEq; 45 gpt silver, 0.86 gpt gold 3.46 % Pb+Zn over 1.2 meters.

BDH-20-033

- 215.27 gpt AgEq; 101 gpt silver, 0.7 gpt gold, 2.28 % Pb+Zn over 2.7 meters includes:
 - 1209.59 gpt AgEq; 59 gpt silver, 7.05 gpt gold, 13.55 % Pb+Zn over 0.2 meters.

BDH-20-040 in the 5 Senores Vein

- 1,813 gpt AgEq over 0.51 meters consisting of 16.95 gpt gold, 369 gpt silver and 3.74% lead plus zinc within
 - 933 gpt AgEq over 2.25 meters consisting of 6.65 gpt gold, 335 gpt silver and 2.6% lead plus zinc; and
 - 311 gpt AgEq over 9.05 meters consisting of 2.09 gpt gold, 124 gpt silver and 0.795% lead plus zinc.

BDH-20-039 in the 5 Senores Vein

- 213 gpt AgEq over 3.3 meters consisting of 128.1 gpt silver, 0.66 gpt gold, and 1.17% lead plus zinc
- 183.66 gpt AgEq over 4.0 meters consisting of 109.6 gpt silver, 0.84 gpt gold, and 0.26% lead plus zinc within:
 - 93.78 gpt AgEq over 27.4 meters consisting of 60.4 gpt silver, 0.28 gpt gold and 0.4% lead plus zinc

BD- 20-037 in the 5 Senores Vein

- 1,260.81 gpt AgEq over 1 meter consisting of 846 gpt silver, 3.11 gpt gold and 6.15% lead plus zinc within:
 - 735.3 gpt AgEq over 2.25 meters consisting of 483.8 gpt silver, 2.18 gpt gold and 2.86% lead plus zinc and 211.48 gpt AgEq over 10 meters consisting of 128.5 gpt silver, 0.655 gpt gold and 1.13% lead plus zinc.

A total of 4,153 meters, increased from the originally planned 3,000 meter Program, over 40 drill holes.

SILVER MARKET

Over the past year interest in global silver investment has risen significantly resulting in all-time highs for silver in exchange-traded products (ETPs), global mint bullion coin sales and strong net-long positioning on COMEX. The silver price, which began the year at \$17.85 per ounce, is up over 47% percent as of December 31, 2020, posting a 52-week high of \$29.275 on August 7, 2020, a level not seen since 2016. The silver spot price at the time of this MD&A is \$26.57 per ounce up from the 52-week low of \$11.66 hit on March 18, 2020.

The strong performance in the silver price has been a welcome contrast for silver investors in comparison to previous years. For most commodities, supply and demand fundamentals dominate price behaviour, however this does not always apply to silver and gold because of their monetary qualities and reactions to macroeconomic factors. Although the price of silver can be strongly linked to gold, silver differs from gold in the fact that it is also considered to be an industrial metal and can also be linked to the performance of base metals production and industrial demand. That said a gold: silver

divergence can emerge when the macroeconomic environment deteriorates, however because of its lower liquidity, silver can outperform gold in the event of a financial crisis. The gold to silver ratio as of the date of this MD&A is approximately 1:68 ounces, with the 1-year average being 1:85 and the 20-year average being approximately 1:64 ounces.

Chart: One year Gold to Silver Ratio



SUBSEQUENT EVENTS

There continues to be a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, variants of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

The Company commenced a 5,000-meter drill program on Columba project and a 3,500-meter drill program on the Copalito project (see news release dated March 3 and March 25, 2021 for further details).

The Company signed an option agreement with Centerra Gold (KB) Inc. a wholly owned subsidiary of Centerra Gold Inc, whereby Centerra was granted an option to earn a 70% interest in the Two Times Fred property located in the Nechako Plateau of Central British Columbia. Under the terms of the option a total of C\$6 million in exploration expenditures and C\$500,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000. Current plans for this year's work include up to 1,000 meters of trenching and 20 drill holes. Upon the fulfillment of these conditions, the two companies will enter a standard joint venture agreement with Kootenay retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners (see news release dated March 30, 2021 for further details).

PORTFOLIO OF EXPLORATION AND EVALUATION ASSETS

The Company has pursued the advancement of its Promontorio and La Cigarra Projects as well as establishing Generative Exploration Teams in Northwest Mexico and British Columbia, Canada. The Company continues to seek joint venture partners to option its generative exploration projects to conduct exploration and make option payments to the Company to obtain a right to an earn-in interest in the project. The Company currently has a mineral property under option namely, La Mina and is in the process of finalizing a joint venture agreement on the Cervantes property with Aztec Minerals Corp., both properties are located in Sonora State, Mexico.

THE COLUMBA PROJECT

On November 19, 2018, the Company announced that it had entered into an option agreement to acquire a 100% interest in the Columba silver project, which hosts a past producing, high-grade silver mine which operated circa 1910. Work reportedly ceased in the region during the Mexican Revolution. A second period of mining occurred in the late 1950's to early 1960's. Columba is approximately 1,000 hectares in size and covers a high-grade silver epithermal system comprised of numerous veins, which the Company has mapped over strike lengths from 200 meters to 2 kilometers.

Under the terms of the Agreement, the Company can acquire a 100% ownership in the concessions by making staged payments over a 4-year period totaling US\$3,290,000. Payments are weighted to the back end of the agreement with an initial payment of US\$15,000 and first and second years payments totalling US\$75,000 (paid) and US\$150,000 (due November 2020 and paid) respectively. The Agreement includes a work commitment of US\$250,000 by the first anniversary and an additional US\$750,000 by the second anniversary of the Agreement. Upon earn-in the vendors retain a 2% n.s.r. of which 1% can be bought by the Company for US\$750,000 (see November 5, 2018 news release for full details).

The Company has since acquisition performed sampling, mapping and drilling at Columba including 41 holes with 6,853 meters of drilling. Results to date are in line with historic data bolstering the confidence in the potential for the discovery of high-grade silver deposits on the property. A 7,000 meter 40 to 45-hole program is outlined for 2020.

The Company completed in 2019, 41 drill holes totalling 6,853 meters, targeting six different veins on the Columba project in the Phase I drill program.

Highlights included:

CDH-19-001

- 390 gpt silver over 1 meter within a much wider 16.5 meters of 93 gpt silver including 9.42 meters of 140. 68 gpt silver.

CDH-19-005

- 775 gpt silver over 1.15 meters within 2 meters of 518 gpt silver and 230 gpt silver over 4.83 meters.

CDH-19-006

- 287 gpt silver over 1.45 meters within 133 gpt silver over 10.45 meters before entering into a mine stope over 3 meters wide; presumably where historic mining removed the high grades, historically reported in the F vein.
- Hole 006 also hit two hanging wall veins with 235 gpt silver over 1.5 meters and 267 gpt silver over 0.87 meters, which again indicate potential for blind discoveries during the program. More drilling is required to understand these hanging wall veins and their importance.

The first six holes confirmed the F vein strike and dip and that it carries high-grade silver as evidenced by assays over 300 gpt silver to a high of 775 gpt silver. See news release dated August 12, 2019 for full details.

On August 29, 2019 and September 25, 2019, the Company announced an additional twelve drill holes from its Columba Project. Drilling continues to intercept high-grade silver intervals. Highlights included (see aforementioned news releases for full details):

CDH-19-007

- Hanging Wall Vein: 417 gpt silver over 1.68 meters. Newly discovered vein.
- F Vein (historically worked): 693 gpt silver over 1.55 meters before hitting 3.0-meter mined stope.

CDH-19-008

- F Vein: 707 gpt silver over 0.58 meters within 408 gpt silver over 4.85 meters and 112 gpt silver over 33 meters.
- Footwall Vein: 148 gpt silver over 1.46 meters.

CDH-19-009

- Hanging Wall Vein: 519 gpt silver over 2.90 meters including 1,070 gpt over 0.90 meters. Newly discovered vein.

CDH-19-011

- F Vein: 648 gpt silver and 0.64 gpt gold over 1.0 meter within 245 gpt silver over 5.0 meters and 133 gpt silver over 11 meters

CDH-19-012

- Three separate hanging wall veins: 699 gpt over 2.1 meters, 113 gpt silver over 1.35 meters, and 113 gpt silver over 0.6 meters
- F Vein: 755 gpt silver and 1.16 gpt gold over 1.75 meters within 476 gpt silver and 0.66 gpt gold over 3.15 meters and 184 gpt silver and 0.21 gpt gold over 11.0 meters

CDH-19-013

- I Vein: 273 gpt silver over 4.15 meters includes 697 gpt silver over 0.65 meters and 328 gpt silver over 2.65 meters.

CDH-19-014

- Hanging wall vein 894 gpt silver over 0.42 meters.
- I Vein: 261 gpt silver over 5.01 meters.

CDH-19-016

- I Vein: 1,005 gpt silver over 0.30 meters and then mined stope.

On November 19 and December 12, 2019 announced further drill assay results from of the Columba project, highlights included (see aforementioned releases for full details):

CDH-19-022

- 244 gpt silver over 6.25 meters including 373 gpt silver over 1.5 meters intercepting the D Vein;

CDH-19-025

- 105 gpt silver over 7.6 meters including 32 gpt silver over 98.1 meters in stockworks and breccias (J Vein);

CDH-19-028

- 72 gpt silver over 14.0 meters including 95 gpt silver over 10 meters intercepting stockwork along the J Vein;

CDH-19-030

- 982 gpt silver over 1.9 meters within an intercept of 721 gpt silver over 4 meters and 415 gpt silver over 11.5 meters. The overall interval averaged 200 gpt silver over 25.85 meters intercepting quartz veinlets and hydrothermal breccias across the J Vein structure.

CDH-19-031

- 314 gpt silver over 3.0 meters including 776 gpt silver over 0.63 meters in hydrothermal breccias and quartz veinlets across the E Vein structure.

See Overview of Performance – 2020 and Subsequent Events section of this MD&A.

THE COPALITO PROJECT

During 2018, the Company's wholly owned Mexican subsidiary entered into an option agreement (the "Agreement") to acquire a 100% interest in the Copalito Silver-Gold Project located in the State of Sinaloa, Mexico.

Copalito covers a gold and silver epithermal vein system comprised of numerous veins, with individual veins currently traced over strike lengths up to 2 kilometers. Veins vary in width from 0.5 to 15 meters at surface and grade from background to highs of 8.2 gpt gold and 3,770 gpt silver in grab samples. Highlights of surface chip samples graded 573 gpt silver and 2.1 gpt gold over widths of 1 meter and 1,066 gpt silver over 3.8 meters. Copalito is located about 35 km east of McEwen Mining's "El Gallo mine" complex. The project lies within a broad northeast trending transform geological belt approximately 350 kilometers in length that includes the districts and projects of Parral, Santa Barbara, Guanacevi, and La Pitarilla. *Surface and channel samples disclosed are "best samples" and these samples may not be representative of the entire samples.* There is no indication of the property having been previously drill tested.

On October 3, 2019, the Company announced the signing of an access agreement on the Copalito project, allowing access to conduct exploration activities including but not limited to mapping, sampling, geophysics, trenching and drilling.

Copalito consists of seven concessions totaling approximately 3,700 hectares. Under the terms of the Agreement, the Company can acquire a 100% ownership in the concessions by making staged payments over a 4-year period totaling US\$985,000, of which US\$110,000 has been paid and US\$150,000 is due in 2020. The Company at its option may accelerate the payments due under the Agreement. Upon earn-in the vendors will retain a 0.5% net smelter return. Subject to TSXV approval, the Company shall pay an arms length party a finder's fee of 100,000 common shares and a cash payment of C\$10,000.

A maiden drill program was initiated in March 2020 with a planned 3,000-meter program. During, 2020 a total of approximately 4,153 meters were drilled over 40 holes. See Overview of Performance – 2020 and Subsequent Events section of this MD&A.

LA CIGARRA PROJECT - EXPLORATION

Since acquiring the La Cigarra silver project in April 2016 from Northair Silver Corp, the Company completed several exploration programs including drilling, relogging of core and mapping of large areas of the project.

On April 11, 2018, the Company announced the initial holes from its 2018 drill program. Drilling targeted the northern strike extension of the La Cigarra resource along the Borracha zone.

Highlights included:

- Hole CC-18-42 returning 437.08 gpt silver over 10.0 meters within 267.07 gpt silver over 17.0 meters; includes samples of 947 gpt silver over 0.67 meters, 1,755 gpt silver over 0.87 meters, 519 gpt silver over 1.0 meter and 1145 gpt silver over 1.0 meter.
- Hole CC-18-43 returning 144.05 gpt silver over 10.0 meters within 112.00 gpt silver over 16.0 meters and 61.8 gpt silver over 34.50 meters
- Hole CC-18-38 returning 102.80 gpt silver over 3.55 meters within 40.17 gpt silver over 22.0 meters

The mineralized structure is open along strike to the northwest and down dip and appears continuous with the resource for an additional 1000 meters of strike to the northwest. It varies in width from about 15 to 45 meters and has been tested by broad spaced drilling from surface down dip from between 50 meters and 150 meters. Additional results were released on July 12, 2018, which included drilling conducted on Las Carolinas, La Borracha and Nogalera zones with results returning a series of silver intercepts. Highlights include: Hole CC-18-51 with 109.27 gpt silver over 12.0 meters within a wider intercept of 45.22 gpt silver over 41.38 meters; extending the mineralized silver zone to the south for 100 meters as well as down dip for 200 meters. Drilling in Nogalera Gold trend returned only anomalous amounts of gold in narrow structures. The program was curtailed due to market conditions related to the silver price and general junior exploration market. A new geological model is underway to optimize resource grade dependant on results this could lead to an updated resource and a decision to undergo a PEA on the project.

LA CIGARRA PROJECT – RESOURCE ESTIMATE

In January 2015, Northair announced the results of an updated NI 43-101 Resource Estimate (“Resource Estimate”) completed by Allan Armitage, PhD, P. Geo. and Joe Campbell, B.Sc., P. Geo., of GeoVector Management Inc. and was filed on SEDAR on March 2, 2015. The Resource Estimate was calculated based on results from 156 of 171 holes totaling 30,443 meters within the potentially surface minable mineralized area comprised of the San Gregorio and Las Carolinas mineralized zones, which combine to form a total strike length of 2.4 kilometers. The resource estimate was constrained by a Whittle™ pit shell utilizing a USD \$22/oz silver price, an economic cutoff grade of 35 gpt of silver and metallurgical recoveries of 84% silver is tabulated below:

Resource Category*	Tonnes	In-Situ Grade				Contained Metal			
		Ag (gpt)	Au (gpt)	Pb (%)	Zn (%)	Ag (oz)	Au (oz)	Pb (lbs)	Zn (lbs)
Measured	3,620,000	88.9	0.074	0.14	0.19	10,340,000	9,000	10,920,000	15,510,000
Indicated	14,930,000	85.7	0.068	0.13	0.18	41,130,000	33,000	42,950,000	59,260,000
Meas. + Ind	18,540,000	86.3	0.069	0.13	0.18	51,470,000	41,000	53,870,000	74,770,000
Inferred	4,450,000	80.0	0.058	0.13	0.16	11,460,000	8,000	12,680,000	15,610,000

**Note: Mineral resources are reported in relation to a conceptual pit shell at a 35 gpt silver cut-off grade and a USD \$22/oz silver price. Mineral resources that are not mineral reserves do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and numbers may not add up due to rounding.*

PROMONTORIO SILVER PROJECT – The La Negra Discovery

The La Negra discovery is a hydrothermal-diatreme breccia exposed over a 100 to 150 x 500-meter area and is contained within the Promontorio claim block, approximately 7.0 km north of the current Promontorio resource. The Company drilled a total of 6,213 meters over 41 core drill holes and Pan American drilled 56 holes totaling about 11,000 meters into the La Negra Breccia. Preparation is being made for the first resource estimate on La Negra which is anticipated in 2021.

Drilling Programs conducted by Pan American

The Company reported a series of high-grade silver intercepts from the drill programs conducted by Pan American who until June 2019 had an option on the Promontorio and La Negra projects, all holes reported are infill and step out drilling down dip on the La Negra breccia.

Drill highlights include:

- LN-42-16 returning three high grade intervals within 122.5 meters of 124 gpt silver and 0.15 gpt gold including 693 gpt silver and 0.39 gpt gold over 6.25 meters; 672 gpt silver and 0.13 gpt gold over 4.65 meters; and 631 gpt silver and 0.18 gpt gold over 3.45 meters;
- LN-43-16 returning from a new more southerly breccia 720 gpt silver and 0.13 gpt gold over 19 meters within 44.5 meters of 363 gpt silver and 0.12 gpt gold and higher in the hole the previously known breccia graded 1,226 gpt silver and 0.28 gpt gold over 6.15 meters within 235 gpt silver and 0.09 gpt gold over 38 meters.
- LN-59-16 returning 237 gpt silver over 32.15 meters including 534 gpt silver over 11.2 meters and 815 gpt silver over 2.90 meters and 991 gpt silver over 1.65 meters;
- LN-68-16 returning 194 gpt silver over 40.85 meters including 529 gpt silver over 7.5 meters and 90 gpt silver over 10.65 meters including 137 gpt silver over 5.55 meters.
- LN-76-17 returning 3,004 gpt silver over 1.95 meters, 2,146 gpt silver over 1.00 meter and 558 gpt silver over 5.35 meters within 281 gpt silver over 48.70 meters;
- LN-81-17 returning 3,018 gpt silver over 1.10 meters within 274 gpt silver over 21.00 meters and a separate interval of 388 gpt silver over 11.40 meters within 274 gpt silver over 21 meters;
- LN-82-17 returning 1,098 gpt silver over 8.85 meters within 403 gpt silver over 31.80 meters and a separate interval of 138 gpt silver over 29.25 meters;
- LN-83-17 returning 674 gpt silver over 7.60 meters within 289 gpt silver over 38.70 meters and a separate interval of 236 gpt silver over 76.35 meters;
- LN-85-17 returning 308 gpt silver over 12.15 meters within 174 gpt silver over 53.80 meters and a separate interval of 571 gpt silver over 5.35 meters.

For additional details please see the Company’s news releases dated on October 25, 2016, February 15, April 3, 2017 and October 5, 2017.

PROMONTORIO SILVER PROJECT – RESOURCE ESTIMATE

On May 14, 2013, the Company announced the results of an updated resource estimate prepared by SRK incorporating the gold (“Au”) content contained into the mineral resources of the Promontorio Silver Project, due to new metallurgical data and information which supports the potential recovery of gold (see February 28, 2013 news release). The updated Measured and Indicated Resource contains an estimated 44,504,000 tonnes containing an estimated 92,035,000 oz. silver equivalent (“AgEq”) grading 64.32 gpt AgEq with another 24,326,000 oz. AgEq grading 51.95 gpt AgEq categorized as Inferred, as summarized the table below:

Resource Statement for the Promontorio Deposit, Sonora State, Mexico: Effective Date March 31, 2013*

Pit-Constrained	20 gpt AgEq Cut-Off	Tonnes (000's)	Avg AgEq (gpt)	Avg Ag (gpt)	Avg Au (gpt)	Avg Pb (%)	Avg Zn (%)	AgEq Oz (000's)	Ag Oz (000's)	Au Oz (000's)	Pb lbs (000's)	Zn lbs (000's)
	Measured		10,289	74.79	32.69	0.40	0.46	0.55	24,741	10,814	134	105,328
Indicated		34,215	61.18	26.30	0.34	0.38	0.45	67,294	28,926	373	287,579	335,904
M+I		44,504	64.32	27.77	0.35	0.40	0.47	92,035	39,740	506	392,907	459,619
Inferred		14,564	51.95	24.95	0.28	0.28	0.31	24,326	11,683	132	89,430	98,462

Underground	45 gpt AgEq Cut-Off	Tonnes (000's)	Avg AgEq (gpt)	Avg Ag (gpt)	Avg Au (gpt)	Avg Pb (%)	Avg Zn (%)	AgEq Oz (000's)	Ag Oz (000's)	Au Oz (000's)	Pb lbs (000's)	Zn lbs (000's)
	Measured		3	62.27	25.12	0.32	0.37	0.63	6	2	0	23
Indicated		212	56.88	22.86	0.28	0.40	0.55	387	156	2	1,889	2,551
M+I		215	56.96	22.89	0.28	0.40	0.55	393	158	2	1,913	2,591
Inferred		1,265	61.17	26.57	0.37	0.36	0.38	2,488	1,081	15	10,049	10,667

Notes: * Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.

¹ Open pit resources stated as contained within a potentially economically minable pit shell;

² Pit optimization is based on assumed silver (“Ag”), gold, lead (“Pb”), and zinc (“Zn”) prices of \$31/oz., \$1650/oz., \$0.96/lb., and \$0.89/lb. respectively, mill recoveries of 74%, 70%, 81% and 88% respectively, a 1.5% NSR, estimated mining costs of \$1.20/t, and estimated processing and G&A cost of \$12.00/t; and an estimated POX cost of \$2/tonne (\$30/tonne of pyrite concentrate);

³ Break-even cut-off grades used were 20 gpt AgEq for open pit mill material and 45 gpt AgEq for underground material;

⁴ Silver equivalency is based on unit values calculated from the above metal prices, and assumes 100% recovery of all metals; and

⁵ Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.

The following material changes incorporated into the updated resource estimate contributed to the significant increase in the mineral resource:

- Additional metallurgical test work has allowed for the inclusion of gold in the mineral resources, which has a significant impact on the AgEq grades and relative ounces.
- The estimated Measured and Indicated gold resources contained within the mineralized diatreme system total 508,000 ounces with an additional 155,000 ounces Inferred.

This mineral resource estimate was completed by Matthew Hastings MSc, P. Geo and reviewed by Frank Daviess, MAusIMM, RM-SME, Associate Principal Resource Geologist with SRK. A site visit was conducted by Allan Moran, of SRK, R.G., C.P.G, who has reviewed pertinent geological information in sufficient detail to support the data incorporated in the mineral resource estimate. Mr. Davies is an Independent Qualified Person as defined under NI 43-101 and is responsible for the mineral resource estimate presented in this release. Eric Olin, of SRK, MSc, MBA, RM-SME reviewed the metallurgical information contained in this release.

G&T Metallurgical Services Ltd, Kamloops, BC, Canada completed preliminary metallurgical programs on drill core composites from the Promontorio property for Kootenay in 2009, 2012 and 2013. Several significant factors were noticed in SRK’s review of the metallurgical process work conducted to date. The metallurgical program investigated a standard polymetallic sequential flotation flow sheet that includes:

- Crushing;
- Grinding;
- Lead Flotation;
- Zinc Flotation; and
- Pyrite/Arsenopyrite Flotation

Pressure oxidation (POX) of the pyrite/arsenopyrite concentrate is required to extract the contained gold by cyanidation. SRK estimates metal recoveries shown in the table below are based on the average results from the preliminary metallurgical test programs conducted in 2009, 2012 and 2013. Overall gold recovery is estimated at 70% and is based on 65% gold recovery into the pyrite flotation concentrate followed by 94% cyanidation gold extraction from the pyrite concentrate after pressure oxidation, plus an average 9% gold recovery into the lead flotation concentrate.

Metallurgical Recovery Assumptions

Metal	Product	Recovery (%)
Silver	Lead Concentrate	74
Lead	Lead Concentrate	81
Zinc	Zinc Concentrate	88
Gold	Pyrite Concentrate	65
Gold	Lead Concentrate	9
Gold	Overall *	70

* Includes 94% cyanidation extraction from pyrite concentrate + gold contained in lead concentrate

The current NI 43-101 compliant Technical Report was filed on June 7, 2013 and can be reviewed on SEDAR (www.sedar.com).

GENERATIVE EXPLORATION PROJECTS

The Company continues to seek partners to option its projects under its generative model, which minimizes financial and exploration risk by granting external exploration companies a right to earn an interest in properties, subject to exploration expenditures and share payments made by them. Generative properties are continuously prioritized for further work or dropped based on ongoing exploration work. The Company continues to market generative properties including properties that have been returned after termination of option agreements.

On July 25, 2015, the Company entered into an option agreement with Aztec Metals Corp. (“Aztec”), whereby the Company granted Aztec the right to earn up to a 100% interest in the Cervantes Gold/Copper project located in Sonora, Mexico. Effective September 30, 2016, the obligations of the option agreement were assigned to Aztec Minerals Corp. from Aztec. The terms of the agreement allow Aztec to earn a 65% interest by: spending an aggregate total of US\$1.5 million in exploration expenditures by July 25, 2019; paying an aggregate total of US\$150,000 in staged payments to the Company by July 25, 2019; and issuing an aggregated total of 1,000,000 common shares in staged payments on each anniversary to the Company, with final issuance payable 60 days after the fourth anniversary. Aztec will also be responsible for annual Mexican assessment work and mining concession taxes during the term of the agreement. The Company has received 500,000 common shares and US\$100,000 under the terms of this agreement of which with 200,000 common shares and a cash payment of US\$40,000 was received during the year ended December 31, 2018.

Aztec have fulfilled their obligations under the earn-in option agreement and the parties entered into a joint venture agreement on December 16, 2020. The Company holds 35,000 Common Shares of Aztec Minerals JV Corp. with Aztec holding 65,000 Common Shares, representing the remaining 65% of the issued and outstanding Common Shares.

Mark Project

On June 7, 2017, the Company exercised its right under a Grub Stake Agreement (the “Grub Stake Agreement”) with the Kennedy Group to acquire a 100% interest in the Mark Project (the “Acquisition”). The Mark Project is comprised of 17 mineral tenures totaling approximately 14,093 hectares. Pursuant to the terms of the Grub Stake Agreement, in order to complete the Acquisition, the Company issued 100,000 common shares to the Kennedy Group upon receipt of TSX Venture Exchange (“TSXV”) approval. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1% net smelter returns royalty, which can be purchased by the Company, in whole or in part, for \$1,000,000 per each one-half percent (0.5%).

La Mina Project

On June 28, 2018, the Company announced that its wholly owned Mexican subsidiary had entered into an option agreement (“Agreement”) with Capstone Mining Corp. (TSX: CS) (“Capstone Mining”) on the Company’s La Mina Project (“La Mina”), located 180 kilometers southeast of the city of Hermosillo in Sonora State, Mexico. La Mina was staked by Kootenay as part of its generative property portfolio strategy and covers the upper levels of a zoned copper porphyry mineral system exposed over a 2 by 2-kilometer area.

The Agreement allows Capstone Mining to earn an initial 60% (“Initial Earn In”) interest in La Mina by making staged cash payments totalling US\$600,000 and incurring exploration expenditures totalling US\$4 million over 4 years. Following the Initial Earn In, Capstone may earn up to a 100% interest in La Mina in stages by completing certain milestones including preparation of a preliminary economic assessment, a prefeasibility study and paying an additional aggregate total of US\$8.4 million to Kootenay in stages at each of the various milestones. Subsequent to December 31, 2020, the Company received the US\$100,000 in settlement of the second cash payment.

The La Mina is subject to an underlying information agreement (dated May 4, 2018) between the Company and a third party whereby, the third party holds a net smelter return royalty (“Underlying Royalty”) of 2.5% on the concession. The Company has renegotiated the right to purchase on or before the beginning of commercial production up to 2% of the Underlying Royalty (“Buydown”) in increments of 0.25% for aggregate total of US\$1.6 million. The Company will pay US\$20,000 and issued 142,000 common shares of the Company to the third party. If Capstone Mining earns the 100% interest, Kootenay will retain a 1% net smelter return with no buy out option of which 0.5% will be held by the third party after giving effect to the Buydown.

Meachen Bend Project

On October 29, 2018, the Company announced it had entered an option agreement to acquire a 100% interest in the Meachen Bend Project (the “Meachen Property”) located 30 kilometers southwest of the famous Sullivan silver-lead-zinc mine which hosted 350 million ounces of silver, within 160 million tonnes grading 12% lead plus zinc and 68 gpt silver. The Meachen Property is comprised of three mineral tenures totaling approximately 1,048 hectares and covers elevated base metals, alteration and stratigraphy consistent with those areas peripheral to a silver-lead-zinc Sullivan style deposit. In addition, a strong single line MT conductor sits at relatively shallow depths, which the Company believes could be caused by massive sulfides distinctive to a Sullivan type deposit.

Pursuant to the terms of the option agreement, the Company must issue 500,000 common shares and staged cash payments totaling \$100,000 over 4 years, the Company issued 150,000 common shares with a fair value of \$26,750, with 50,000 common shares with a fair value of \$17,250 and paid \$35,000 in cash payments during the nine months ended September 30, 2020. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1.5% net smelter returns royalty, of which, one-half percent (0.5%) can be purchased by the Company, for \$500,000.

Moyie Anticline Program

During 2020, the Company initiated a program aimed specifically at the discovery of large silver-base metal deposits. One such program is focused in the famous Purcell Basin in southeastern B.C. that is host to billions of ounces of silver in the Coeur D'Alene, Montana Copper-Silver and Sullivan mining districts. The Company staked approximately 35,000 additional hectares during 2020 in the southeast of British Columbia. The Moyie Anticline is comprised of six collective properties totaling approximately 32,232 hectares. In addition to the tenures that make up the Moyie Anticline property the Sweet Spot, Lady Slipper, Kenco, Down Dip and Leaky Pipe round out the properties included in the program. During 2021, the Company is planning detailed geologic mapping and prospecting combined with deep seeing geophysics this may lead to a drilling plan.

Pursuant to the terms of the option agreement, the Company must issue 100,000 common shares for each of the six properties for an aggregate total of 600,000 common shares by June 16, 2023. Following completion of the Acquisition, the Kennedy Group will retain an underlying 2% net smelter returns royalty, of which, one and one-half percent (1.5%) can be purchased by the Company, for \$3,000,000.

EARN-IN OPTION AGREEMENT

The Company had two properties as at the date of this MD&A that are subject to earn-in option agreements, summarized below:

Property	Company	Interest of partner
Two Times Fred	Centerra Gold (KB) Inc.	70% earn-in option
La Mina, Sonora, Mexico	Capstone Mining	up to 100% earn-in option

FINANCING ACTIVITIES

On March 5, 2019, the Company closed a non-brokered private placement for 50,309,511 units at a price of \$0.14 per Unit for gross proceeds of \$7,043,332. Each Unit in the private placement consisted of one common share and one common share purchase warrant totalling 50,309,511 warrants. Each Warrant entitles the holder to acquire one common share at an exercise price of \$0.20 until March 5, 2024.

On August 22, 2019, the Company closed a non-brokered private placement of \$5,000,000 consisting of 31,250,000 units at a price of \$0.16 per Unit. The entire Private Placement was fully subscribed for by Mr. Eric Sprott. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one Common Share at an exercise price of \$0.22 until August 22, 2022. A finder's fee of \$200,000 was paid to Mackie Research Capital Corporation in units totaling 1,250,000 common shares and 625,000 warrants.

On October 15, 2019, the Company announced the closing of a non-brokered private placement of \$2,000,000 consisting of 7,692,308 units at a price of \$0.26 per unit, initially announced on October 4, 2019. The entire private placement was fully subscribed by Ninepoint Silver Equities Class with Sprott Asset Management LP acting as sub-advisor. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of \$0.40 per share until October 11, 2021.

On August 25, 2020, the Company closed its brokered private placement and issued 17,500,000 Units at a price of \$0.40 per unit for aggregate gross proceeds of approximately \$7,000,000. The Offering was led by Mackie Research Capital Corporation, as lead agent and sole bookrunner, on behalf of a syndicate which also included PI Financial Corp. (together, the "**Agents**"). Eric Sprott, through 21764123 Ontario Ltd., participated in the Offering to maintain his proportionate equity interest in the Company by acquiring 2,500,000 Units.

Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each Warrant is exercisable to acquire one Common Share at a price of \$0.55 per share until August 25, 2022. The securities issued under the Offering are subject to the four month hold period prescribed under Canadian securities laws expiring on December 26, 2020, the Agents received an aggregate cash fee equal to 6.0% of the gross proceeds from the Offering (other than in respect of certain subscribers on which a cash fee equal to 3.0% was paid). In addition, the Company issued to the Agents 1,050,000 non-transferable broker warrants (the "**Broker Warrants**"). Each Broker Warrant entitles the holder to purchase one Unit at an exercise price equal to the Offering Price until August 25, 2022.

During the year ended December 31, 2020, the Company received \$3,634,995 from the exercise of 13,409,150 share purchase warrants with the exercise price ranging from \$0.20 to \$0.55. Additionally, \$164,250 was received from the exercise of 1,062,500 share purchase options.

INVESTING ACTIVITIES

As at December 31, 2020, capitalized mineral property expenditure totaled \$80,293,610 (2019 - \$75,651,669). During 2020, the Company incurred \$5,386,333 (2019 - \$4,487,228) which includes acquisition and exploration costs as disclosed in the table below.

	MEXICO							Mexico Total \$	CANADA			Canada Total \$	2020 Total \$	2019 Total \$
	Promontorio \$	La Cigarrá \$	Columba \$	Copalito \$	Generative Anomalies \$	Cervantes* \$	San Diego \$		Nechako Region \$	Silver Fox \$	Other \$			
Acquisition Costs														
Balance, beginning	3,658,642	30,548,524	136,940	127,625	677,222	-	148,868	35,297,821	479,798	59,250	1,301,438	1,840,486	37,138,307	36,515,282
Incurred	-	-	195,871	212,204	-	-	-	408,075	-	-	87,127	87,127	495,202	623,025
Balance, ending	3,658,642	30,548,524	332,811	339,829	677,222	-	148,868	35,705,896	479,798	59,250	1,388,565	1,927,613	37,633,509	37,138,307
Exploration Expenditures														
Balance, beginning	32,161,334	5,110,401	2,561,014	250,014	6,938,611	244,394	315,309	47,581,077	1,302,955	1,949,881	6,232,909	9,485,745	57,066,822	53,202,619
Assaying and Lab	-	-	29,705	192,378	-	-	-	222,083	870	-	12,977	13,847	235,930	128,387
Camp Costs	43,998	-	75,000	-	-	-	-	118,998	-	-	-	-	118,998	637,090
Drafting	2,730	-	-	-	-	-	-	2,730	5,936	-	40,014	45,950	48,680	45,048
Drilling	-	-	1,529,102	635,080	-	-	-	2,164,182	-	-	900	900	2,165,082	1,387,308
Geological mapping	-	74,651	6,783	2,063	-	-	-	83,497	203	-	6,263	6,466	89,963	55,612
Geophysics	-	6,598	-	-	-	-	-	6,598	-	-	31,927	31,927	38,525	121,268
Maintenance	113,426	129,668	30,557	12,732	17,486	16,341	-	320,210	25,654	-	15,713	41,367	361,577	110,202
Miscellaneous	13,192	-	-	-	33,022	-	-	46,214	18,811	-	182	18,993	65,207	32,891
Geological Consulting and Prospecting	6,854	165,433	895,391	403,949	5,230	170	-	1,477,027	92,910	-	197,232	290,142	1,767,169	1,346,397
Rock Sampling	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Metallurgical testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incurred	180,200	376,350	2,566,538	1,246,202	55,738	16,511	-	4,441,539	144,384	-	305,208	449,592	4,891,131	3,864,203
Balance, ending	32,341,534	5,486,751	5,127,552	1,496,216	6,994,349	260,905	315,309	52,022,616	1,447,339	1,949,881	6,538,117	9,935,337	61,957,953	57,066,822
Total properties balance	36,000,176	36,035,275	5,460,363	1,836,045	7,671,571	260,905	464,177	87,728,512	1,927,137	2,009,131	7,926,682	11,862,950	99,591,462	94,205,129
Balance, beginning	(1,420,910)	-	(9,567)	-	(6,241,181)	(244,394)	(464,177)	(8,380,229)	(1,299,353)	(1,483,198)	(6,400,605)	(9,183,156)	(17,563,385)	(17,509,158)
Recovery of costs	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,700)
Mineral exploration refund	-	-	-	-	-	-	-	-	-	-	-	-	-	(70,650)
Proceeds from sale	-	-	-	-	-	-	-	-	-	-	-	-	-	102,008
Option payment received	-	-	-	-	-	-	-	-	-	-	-	-	-	(67,375)
Cumulative change in foreign currency translation	(755,866)	(787,692)	(119,149)	(40,134)	(31,267)	(361)	-	(1,734,468)	-	-	-	-	(1,734,468)	(998,586)
Carrying value mineral properties	33,823,400	35,247,583	5,331,647	1,795,911	1,399,124	16,150	-	77,613,815	627,784	525,933	1,526,077	2,679,794	80,293,610	75,651,669

RESULTS OF OPERATIONS

Three-month period ended December 31, 2020

The Company recorded a net loss of \$611,337 or \$0.002 per share (2019 - \$655,403 or \$0.002) for the three-month period ended December 31, 2020, based on a greater weighted average number of shares outstanding.

Corporate general and administrative expenditure for the three-month period ended December 31, 2020 totaled \$810,267 (2019 - \$887,049), which included non-cash option-based payment expense of \$15,787 (2019 - \$89,883). Office and general costs increased to \$497,005 (2019 - \$488,634) which includes the Company's offices and staff in Vancouver and exploration offices in Hermosillo, Mexico and Kimberley, British Columbia. Also included in office and general is the Company's promotional, travel and investor relations expenses, which increased versus the prior comparable period and totaled \$185,764 (2019 - \$93,855) due to increased advertising, marketing and conferences costs during the period. Management fees decreased to \$48,250 (2019 - \$87,250). Professional fees increased versus the prior comparable period due to additional legal and consulting work during the period and totaled \$205,079 (2019 - \$160,410), which includes director's fees of \$24,000 (2019 - \$22,000).

For the three-month period ended December 31, 2020, the Company recorded a foreign exchange gain of \$260,918 (2019 - loss \$154,978). The Company maintains foreign currency in both Mexican peso and US dollar accounts and incurs certain operating expenditures in each of those currencies, which coupled with consolidating its Mexican subsidiary gives rise to exchange risk. Property investigation of mineral properties costs totaling \$85,869 (2019 - \$51,820) were expensed in the period. Finance income decreased versus the prior comparable period and totaled \$23,881 (2019 - \$69,170).

Year ended December 31, 2020

The Company recorded a net loss of \$2,033,745 or \$0.007 per share (2019 - \$1,999,208 or \$0.008) for the year ended December 31, 2020, based on a greater weighted average number of shares outstanding.

Corporate general and administrative expenditure for the year ended December 31, 2020 totaled \$2,069,694 (2019 - \$2,374,806), which included non-cash option-based payment expense of \$114,521 (2019 - \$285,161). Office and general costs were \$1,081,151 (2019 - \$1,291,171) which includes the Company's offices and staff in Vancouver and exploration offices in Hermosillo, Mexico and Kimberley, British Columbia. Also included in office and general is the Company's promotional, travel and investor relations expenses, which increased marginally versus the prior comparable period and totaled \$450,353 (2019 - \$433,390) due to increased advertising, marketing and conferences costs during the period. Management fees decreased to \$193,000 (2019 - \$232,000). Professional fees increased versus the prior comparable

period due to increased legal and consulting work during the period and totaled \$502,989 (2019 – \$388,061), which includes director’s fees of \$96,000 (2019 – \$100,000).

For the year ended December 31, 2020, the Company recorded a foreign exchange gain of \$108,786 (2019 – loss \$64,767). The Company maintains foreign currency in both Mexican peso and US dollar accounts and incurs certain operating expenditures in each of those currencies, which coupled with consolidating its Mexican subsidiary gives rise to exchange risk. Property investigation of mineral properties costs totaling \$167,824 (2019 – \$182,822) were expensed in the period. Finance income decreased versus the prior comparable period and totaled \$94,987 (2019 – \$202,897).

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2020, the Company had working capital of \$12,662,424 (2019 - \$8,710,501), with cash and cash equivalents totaling \$10,439,643 (2019 - \$9,995,385).

See Financing Activities section of the MD&A for financing details related to the closing of the private placements in 2020 and 2019.

The Company plans to continue its exploration efforts in 2021 in Mexico and Canada with the use of its current cash position, see Outlook section of the MD&A. It also plans to generate opportunities to acquire new properties and to enter into options or joint ventures with third parties to manage risk. The Company also plans to finance its future activities primarily through raising capital from private placements of equity capital in the Company and through payments it receives from option and joint ventures of the Company’s properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining financing, now or in the future or that it will be successful in obtaining payments through optioning and joint venturing some or all its properties. Failure to raise sufficient funding for its operations and ongoing business activities on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

The Company’s ability to raise additional capital or to receive option payments from third parties is subject to a number of factors, uncertainties and risks including market conditions that could make it difficult or impossible for the Company to raise necessary funds to meet our capital and operating requirements. If we are unable to obtain financing through equity investments, we plan to consider other financing solutions including, but not limited to, joint ventures, credit facilities or debenture issuances. We are also attuned to the effect of capital markets on many of our joint venture partners who may not be able to meet their obligations under their option or joint venture agreements.

All cash is held with Schedule A banks either in deposit accounts or guaranteed investment certificates, and the Company has no joint ventures with any parties that potentially create derivative or hedge risk.

OUTLOOK

Due to the Coronavirus pandemic the Company continues to monitor current events and restrictions as outlined by both the Canadian and Mexican government and adhering to strict safety procedures.

The Columba 2021 drill program, plans for 5,000 meters to be drilled with a budget of \$1,700,000 and commenced in early March 2021. Drilling will focus on step out and infill drilling in the high-grade F-vein and its associated hanging wall vein, a new discoveries blind to surface. Focus will then shift to expanding on numerous other high-grade results previously encountered.

The Copalito 2021 drill program commenced late March 2021. The follow up to the maiden drill program is planned for 3,500 meters to be drilled with a budget of \$1,200,000 and will be guided by detailed structural mapping to test veins such as 5 Senores located in the southern area where good continuity and grade potential has been shown for at least 600 meters of strike length.

The La Cigarra project contains a current resource with significant expansion potential located in one of the most prolific silver mining districts of Mexico, the Parral Mining District. With the strengthening of silver prices, the Company is continuing work on geologic modeling to determine if geologic controls to silver mineralization exist and does this improve the grade. If the result is positive this could lead to an update of the resource estimate and a PEA decision. Confirmation drilling would be required to prove the accuracy of the geologic model prior to a resource update. Prior to remodeling four areas were identified to test for resource expansion:

- La Borracha high-grade (the mineralized trend located 1,000 meters northwest from the northern boundary of the resource);
- La Borracha Connection (connecting La Borracha with the San Gregorio area of the resource);
- Gap (an under drilled area between the main San Gregorio and Las Carolinas zones that currently comprise the resource); and
- the Carolinas Extension (the strike extension of the resource to the southeast).

The Company plans to prepare a maiden resource estimate on La Negra during the second half of 2021, with initial work underway.

The Cervantes JV

A two phase exploration has been approved by the JV committee. The plan calls for a two-phase, \$1.13 million CDN exploration program in 2021. The first phase calls for an \$85,000 program of sampling and mapping. The second phase is a \$1.05 million dollar drilling program to start sometime in the fall of 2021. Exploration partner Aztec Minerals will be the operator of the JV. (see news release dated January 26, 2021).

The Company hopes to continue to fund modest grass roots exploration that generates new mineral discoveries with the objective of seeking partners to finance the advancement of these projects. Work programs will also be initiated on other properties located in Mexico and Canada by the Company's option partners.

During 2021, the Company's option partners are continuing their exploration program summarized below:

La Mina Project, Sonora State, Mexico

(100% Kootenay owned and optioned to Capstone Mining Corp.)

The Company has been informed that further drilling is planned on La Mina during 2021, which will follow up drilling conducted during 2020.

Two Times Fred, Nechako Plateau, British Columbia, Canada

(100% Kootenay owned and optioned to Centerra Gold (KB).)

Current plans for 2021 exploration include up to 1,000 meters of trenching and 20 drill holes. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000.

The Company continues to review and investigate the progression of its generative portfolio of properties including projects that have been returned from third parties.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information prepared in accordance with IFRS for each of the Company's last eight quarters:

	Q4 2020	Q3 2020	Q2 2020	Q1 2020⁽²⁾	Q4 2019⁽²⁾	Q3 2019⁽²⁾	Q2 2019⁽²⁾	Q1 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Total Revenue ⁽¹⁾	23,881	12,863	16,966	41,277	23,748	234,639	115,690	31,188
Net Loss	(611,337)	(576,890)	(545,041)	(300,477)	(655,403)	(481,080)	(479,250)	(383,475)
Loss Per Share	(0.002)	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)

⁽¹⁾ Revenue is derived from administration fees, interest income and recovery of IVA taxes.

⁽²⁾ The Company recovered IVA from the Mexican tax authority, which is being booked to income directly.

SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with IFRS for fiscal years 2020, 2019, and 2018, and are expressed in Canadian dollars.

As at December 31:	2020	2019	2018
Total Assets	\$ 94,403,123	\$ 87,144,393	\$ 76,468,720
Current Liabilities	366,933	367,945	625,279
Shareholders' Equity	94,036,190	86,776,448	75,843,441
Total Shareholders' Equity & Liabilities	\$ 94,403,123	\$ 87,144,393	\$ 76,468,720

For the year ended December 31:	2020	2019	2018
Total Revenue ⁽¹⁾	\$ 94,987	\$ 405,265	\$ 458,923
Net Loss ⁽²⁾⁽³⁾	(2,033,745)	(1,999,208)	(2,466,422)
Basic and diluted loss per share	\$ (0.007)	\$ (0.008)	\$ (0.013)
Weighted average number of common shares outstanding	299,894,515	250,280,869	195,066,801

⁽¹⁾ Revenue is derived from administration fees, recovery of IVA taxes and interest income

⁽²⁾ Net Loss for 2018 included \$213,324 in unrecovered exploration expense

⁽³⁾ Net Loss for 2020 included non-cash share-based payments expense of 2020 - \$98,734; 2019 - \$285,161; 2018 - \$94,505.

RISKS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring mineral properties. It is exposed to several risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than project management fees, and interest on cash balances. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

Early Stage – Need for Additional Funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering its early stage of operations.

The Company anticipates future expenditures will require additional infusions of capital; there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Resulting Issuer may change, and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any may not be satisfied and could result in a loss of the shareholders entire investment.

Exploration and Development

Mineral exploration and development is a speculative business, characterized by several significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All the mineral claims to which the Company has a right to acquire an interest or owns are in the exploration stages and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

Estimates of mineral resources may not be realized

The mineral resource estimates contained in the Company's Technical Reports are only estimates and no assurance can be given that an identified resource will ever qualify as a commercially mineable (or viable) deposit, which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Material changes in resources, grades and other factors, may affect the economic viability of projects.

Earn-In agreements

The Company continues to enter or seek to enter into separate option agreements with publicly listed companies on its various mineral properties. The terms of such option agreements vary but primarily optioning companies are granted an option to earn an ownership interest in an exploration property by making cash payments and or issuing shares to the Company and incurring exploration expenditures. These are not firm payments or expenditure commitments and are subject to these companies obtaining sufficient financing to fulfill their earn-in requirements. The agreements are also subject to termination if such payment and expenditure commitments are not fulfilled. On fulfillment of these commitments, the ownership arrangement and future development of the property will be subject to a joint venture agreement whereby the Company will be required to finance its proportionate share of exploration expenditures based on the ownership ratio of each of the parties. There is no certainty that any of these companies will complete the required expenditures on the properties to earn-in on the properties or that they will be able to obtain the necessary financing to complete the expenditure requirements in which case the costs of carrying and developing the properties will be the responsibility of the Company.

Operating Hazards and Risks

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

Political Risk

The Company's advanced project and certain other property interests are located in Mexico and are subject to that jurisdiction's laws and regulations. Obtaining financing, finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. The perception of Mexico may make it more difficult for the Company to attract investors or to obtain any required financing for its exploration projects. The Company believes the present attitude of the current Mexican government to foreign investment in the exploration and mining sector has become less supportive of the industry than previous governments. Investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

Supplies, Infrastructure, Weather and Inflation

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, the Company is forced to rely on the accessibility of secondary roads resulting in potentially unavoidable delays in planned programs and/or cost overruns. The rainy season in Mexico during the months of June through September can sometimes flood the main access road causing temporary delays.

Metal Prices

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors

beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

Title Risks

Although the Company has exercised due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, or transfers, or conflicting claims; or indigenous claims, and title may be affected by undetected defects.

Environmental Regulations, Permits and Licenses

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in British Columbia, Canada and Mexico provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines, penalties and work stoppage. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The current operations of the Company require permits from various government authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

The Company believes that it is in compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Competition and Agreements with Other Parties

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict,

that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

Insurance coverage

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company's policies of insurance may not provide sufficient coverage for losses related to these or other risks. The Company's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Company for all losses sustained. In particular, the Company does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on the Company's cash flows, results of operation and financial condition.

Shareholder dilution

The Company's constating documents permit the issuance of an unlimited number of common shares and a limited number of preferred shares issuable in series on such terms as the Directors determine without the approval of shareholders, who have no pre-emptive rights in connection with such issuances. In addition, the Company is required to issue common shares upon the conversion of its outstanding share purchase warrants and options in accordance with their terms. Accordingly, holders of common shares may suffer dilution.

Uninsurable risks

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Coronavirus (COVID-19)

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, Mexico and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause increased government regulations, business interruptions including future delays in implementing field work all of which may negatively impact the Company's business and financial condition.

Disclosure Controls and Procedures

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, receivables and advances, marketable securities, advances and deposits, accounts payable and accrued liabilities and termination benefit liabilities. The carrying values of

these financial instruments approximate their fair values due to their relatively short periods to maturity and due to the insignificant carrying values of long-term financial instruments except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value added Tax refunds) from the Mexican Government. Accordingly, accounts receivable in the form of tax credits from Canada and Mexico are regarded with minimal risk and receivables from exploration partners are regarded with moderate risk by the Company.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements. The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at December 31, 2020, the Company's financial liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso, the Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency with a predominate balance held in Canadian Dollars. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

The balances denominated in foreign currency are as follows:

	December 31, 2020	December 31, 2019
	US\$	US\$
Cash and cash equivalents	133,084	197,791
Trade accounts payable and accrued liabilities	17,318	1,336
	Mexican Peso	Mexican Peso
Cash and cash equivalents	738,443	3,400,275
Receivables and advances	6,041,058	11,383,723
Trade accounts payable and accrued liabilities	1,256,095	1,290,824

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the year. The result of the sensitivity analysis shows a change in +/- 10% in the US Dollar and Mexican Peso exchange rate could have a collective impact of approximately +/- \$50,000 on the Company's net loss. This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short-term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's financial statements.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no Off-Balance Sheet Arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2020, officers of the Company charged management and consulting fees totaling \$393,000 (2019 - \$588,000) of which \$200,000 (2019 - \$360,000) has been allocated to deferred mineral property costs. These amounts were incurred in the ordinary course of business.

Effective January 1, 2008, the Company entered into a consulting agreement with Makwa Exploration Ltd. for the services of James McDonald to act as the Company's President and CEO. The base monthly fee for Makwa was amended effective January 1, 2017 to \$20,833. The consulting agreement extends in increments of 24 months, until terminated.

Effective September 1, 2008, the Company entered into an administrative and geological services agreement with a private company indirectly related to two common directors, which provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to financial and secretarial services and providing such other additional instructions and directions as the Company may require. For the year ended December 31, 2020, the Company incurred expenses \$120,000 (2019 - \$120,000) under the administrative services contract.

In addition to the above:

- a) Included in marketable securities as at December 31, 2020 is \$265,000 (2019 - \$147,500) market value of shares received from companies with directors in common.

- b) Included in accounts receivable as at December 31, 2020 is \$10,237 (2019 - \$5,702) from companies who have common directors or officers.
- c) Included in accounts payable as at December 31, 2020 is \$30,689 (2019 - \$24,005) to companies who have common directors or officers.
- d) For the year ended December 31, 2020, the Company incurred \$96,000 (2019 - \$100,000) for compensation to directors of which \$24,000 (2019 - \$24,000) is included in accounts payable.
- e) For the year ended December 31, 2020, the Company recorded 99,251 \$ (2019 – \$247,472) for option-based compensation to officers and directors of the Company.

FUTURE ACCOUNTING STANDARDS

Critical Accounting Estimates

Please refer to Note 3 of the Company’s Audited Financial Statements for the year ended December 31, 2020, for additional information under “Significant Accounting Policies”.

Significant areas requiring the use of management estimates include the collectability of amounts receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for depreciation of property and equipment, the recoverability of mineral property interests, determination of estimates of deferred tax assets and liabilities, and the determination of variables used in the calculations of share-based payments. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Companies without Significant Revenues

The following table sets forth a breakdown of material components of the office and general costs of the Company for the periods indicated.

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
	\$	\$	\$
Office	683,312	786,918	769,909
Telephone and postage	18,376	25,725	22,590
Travel and promotion	450,353	433,390	482,670

Disclosure of Outstanding Share Data

The following table states the diluted share capital of the Issuer as at April 21, 2021:

	Number Shares Outstanding (Diluted)
Outstanding as at December 31, 2019	286,513,175
Private Placement	17,500,000
Stock warrant exercise	13,409,150
Stock option exercise	1,062,500
Acquisition of mineral property	50,000
Outstanding as at December 31, 2020	318,534,825
Stock warrant exercise	450,111
Stock option exercise	75,000
Outstanding as at April 21, 2021	319,059,936
Shares reserved for issuance pursuant share purchase warrants outstanding	102,746,695 ⁽¹⁾
Shares reserved for issuance pursuant share purchase options outstanding	13,670,000 ⁽²⁾
DILUTED TOTAL AS AT APRIL 21, 2021	435,476,631

Notes

- (1) As at April 21, 2021, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
26,871,030*	0.55	April 22, 2021
3,846,154	0.40	October 11, 2021
16,250,000	0.22	August 22, 2022
8,750,000	0.55	August 25, 2022
1,050,000	0.40	August 25, 2022
45,979,511	0.20	March 5, 2024
102,746,695		

* Warrants trade on the TSX.V under the symbol "KTN.WT".

- (2) As at April 21, 2021, the Company had outstanding share purchase options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
6,695,000	0.40	January 20, 2022
6,925,000	0.14	June 26, 2024
13,670,000		

Commitments

The Company has entered various contracts for office and warehouse rent in Canada and Mexico. The following summarizes the Company's total annual obligations under this agreement as at December 31, 2020:

2021	\$ 64,147
2022	\$ 7,316
	<u>\$ 71,463</u>

Mineral property payments and project related commitments have been outlined under the property headings found in the 'Portfolio of Exploration and evaluation assets' section of this MD&A and the consolidated financial statements for the year ended December 31, 2020.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Cautionary note regarding preparation of Mineral Reserves and Resources

This MD&A uses the terms "reserves" and "resources" and derivations thereof. These terms have the meanings set forth in Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum's Classification System (CIM Standards). NI 43-101 and CIM Standards differ significantly from the requirements of the United States Securities and Exchange Commission (the SEC). Under SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that is part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination". In addition, the term "resource", which does not equate to the term "reserve", is not recognized by the SEC and the SEC's disclosure standards normally do not permit the inclusion of information concerning resources in documents filed with the SEC, unless such information is required to be disclosed by the law of the Company's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Accordingly, information concerning descriptions of mineralization and resources contained in this Management's Discussion and Analysis may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

Approval

This MD&A has been prepared by management with an effective date of April 29, 2021. The MD&A and the Consolidated Financial Statements were approved by the Board of Directors of the Company on April 30, 2021.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the Company's website at www.kootenaysilver.com and on SEDAR at www.sedar.com