



**Plata Latina Minerals Corporation**

Management's Discussion & Analysis  
**For the Year ended December 31, 2019**

## **PLATA LATINA MINERALS CORPORATION**

Management's Discussion and Analysis

For the Year ended December 31, 2019

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### **INTRODUCTION**

This management's discussion and analysis ("MD&A") of Plata Latina Minerals Corporation ("Plata" or the "Company") for the year ended December 31, 2019, takes into account information up to and including March 27, 2020, the date of this report. This MD&A supplements but does not form part of the audited consolidated financial statements for the year ended December 31, 2019. As such, this MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019, prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements referred to above are available on the Company's website at [www.plminerals.com](http://www.plminerals.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking information which deals with intentions, beliefs, expectations and future results as they pertain to the Company and the Company's industry. This forward-looking information also includes information regarding the financial condition and business of the Company, as they exist at the date of this MD&A. Forward-looking information is often, but not always, identified by the use of words such as "seeks", "believes", "plans", "expects", "intends", "estimates", "anticipates", "objective", "strategy" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. This forward-looking information includes, without limitation, information about the Company's opportunities, strategies, competition, expected activities and expenditures as the Company pursues its business plan, the adequacy of the Company's available cash resources and other statements about future events or results. In particular, and without limiting the generality of the foregoing, this MD&A contains forward-looking information concerning its exploration of the Naranjillo Property (defined herein) and the Company's other properties, which information has been based on exploration on the Naranjillo Property to date, the exploration of other properties of the Company, the proposed expenditures for exploration work and ability to raise further capital. Forward-looking information is information about the future and is 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, such as business and economic risks and uncertainties, including, without limitation, those referred to under the heading "Risks and Uncertainties". The forward-looking information is based on a number of assumptions, including assumptions regarding general market conditions, the availability of financing for proposed transactions and programs on reasonable terms, the ability of outside service providers to deliver services in a satisfactory and timely manner, prevailing commodity prices and exchange rates and prevailing regulatory, tax and environmental laws and regulations. The Company's forward-looking information is based on the beliefs, expectations and opinions of management of the Company on the date the information is provided. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

The Company undertakes no obligation to reissue or update any forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information herein are qualified by this cautionary statement.

This MD&A includes many cautionary statements, including those stated under the heading "Risks and Uncertainties". You should read these cautionary statements as being applicable to all related forward-looking information wherever it appears in this MD&A.

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### DESCRIPTION OF BUSINESS

Plata is a Canadian based resources exploration company and has five wholly owned subsidiaries: Plaminco S.A. de C.V. ("Plaminco"), Minera Central Vaquerias S.A. de C.V. ("MCV"), Minera Exploradora del Centro S.A. de C.V. ("MEC"), Servicio PLMC ("Servicio") and Plata Latina US Ltd. ("Plata US"). On April 11, 2012, Plata began trading on the TSX Venture Exchange under the symbol "PLA".

Plata and its subsidiaries are engaged in mineral exploration, principally in the Mexican Silver Belt in the states of Guanajuato, Jalisco, Aguas Calientes and Hidalgo, Mexico. Plaminco holds mineral interests in four properties in Mexico: Naranjillo, Vaquerias, Palo Alto and La Joya. All the four properties are along the Mexican Silver Belt and the latter three properties are located within 165 kilometres of Naranjillo.

The Company's objective has been to discover one or more new silver-gold vein districts in the style of the historical San Dimas, Fresnillo, Zacatecas, Guanajuato and Pachuca-Real del Monte districts of Mexico. Plata's extensive experience along the Mexican Silver Belt led to the staking of the Naranjillo Property in 2012. Between 2012 and 2014, the Company discovered and further delineated the silver-gold vein system. Management continues to consider a variety of longer-term strategic alternatives for the Company.

### YEAR IN REVIEW AND SUBSEQUENT EVENTS

#### Transaction with Fresnillo on the Naranjillo Property

In February 2017, Plata entered into an option agreement with respect to its Naranjillo Property ("Naranjillo") with a wholly owned subsidiary of Fresnillo PLC ("Fresnillo"). Under the Naranjillo Option Agreement, Fresnillo was granted the right to explore Naranjillo over a three-year period with total cash payments of US \$1,650,000 and exploration expenditures of US \$3,000,000 over the three years. Further details of the Naranjillo Option Agreement terms are disclosed under "Naranjillo Option Agreement with Fresnillo".

During 2019, Fresnillo continued its third-year of drilling programs at Naranjillo with multiple drills operating. The objective of Fresnillo's 2019 drilling program was to continue exploration in the best vein intersections to better define the character and geometry of ore shoots, as well as to continue drilling structural extensions to locate new ore shoots. Fresnillo completed drilling in the third quarter of 2019 and the assaying results continued to demonstrate the extent of a significant and complex epithermal vein system.

As at December 31, 2019, Fresnillo had fulfilled both of its commitments under the Naranjillo Option Agreement in cash payments of US \$1,650,000 and in exploration expenditures of US \$3,000,000. Subsequent to the fiscal year end of 2019, on February 24, 2020, Fresnillo exercised its option to purchase the Naranjillo Property for US \$500,000 and granted the Company a 3% net smelter return ("NSR") royalty. Fresnillo will also make advance royalty payments of US \$100,000 annually starting February 2021 until the earlier of (i) US \$1,000,000 of advance royalty payments have been paid, or (ii) Naranjillo commences commercial production of minerals.

#### Option Agreement with Electrum on the Vaquerias, Palo Alto and La Joya Properties

On January 20, 2020, Plata entered into an option agreement with a wholly owned subsidiary of the Electrum Group ("Electrum") for its other three mineral properties in Mexico: Vaquerias, Palo Alto and La Joya (the "Three Properties"). Electrum was granted a four-month period with the exclusive right to evaluate the Three Properties, expiring on May 20, 2020. Electrum has the option to acquire any or all of the Three Properties by paying US \$100,000 per property. In addition, during the option period, Electrum will also pay the mining duties of 2019's second semester and 2020's first semester on the Three Properties. The two mining duty payments totalling MXN\$1,959,667 have been paid in January 2020.

#### Going Concern with respect to pandemic COVID-19

In March 2020, the World Health Organization declared coronavirus "COVID-19" a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health

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developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company's business or ability to raise funds.

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### **EXPLORATION AND EVALUATION ASSETS**

#### ***Naranjillo Property***

The Naranjillo Property is situated in Guanajuato, Mexico and consists of three mineral exploration licenses, La Sibila, La Sibila I and La Sibila II, issued by the Mexican General Directorate of Mines ("GDM") on April 20, September 23 and August 26 of 2011, respectively. The three licenses total 11,482 hectares in area and are valid for 50 years until 2061.

A Technical Report prepared by David S. Dunn, an independent "Qualified Person" as defined under NI 43-101 was completed with respect to the Naranjillo Property on February 27, 2012 (the "Technical Report"). The Technical Report recommended that the Company carry out a phase three diamond core drilling program of approximately 10,000 metres as well as a supporting ground-magnetic geophysical survey. Portions of the information identified and contained in this document are based on assumptions, qualifications and procedures which are not fully described herein. Reference is made to the full text of the Technical Report, which is available under Plata's profile on the Sedar website at [www.sedar.com](http://www.sedar.com).

#### ***Naranjillo Option Agreement with Fresnillo***

On February 8, 2017, the Company entered into an option agreement (the "Naranjillo Option Agreement") with Metalúrgica Reyna S.A. de C.V., a wholly owned subsidiary of Fresnillo PLC ("Fresnillo"). The Naranjillo Option Agreement provided Fresnillo the right to explore the Naranjillo Property over a three-year period for a total cash payment of US \$1,650,000 and by spending US \$3,000,000 in exploration on the Naranjillo Property within three years (both of the option conditions had been fulfilled as of December 31, 2019).

At the end of the three years, Fresnillo has the option to acquire the Naranjillo Property for an additional US \$500,000 and grants the Company a 3% NSR royalty ("Royalty"). Fresnillo will be required to pay advance royalty payments of US \$100,000 annually until the earlier of (a) a maximum of US \$1,000,000 in advance royalty payments have been paid, or (b) commercial production of minerals commences from the Naranjillo Property. Fresnillo has the option to reduce the Royalty by 1% by paying an additional US \$1,000,000, and, thereafter, may reduce the remaining 2% Royalty to nil by paying an additional US \$5,000,000.

As at December 31, 2019, Fresnillo had fulfilled both of its commitments in cash payments of US \$1,650,000 and in exploration expenditures of US \$3,000,000 under the Naranjillo Option Agreement. On February 24, 2020, Fresnillo executed its option to acquire the Naranjillo Property for US \$500,000 and granted the Company a 3% NSR royalty.

#### ***Vaquerias Property***

The Vaquerias Property consists of two mineral concession licenses: Sol and Luna. The Sol and Luna licenses were issued by the GDM on December 13 and December 8 of 2011, respectively and are valid until 2061. Together these two licenses encompass 4,411 hectares and cover several kilometres of the projected continuation of the Vaquerias vein beneath post-mineral cover to the east of the old workings.

During the year ended December 31, 2019, the Company paid and accrued land taxes of \$59,991 in maintaining the Vaquerias concessions which were written off in profit or loss as no exploration was performed in 2019. In fiscal year 2018, the Company assessed the carrying costs of the Vaquerias Property and wrote down its value to \$1 recognizing impairment of \$579,740 due to the lack of exploration activities in the property.

On January 20, 2020, Plata entered into an option agreement with Minera Argentita Exploracion, a wholly owned subsidiary of the Electrum Group ("Electrum"), with respect to the Vaquerias Property and two other mineral properties in Mexico - Palo Alto and La Joya (together, the "Three Properties"). Details of the agreement with Electrum is disclosed under "*Option Agreement with Electrum on the Vaquerias, Palo Alto and La Joy Properties*".

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### ***Palo Alto Property***

The Palo Alto Property is in the state of Aguas Calientes, Mexico. Palo Alto holds three licenses: Catalina, Catalina II, and Catalina III issued by the GDM on November 22, 2012, November 4, 2011, and November 30, 2011 respectively. The three licenses are valid until 2061 to 2062 and cover 4,722 hectares.

The Palo Alto Property falls within a protected natural area in Aguas Calientes and requires the submission of an environmental impact assessment ("EIA") and Federal permission to drill. The Company has been waiting for the regulatory approval and issuance of a drill permit.

During the year ended December 31, 2019, land taxes of \$47,303 were paid and accrued for the maintenance of the Palo Alto concessions. The amount was written off in profit or loss as no exploration was performed during the year of 2019.

During the year ended December 31, 2018, the Company performed impairment assessment on the carrying value of the Palo Alto Property. As timing for the approval for a permit to explore on the property was uncertain, the Company recognized impairment of \$218,329 in profit or loss of 2018.

Together with Vaquerias and La Joya Properties, on January 20, 2020, an option agreement was entered between the Company and Electrum. Details are in previous section under "*Option Agreement with Electrum on the Vaquerias, Palo Alto and La Joya Properties*".

### ***La Joya Property***

The La Joya Property is located in the state of Hidalgo, Mexico, and is a conceptual exploration target similar to Naranjillo. The La Joya Property's sole license, La Carmen, was issued by the GDM on December 21, 2010 and is valid until 2060. The property covers 924 hectares and surrounds a third-party license. The Company has been negotiating with the interior license owners before advancing to drilling on the property. The Company has carried out reconnaissance work on and around the licensed areas and such related costs are expensed as property evaluations.

Together with Vaquerias and Palo Alto Properties, on January 20, 2020, an option agreement was entered between the Company and Electrum. Details are in previous section under "*Option Agreement with Electrum on the Vaquerias, Palo Alto and La Joya Properties*".

## **OUTLOOK**

Following the Company's two strategic transactions with Electrum and Fresnillo in January and February of 2020, respectively, Plata plans to emerge in 2020 as a refreshed publicly listed vehicle ready to evaluate new opportunities. The Company is seeking its next project or transformational transaction and is open to evaluating opportunities as they arise.

A summary of the two strategic transactions:

- (a) In January 2020, under the option agreement on Plata's Three Properties, Vaquerias, Palo Alto and La Joya, Electrum is granted a four-month due diligence period to review these properties and also an option to acquire all or any one of them for US \$100,000 per property.
- (b) In February 2020, Fresnillo executed its option under the Naranjillo Option Agreement of 2017 and acquired the Naranjillo Property for US \$500,000 (paid) and granted the Company a 3% NSR royalty. Commencing February 2021, Fresnillo will also make advance royalty payments of US \$100,000 annually until the earlier of (i) US \$1,000,000 have been paid, or (ii) commercial production starts from the Naranjillo Property.

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### SELECTED ANNUAL INFORMATION

The Company's selected annual information for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
	\$	\$	\$
Revenue	-	-	-
Loss before income taxes	(685,427)	(1,165,560)	(1,078,946)
Loss for the year	(557,622)	(1,113,979)	(1,078,946)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)
Total assets	754,412	1,548,186	2,660,651
Total long term liabilities	-	(148,258)	(170,673)

Reduced Loss in 2019 over 2018 and 2017 was due to lower impairment amounts recognized in 2019 of \$107,294 (2018 - \$798,069 and 2017 - \$629,644). Total assets in 2019 were reduced accordingly from the write-downs of the exploration and evaluation assets.

### SUMMARY OF QUARTERLY RESULTS

The following summarizes the Company's quarterly results for the last eight quarters:

	2019				2018			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Loss for the period	(83,015)	(149,034)	(131,609)	(193,964)	(642,231)	(170,460)	(162,743)	(138,545)
Comprehensive (loss) income for the period	(90,913)	(148,683)	(131,629)	(199,711)	(646,441)	(126,935)	(234,829)	41,142
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)

In the fourth quarter of 2019 and 2018, the Company recognized impairment on its exploration and evaluation assets of \$107,294 and \$798,069 respectively. Changes in comprehensive (loss) income are mainly related to foreign currency fluctuations on intercompany advances and loans as discussed below under *other comprehensive income (loss)*.

### RESULTS OF OPERATIONS

#### ***For the three months ended December 31, 2019 and 2018 ("Q4")***

Loss before tax for the three months ended December 31, 2019 was \$212,350 whereas for 2018 Q4, loss was \$695,898. Variance details are as follows:

- *Office administration for 2019 Q4 \$27,670 (2018 Q4 – recovery of \$4,397).*

In May 2018, the Company assumed a three-year office lease of a U.S. office from Leagold. With the lease assumption, Leagold advanced a year of rental payments to the Company. As of June 1, 2019, the Company started paying rent which resulted in higher office admin costs for the 2019 Q4 over 2018.

- *Filing fees and transfer agent for 2019 Q4 \$1,605 (2018 Q4 - \$4,105)*

In 2018 Q4, the Company settled accrued directors fees and portion of accrued management fees of its former officer with the issuance of Plata's common shares. The debt settlement transaction resulted in costs in regulatory filings and issuance and deliveries of share certificates.

- *Salaries and benefits for 2019 Q4 \$24,166 (2018 Q4 - \$43,696).*

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The lower salary and benefits expenses in 2019 was attributable to the increased proportional cost sharing of U.S. personnel's salary and health benefits with another company.

- *Property evaluations for 2019 Q4 \$18,891 (2018 Q4 - \$2,352)*

In 2019 Q4, the higher geological, labour and camp costs were related to facilitating interested parties' reviews of Plata's mineral properties in Mexico, which resulted in an option agreement in January 2020.

- *Loss on termination of lease for 2019 Q4 \$737 (2018 Q4 - \$nil)*

On December 1, 2019, Plata assigned its U.S. office lease to Copper Mountain (USA) Inc. ("CM") for the remaining two-year term as well as its interest in the office security deposit of \$19,008 (US \$14,430) to CM. In return, CM assumed the remaining Benefit Obligations of \$18,271 (US \$13,871) due to former executives from the Leagold transaction.

- *Loss on disposal of equipment for 2019 Q4 \$19,100 (2018 Q4 - \$nil)*

On December 1, 2019, in assigning its U.S. office lease to Copper Mountain (USA) Inc., Plata also sold the office assets to Copper Mountain for a nominal fee of \$1, which resulted in a loss of \$19,100 on the disposals of all the office equipment.

- *Impairment on exploration and evaluation assets for 2019 Q4 \$29,884 (2018 Q4 - \$798,069)*

In 2018 Q4, the Company wrote down the carry values of the Vaquerias and Palo Alto properties to \$1 each, recognizing a total impairment of \$798,069. In 2019 Q4, the impairment on the two properties was mainly from the write-off of land taxes payments.

### **For the years ended December 31, 2019 and 2018**

Loss before income taxes for fiscal year 2019 was \$685,427 comparing to 2018 with a loss of \$1,165,560.

Details of the variances were as follows:

- *Directors' fees in 2019 \$nil (2018 - \$45,000)*

Directors' fees were discontinued as of October 2018 after the settlement of all accrued directors' fees up to September 2018 with the issuance of the Company's common shares.

- *Filing fees and transfer agent in 2019 \$12,545 (2018 - \$16,816)*

2018's filing and transfer agent fees were higher due to regulatory filings and agents' costs incurred on the debt settlements of a director's loan, accrued directors' fees and accrued management fees of a former officer with the issuance of the Company's common shares in May and October of 2018.

- *Salaries and benefits for 2019 \$142,474 (2018 - \$168,832).*

In mid-2019, a majority of the health benefits costs were reimbursed by a company sharing the U.S. office and the personnel.

- *Impairment on E&E assets for 2019 \$107,294 (2018 - \$798,069)*

In 2019, Plata incurred land taxes only of \$107,294 on the Vaquerias and Palo Alto properties which were written off to profit or loss as no exploration activities carried out on them. In 2018, the accumulated costs on the two properties were written down to \$1 each, resulting in high impairment charges totalling \$798,069.

- *Office administration in 2019 \$75,263 (2018 - \$45,301)*

In June 2019, Plata started incurring office rents after Leagold's a year of rent advances applied fully to May 2019. Office equipment leases and maintenance costs were also higher in 2019 comparing to 2018.

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- *Gain on debt settlement in 2019 \$nil (2018 - \$127,384) and gain on settlement of management fees in 2019 \$nil (2018 - \$123,560)*

These are non-cash items. In 2018, Plata settled a director's loan and accrued fees owed to its directors and a former officer with the issuance of common shares. The deemed prices (\$0.045 on the loan and \$0.05 on accrued fees) of these issued shares were higher than the market share prices (\$0.04 on the loan and \$0.03 on accrued fees) resulting in a gain of \$127,384 on the debt settlement and \$123,560 on management fee settlement.

### *Other Comprehensive Income (Loss) ("OCI")*

OCI (loss) is in respect with foreign currency revaluations at each reporting date the fluctuations among the Canadian Dollar, Mexican Peso and U.S. Dollar. This foreign currency translation adjustments include the impact of foreign exchange on intercompany loans whose retranslation is treated as equity (until the foreign operation is disposed of) and the translation of the foreign operation from its functional currency to Canadian Dollars. For the year ended December 31, 2019, the impact of the foreign currency translation differences was comprehensive loss of \$12,594 (2018 – comprehensive income of \$146,916).

## EXPLORATION AND EVALUATION EXPENDITURES

During the year ended December 31, 2019, Fresnillo completed its third year of drilling on the Naranjillo Property, after completing two successful multi-rig drill programs in 2017 and 2018. The objective of Fresnillo's 2019 drilling program was to continue exploring in the best vein intersections to better define the character and geometry of ore shoots, as well as to continue drilling structural extensions to locate new ore shoots.

At December 31, 2019, the carrying value of exploration and evaluation assets was \$529,090 (December 31, 2018 - \$1,198,136). For the year ended December 31, 2019, the value of the exploration and evaluation assets was reduced by \$669,046 which was the result of cost recovery from Fresnillo's option payments of \$666,031 (US \$500,000) on the Naranjillo Project. The claims' land taxes totalling \$107,294 on the Vaquerias and Palo Alto projects were capitalized and subsequently written off as no exploration activities were performed in 2019. Foreign exchange translation of the Mexican mineral properties further reduced the carrying value of the exploration and evaluation assets by \$3,015.

Foreign exchange movements represent the non-cash impact of the retranslation of Plaminco's exploration and evaluation expenditures, denominated in Mexican pesos. The exchange variations resulting from the retranslation at closing rate are recognized in other comprehensive income as part of the foreign currency translation reserve.

As at December 31, 2019, Fresnillo had fulfilled both of its commitments under the Naranjillo Option Agreement in cash payments of US \$1,650,000 and in exploration expenditures of US \$3,000,000. Subsequent to the fiscal year end of 2019, on February 24, 2020, Fresnillo executed its option to acquire the Naranjillo Property for US \$500,000 and granted the Company a 3% NSR royalty. Fresnillo will also make advance royalty payments of US \$100,000 annually starting February 2021 until the earlier of (i) US \$1,000,000 have been paid, or (ii) Naranjillo commences commercial production.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2019, the Company had cash of \$197,584 (December 31, 2018 – \$265,682) and working capital of \$136,472 (December 31, 2018 – 125,174). The Company is in the exploration stage and has no revenue generated from operations. It has incurred ongoing losses and will continue to incur further losses in the course of developing its business.

In February 2020, Fresnillo acquired the Naranjillo Property with cash payment of US \$500,000. Fresnillo will also pay advance royalty payments of US \$100,000 annually until either the royalty payments have reached US \$1,000,000 or Naranjillo Property starts commercial production.

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Based on the 2020 annual budget approved by the board of directors, the Company will require additional financing if or when it changes or expands its business plan.

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### *Cash Flows*

Under operating activities, for the year ended December 31, 2019, \$673,026 were used for the operations (2018 - \$727,190). The 2019 cash outflows were reduced, primarily the result of cost sharing of its U.S. office with another company.

For the investing activities, on the exploration and evaluation assets, Plata spent \$49,752 on land taxes in maintaining its mineral claims in 2019 (2018 – \$111,336) and received \$666,031 (US \$500,000) in 2019 (2018 - \$646,442 (US \$500,000)) from Fresnillo option payments on the Naranjillo Property.

### GOING CONCERN

As at December 31, 2019, the Company had a deficit of \$11,483,119 (2018 - \$10,925,497) and working capital of \$136,472 (2018 - \$125,174). Subsequent to the year ended December 31, 2019, Plata received US \$500,000 on February 25, 2020 from Fresnillo PLC ("Fresnillo") for the sale of the Naranjillo property in Mexico. Plata recognizes that it will require to raise further funding through equity financing and/or debt financing if its business plan changes or expands. There is no assurance that Plata will be able to obtain such additional funding or on acceptable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

### RECENT ACCOUNTING STANDARD

#### **IFRS 16 Leases**

The Company adopted IFRS 16 *Lease* on January 1, 2019. IFRS 16 addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The standard requires lessees to recognize and measure assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The standard also requires lessors to classify leases as operating or finance.

The Company had a lease agreement of its U.S. office and a sublease agreement with a sub-lessee on the same place. The lease was assigned to a third party as of December 1, 2019. As such, the adoption of the standard had no material impact on these financial statements as at the initial adoption date.

#### **New Interpretation IFRIC 23 *Uncertainty Over Income Tax Treatments* ("IFRIC 23")**

On June 7, 2017, the IASB issued IFRIC 23 providing guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The adoption of IFRIC 23 had no impact on the Company's financial statements as at the initial adoption date.

### OUTSTANDING SHARE DATA

As at March 27, 2020, the Company's issued and outstanding common shares were 79,034,671. Stock options outstanding were 250,000 with a weighted average exercise price at \$0.06 per share expiring June 2020 and June 2022.

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### PROPOSED TRANSACTIONS

There are no undisclosed proposed transactions that will materially affect the Company.

### OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have off balance sheet arrangements as at the report date of this MD&A.

### COMMITMENT

On June 8, 2018, the Company's subsidiary, Plata US entered into an asset purchase and assumption agreement (the "Assumption Agreement") with Brio Gold USA Inc. ("Brio US") and Leagold Acquisition Corp. II ("Leagold"). Pertaining to the Assumption Agreement, Plata assumed Brio's office lease in Denver, Co., U.S. ("Office Lease") which expires on November 30, 2021. Leagold, in transferring the Office Lease, provided the Company one year's rent of \$135,679 (US \$103,037) to May 31, 2019.

On December 1, 2019, the Company assigned the Office Lease to Copper Mountain (USA) Inc. ("Copper Mountain"). The Office Lease has a remaining two-year term to November 30, 2021 as of the effective date of the lease assignment. The lease commitment amount extinguished as of December 1, 2019 was \$284,246 (US \$213,896).

As at December 31, 2019, the Company had no further commitment.

### RELATED PARTY TRANSACTIONS

#### *Compensation of key management personnel*

Key management includes the Company's directors, officers and VP Exploration. Their compensation paid or accrued for the years ended December 31, 2019 and 2018 was as follows:

	Nature of compensation	2019 \$	2018 \$
Vice President, Exploration	Salaries and benefits	61,798	84,138
CFO and Corporate Secretary	Professional fees	66,000	60,000
Directors	Directors' fees	-	45,000
<b>Total</b>		<b>127,798</b>	<b>189,138</b>

On October 30, 2018, the Company settled indebtedness of \$231,250 owing to its directors and a former officer with the issuance of 4,625,000 common shares at \$0.03 per share. These resulted in gains of \$127,384 in debt settlement and \$123,560 in settlement of management fees. Commencing October 2018, the directors' fees were discontinued after all accrued directors' fees were settled with the Company's common shares. As at December 31, 2019 and 2018, no amount was due to the related parties.

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### CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires management to make certain judgments, estimates and assumptions that impact the Company's reported financial position. Actual outcomes could differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

The significant judgments and estimates that will affect the financial statements is described below.

a) *Carrying value of exploration and evaluation expenditures*

The carrying values and assessment of impairment of exploration and evaluation assets are based on costs incurred and management's estimate of net recoverable value. Estimates may not necessarily reflect actual recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to achieve commercial production. The recoverable amount of the Naranjillo project is dependent on the probabilities assigned to the various option payments and discount rates used in the discounted cash flows calculation.

On February 24, 2020, the Company sold one of its four mineral assets, the Naranjillo property, to Fresnillo PLC for US \$500,000. Fresnillo granted the Company a 3% net smelter return ("NSR") royalty. Fresnillo will also make advance royalty payments of US \$100,000 annually starting February 2021 until the earlier of (i) US \$1,000,000 of advance royalty payments have been paid, or (ii) Naranjillo commences commercial production of minerals.

b) *Going concern*

The Company uses judgment in assessing its ability to continue as a going concern for the next 12 months. In considering the factors affecting its going concern as disclosed in Note 1 of the condensed interim consolidated financial statements for the year ended December 31, 2019, the Company concluded that there is a material uncertainty that may cast significant doubt on its ability to continue as a going concern.

c) *Income taxes*

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

d) *Options and warrants*

The fair value of options and warrants is determined on the grant date. To compute the fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain assumptions in relation to the expected life of options and warrants, future volatility of the stock price, expected dividend yield, risk-free interest rate and future forfeiture rate of options.

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### FINANCIAL INSTRUMENT AND RISK MANAGEMENT

#### Fair value

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, and current portion of other liabilities approximate their fair values due to the short-term maturity of these financial instruments. Long term portion of other liabilities are measured at amortized cost.

The Company classifies its financial instruments into three levels of the fair value hierarchy according to the relative reliability of the inputs used to measure the fair values. The fair value hierarchy is as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – quoted prices in inactive markets or inputs are observable directly or indirectly for the asset or liability; and

Level 3 – inputs that are unobservable as there are little or no market activities

#### Risk management

The Company is exposed to financial instrument related risks arising from its normal operations. The Company manages and mitigates these risk exposures as follows:

##### Foreign currency risk

The Company operates in Canada, United States and Mexico. It maintains Mexican Peso and US Dollar bank accounts in Mexico and USA and is subject to currency gains or losses from these two currencies against the Canadian Dollar. The Company has no hedging against its foreign currency risk exposure.

For the years ended December 31, 2019 and 2018, the Company was exposed to currency risk through the following assets and liabilities denominated in US dollars ("US\$"):

	December 31, 2019		December 31, 2018	
Cash	US\$	149,627	US\$	181,305
Accounts payable and accrued liabilities		-		(1,197)
	US\$	149,627	US\$	180,108

For the years ended December 31, 2019 and 2018, the Company was exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos ("MXN"):

	December 31, 2019		December 31, 2018	
Cash	MXN	11,351	MXN	37,597
Accounts payable and accrued liabilities		(934,973)		(76,475)
	MXN	(923,622)	MXN	(38,878)

A 10% change of the Canadian dollar against the US\$ at December 31, 2019 would have increased or decreased net loss by \$19,433 (2018 – \$20,930) and would have increased or decreased the comprehensive loss by \$8 (2018 – \$38,203). A 10% change of the Canadian dollar against the MXN at December 31, 2019 would have increased or decreased the comprehensive loss by \$6,356 (2018 – \$270). This analysis assumes that all other variables, in particular interest rates, remain consistent.

##### Liquidity risk

Liquidity risk is the risk that the Company's financial assets are insufficient to meet its financial liabilities. The Company manages liquidity risk with budgets and cash forecasts to ensure there is sufficient cash to meet its obligations. At December 31, 2019, the Company had cash of \$197,584 (2018 - \$265,682) to settle current liabilities of \$88,850 (2018 - \$164,150).

Subsequent to the year ended December 31, 2019, on February 24, 2020, Fresnillo executed its option on the Naranjillo Option Agreement and acquired the Naranjillo property for US \$500,000. The Company received the sale proceed on February 25, 2020. Fresnillo will also pay advance royalty payments of US \$100,000 annually until the earlier of (a) US \$1,000,000 advance royalty payments have reached or (b)

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commercial production commences from the Naranjillo Property. Advance royalty payments commence in February 2021. The Company will require additional financing if its business plan or circumstance changes.

### *Commodity Price risk*

While no resource estimate has yet been prepared for the Company's core mineral resource properties, the market value of the Company is subject to the fluctuations of the prices of precious metals and their outlooks.

### *Credit risk*

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on amounts receivable. Credit risk exposure on cash is limited through maintaining the Company's balances with high-credit quality financial institutions and assessing institutional exposure. The Company's maximum exposure to credit risk as at December 31, 2019 was the carrying value of its cash and amounts receivable.

## **Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue the exploration of mineral properties and to maintain flexible capital which optimizes the costs of capital at an acceptable risk level.

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and cash. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. No changes were made in the objectives, policies or procedures during the year ended December 31, 2019.

## **RISKS AND UNCERTAINTIES**

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described below and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described below are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of the following risks occur, or if other occur, the Company's business, operating results and financial condition could be seriously harmed, and investors may lose part or all of their investment.

### **Risks relating to financing the Company's Business Operations**

***The Company will require external financing or may need to enter into strategic alliance to develop its mineral property.***

As discussed under "Going Concern" earlier in this MD&A, the Company has not generated revenue from operations. At December 31, 2019, the Company had cash of \$197,584 and a deficit of \$11,483,119. Plata has historically raised funds principally through the sale of securities and option receipts from the optioning of its mineral properties. The Company expects that it will obtain funding through equity financing, debt financing or some other means depending on market conditions. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms.

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For the Year ended December 31, 2019

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***The Company has a limited operating history which makes it difficult for investors to judge its prospects.***

The Company has a limited operating history upon which an evaluation of the Company, its current business and its prospects can be based. Any investor should consider any purchase of the Company's securities in light of the risks, expenses and problems frequently encountered by all companies in the early stages of their corporate development.

***The Company's liquidity and capital resources are uncertain.***

As at December 31, 2019, the Company had accumulated a deficit of over \$11 million. The Company will need to raise additional capital by way of offerings of equity securities and/or debt securities, or by obtaining financing through a financial institution. The Company has not established a limit as to the amount of debt it may incur nor has it adopted a ratio of its equity to debt allowance. If the Company needs to obtain additional financing, there is no assurance that financing will be available from any source, that it will be available on terms acceptable to the Company, or that any future offering of securities will be successful. The Company could suffer adverse consequences if it is unable to obtain the required capital which would cast substantial doubt on its ability to continue its operations.

### **Risks relating to the Company's Business Operations**

***Mineral exploration and development activities are speculative in nature.***

Resource exploration and development is a speculative business, characterized by a number of significant risks including, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that funds required for development can be obtained on a timely basis. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

***The Company is an exploration stage company, and there is no assurance that any resources or a commercially viable deposit or "reserve" exists on any properties for which the Company has or might obtain an interest.***

The Company is an exploration stage company and cannot give assurance that a commercially viable deposit, or "reserve," exists on any properties for which the Company currently has or may have (through potential future joint venture agreements or acquisitions) an interest. Therefore, determination of the existence of a reserve depends on appropriate and sufficient exploration work and the evaluation of legal, economic, and environmental factors. If the Company fails to find a commercially viable deposit on any of its properties, its financial condition and results of operations will be materially adversely affected.

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***Title to the Company's mineral properties cannot be guaranteed and may be subject to prior unregistered agreements, transfers or claims and other defects.***

The Company cannot guarantee that title to its mineral properties will not be challenged. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. The Company has not conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

***The Company's properties are located in Mexico and the Palo Alto Claims are located within a Protected National Area in Mexico and as a result the Company may be subject to various levels of political, economic, legal and other risks.***

In the past, Mexico has been subject to political instability, changes and uncertainties, which have resulted in changes to existing governmental regulations affecting mineral exploration and mining activities. Mexico's status as a developing country may make it more difficult for us to do business or obtain any required financing. The Company's properties are subject to a variety of governmental regulations governing waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters. Mexican regulators have broad authority to shut down and/or levy fines against projects that do not comply with regulations or standards.

The effect of these factors and uncertainties cannot be accurately predicted and could have an adverse effect on our business and financial condition. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned activities. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in the interruption of operations or material fines, penalties or other liabilities.

***The Company's activities are subject to environmental laws and regulations that may increase the Company's costs of doing business or restrict its operations.***

The Company's operations are subject to environmental regulations in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Any future changes in environmental regulations will likely impact the Company's operations.

The operations of the Company including exploration and any development activities or commencement of production on its properties, require permits from various federal, state, provincial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. To the extent that such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration or development of its mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the

## PLATA LATINA MINERALS CORPORATION

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Company in Mexico and cause increases in capital expenditures or require abandonment or delays in development of new mining properties.

### ***The Company has no history of developing properties into production.***

The Company's property is not in commercial production, and the Company has not recorded any revenues from mining operations. Mineral exploration and development involve a high degree of risk and few properties that are explored are ultimately developed into producing mines. The future development of any properties found to be economically feasible will require permits, financing and the construction and operation of mines, processing plants and related infrastructure. As a result, the Company will be subject to all of the risks associated with establishing new mining operations including: the timing and cost of the construction of mining and processing facilities; the availability and cost of skilled labour and mining equipment; the availability and costs of suitable refining and smelting arrangements; the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; the availability of funds to finance the development and construction activities; the impact of any opposition to the developmental activities from non-governmental, environmental, local or other groups that may delay or prevent development; potential increases in construction or operating costs due to changes in the cost of supplies and materials and changes in foreign exchange rates.

### ***The Company's insurance does not cover all of its potential losses, liabilities and damage related to its business.***

Exploration, development and production operations on mineral properties involve numerous risks, including:

- unexpected or unusual geological operating conditions;
- rock bursts, cave-ins, ground or slope failures;
- fires, floods, earthquakes and other environmental occurrences;
- political and social instability that could result in damage to or destruction of mineral properties or producing facilities, personal injury or death, environmental damage;
- delays in mining caused by industrial accidents or labour disputes;
- changes in regulatory environment;
- monetary losses; and
- possible legal liability.

It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company.

### **Other Business Risks**

#### ***Economic and political instability may affect the Company's business.***

The volatile global economic environment has created market uncertainty and volatility in recent years. From mid-calendar 2008 until early 2009 there was a negative trend with regard to the market for metal commodities and related products as a result of global economic uncertainty, reduced confidence in financial markets, bank failures and credit availability concerns. Similar instability in the market for metal commodities has been experienced since April 2013. These macro-economic events negatively affected the mining and minerals sectors in general, and the Company's market capitalization was significantly reduced during that period. Many industries, including the mining industry, are impacted by these market conditions. Global financial conditions remain subject to sudden and rapid destabilizations in response to economic shocks. A slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax

## **PLATA LATINA MINERALS CORPORATION**

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rates, may adversely affect the Company's growth and profitability. Future economic shocks may be precipitated by a number of causes, including the ongoing European debt situation, a continued rise in the price of oil and other commodities, the volatility of metal prices, geopolitical instability, terrorism, the devaluation and volatility of global stock markets and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favorable to the Company or at all. In such an event, the Company's operations and financial condition could be adversely impacted.

### ***Downward fluctuations in metal prices may severely reduce the value of the Company.***

The Company's future profitability will depend upon the world market prices of the metals for which it is exploring. Prices fluctuate widely and are affected by numerous factors beyond the Company's control. The prices of metals are influenced by factors including:

- industrial and retail supply and demand;
- exchange rates;
- expectations with respect to inflation rates;
- interest rates;
- changes in global economies;
- confidence in the global monetary system;
- forward sales of metals by producers and speculators; and
- other global or regional political, social or economic events.

The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers.

### ***Commodity price volatility - Silver, gold and other metal prices.***

The market price of silver, gold and other metals is volatile and cannot be controlled. There is no assurance that if commercial quantities of silver, gold and other metals are discovered, a profitable market may exist or continue to exist for a production decision to be made or for the ultimate sale of metals. As the Company is not in production, no sensitivity analysis for price changes have been provided or carried out.

### ***Competition may hamper the Company's ability to acquire attractive mineral properties, which may have an adverse impact on the Company's operations.***

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire attractive mineral properties, including mineral properties adjacent to the Company's existing mineral properties if such acquisition is warranted by the results of exploration of the Company's existing mineral properties, on terms it considers acceptable. Unless the Company stakes or acquires an interest in adjacent ground, any potential exploitation of mineralization associated with anomalies found near the edges of the Company's existing mineral properties may be compromised. The Company also competes with other companies for the recruitment and retention of qualified employees and other personnel.

### ***Insofar as certain directors and officers of the Company hold similar positions with other mineral resource companies, conflicts may arise between the obligations of these directors and officers to the Company and to such other mineral resource companies.***

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be

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subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

***Certain directors and officers of the Company also serve as directors and officers of other active companies and have other business interests.***

As disclosed elsewhere in Company filings, certain directors and officers of the Company also serve as directors and officers of other active companies and have other business interests. The directors and officers of the Company may become officers or directors of further companies or become involved in other business interests in the future. As the directors and officers of the Company focus some of their time on other companies or interests, this may have a material adverse effect on the success and development of the Company.

***The Company does not maintain key man insurance to compensate the Company for the loss of certain key individuals.***

The Company does not have key man insurance in place in respect of any of its directors or officers.

***The Company may experience difficulty attracting and retaining qualified management to meet the needs of its anticipated growth, and the failure to manage the Company's growth effectively could have a material adverse effect on its business and financial condition.***

The Company's prospects depend in part on the ability of its executive officers and senior management to operate effectively, both independently and as a group. To manage its growth, the Company may have to attract and retain additional highly qualified management, financial and technical personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors.

***Estimates and assumptions used in preparing the Company's consolidated financial statements and actual amounts could differ.***

Preparation of its consolidated financial statements requires the Company to use estimates and assumptions. Accounting for estimates requires the Company to use its judgment to determine the amount to be recorded on its consolidated financial statements in connection with these estimates. If the estimates and assumptions are inaccurate, the Company could be required to write down its recorded values. On an ongoing basis, the Company re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

***There are increased costs and compliance risks as a result of being a public company.***

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Company anticipates that costs may continue to increase with corporate governance related requirements.

The Company also expects these rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers.

***The common shares are publicly traded, and the common shares may be subject to various factors which may make the share price volatile.***

The market price of publicly traded shares is affected by many variables not directly related to the success of the Company. These variables include macroeconomic developments in North America and globally, market perceptions of the attractiveness of particular industries, changes in commodity prices,

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currency exchange fluctuation and the extent of analytical coverage available to investors concerning the business of the Company.

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration and development stage companies, has experienced wide fluctuations which have not necessarily been related to operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

### ***Risks linked with industry conditions***

Mineral exploration and development are extremely competitive and involves a high degree of risk. The Company must compete with a number of other companies that have greater technical and financial resources. It involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Most exploration programs do not result in the discovery of significant mineralization and any mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Commercial viability of exploiting any deposits encountered depends on a number of factors including infrastructure, commodity prices, energy costs, inflation, interest rates, financial market conditions, potential litigation, and availability of qualified labour and governmental regulations, as it relates to prices, taxes, royalties and land use.

### ***Currency fluctuations may affect the costs of doing business.***

The Company's mineral properties are currently located in Mexico and costs associated with the Company's continued exploration of its mineral properties are denominated in Mexican Pesos. A depreciation of the Canadian dollars against the Mexican Pesos could increase the Company's cost of doing business. In addition, the U.S. dollar is subject to fluctuation in value in relation to the Canadian dollar. The Company does not utilize hedging programs to mitigate the effect of currency fluctuation.

## **REVIEW BY QUALIFIED PERSON, QUALITY CONTROL AND REPORTS**

The technical information contained in this document has been reviewed, approved and verified by Mark Stevens, a Qualified Person as defined under NI 43-101. Mr. Stevens is the VP, Exploration of Plata and has over 30 years of technical and managerial experience in exploration and mining.

## **QUALITY ASSURANCE AND QUALITY CONTROL**

All drill hole samples were submitted to a commercial laboratory in conjunction with a company quality assurance/quality control (QA/QC) program that meets standard engineering practice, both for the Plata Latina and Fresnillo analyses. Company QA/QC protocol included the inclusion of commercial standards and blanks, into the sample stream sent to the laboratory. Additionally, on a periodic basis samples were designated for a repeat assay. All QA/QC results were monitored to ensure that all analytical results were accurate and precise. It is further noted that the assay laboratories used by both companies, ALS Chemex Labs, is an independent international laboratory with ISO certification, and is widely regarded in the mining community.

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Head Office,  
Registered &  
Records Office

1100 – 1111 Melville Street  
Vancouver, BC  
V6E 3V6 Canada

Telephone: +1 (800) 933-9925

Directors

W. Durand Eppler - Chairman  
Margaret Brodie  
Letitia Wong

Officers

W. Durand Eppler – President and Chief Executive Officer  
Mark Stevens – VP Exploration  
Patricia Fong - Chief Financial Officer and Corporate Secretary

Registrar and  
Transfer Agent

Computershare Investors Services Inc.  
#401 - 510 Burrard Street  
Vancouver, BC, Canada V6C 3B9

Auditors

Davidson & Company LLP, Chartered Professional Accountants  
1200 – 609 Granville Street  
Vancouver, BC, Canada, V7Y 1G6

Solicitors

Richards Buell Sutton LLP  
700 – 401 West Georgia Street  
Vancouver, BC, Canada, V6B 5A1

Shares Listed

TSX Venture Exchange  
Trading symbol ~ PLA

Investor Relations

W. Durand Eppler – President & CEO  
+1 (800) 933-9925