



**REYNA SILVER CORP.**  
*(An Exploration Stage Company)*

**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

**OVERVIEW AND INTRODUCTORY COMMENT**

Reyna Silver Corp. (“Reyna” or the “Company”) is a growth-oriented junior exploration and development company listed on the TSX Venture Exchange under the trading symbol “RSLV”. The Company focuses on exploring for high-grade, district-scale silver deposits in Mexico and USA.

Reyna’s principal property is the Guigui Property in Mexico. It also holds interests in each of the Batopilas, La Durazno and Matilde mineral properties as well as optioned La Chinche and La Reyna properties in Mexico. The Company also has an option to acquire 80% of the Medicine Springs property in Nevada, USA.

This MD&A is dated August 27, 2021 and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the related notes for the six months ended June 30, 2021 and the Company’s audited consolidated financial statements for the year ended December 31, 2020 and the related notes thereto.

Additional information relevant to the Company and the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com), and/or on the Company’s website at [www.reynasilver.com](http://www.reynasilver.com).

**MAJOR QUARTERLY OPERATING MILESTONES**

*Corporate update:*

On June 23, 2021, the Company announced that it qualified to trade on the OTCQX® Best Market under the symbol “RSNVF”.

*Properties update:*

(a) *Guigui Property, Mexico*

On December 9, 2020, the Company announced initiation of a 10,000m diamond drilling program at its flagship Guigui Property in Chihuahua, Mexico. The program was focused on targeting the hypothesized intrusive source of the Santa Eulalia, Carbonate Replacement Deposit (CRD); Mexico’s largest. Drilling was targeted based on a combination of surface geological mapping and geochemical sampling, extensive legacy geophysics and Worldview III hyperspectral alteration mapping.

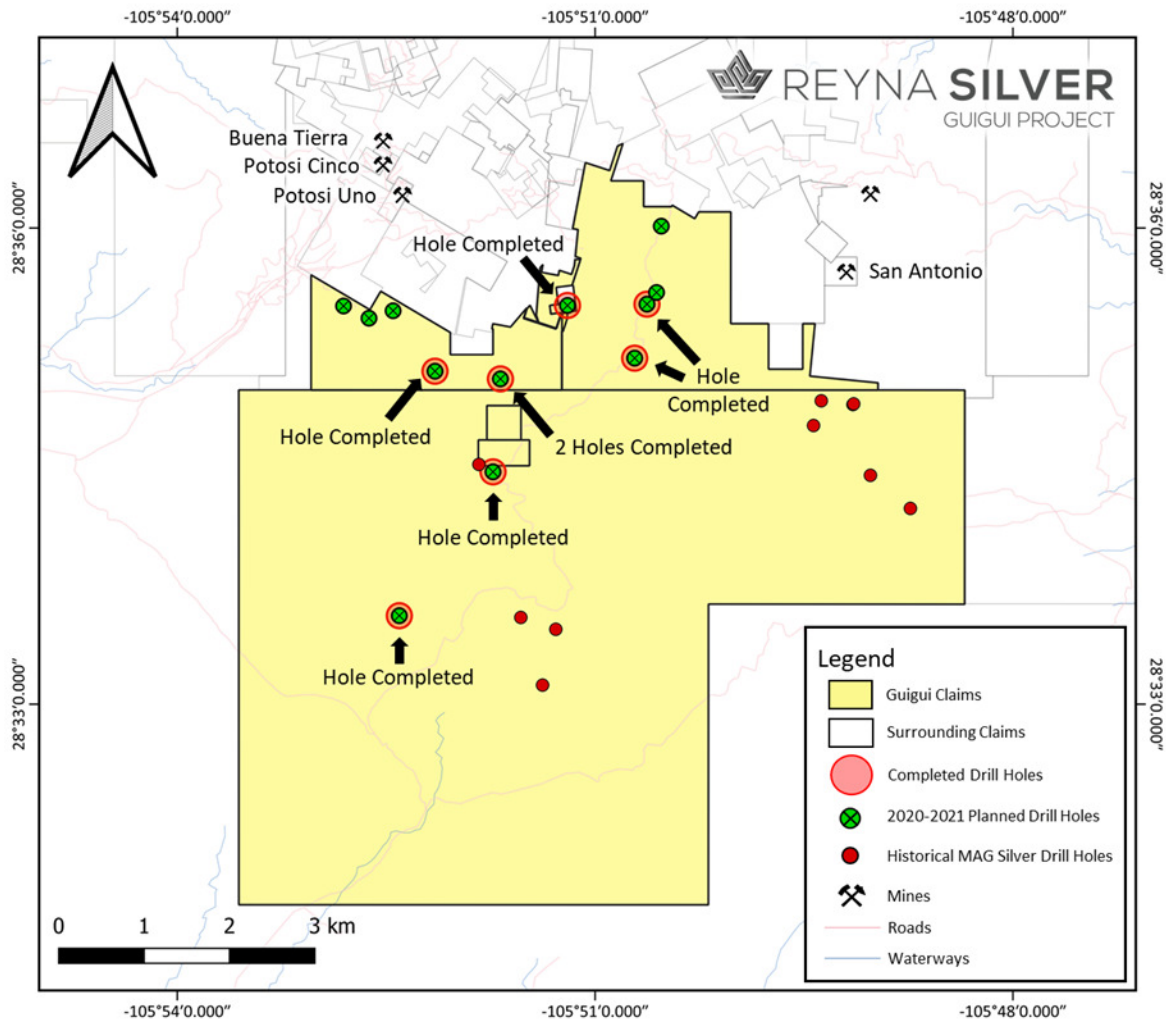
On June 29, 2021, the Company announced that it successfully commissioned a second drill rig to expand the drilling program at its Guigui Property and increase stage 1 drilling to 12,000m.



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The Company had already completed 8,000 meters of the 12,000 meters planned for this first stage of exploration and this second rig would allow the Company to speed up the completion of the entire Phase 1.

The attached map includes the locations of the drill holes that have been completed as well as the drillholes yet to be drilled.



## (b) Batopilas Property, Mexico

On February 4, 2021, the Company announced high-grade silver and gold results from its late 2020 surface and trench sampling program, focused on the projection of the Pastrana-Roncesvalles-Cobrizo vein zone into the northern and northeastern part of the Batopilas Project.

### Highlights

- 258 trench, rock chip and soil samples were collected between October and December 2020 based on ASTER satellite image analysis and structural mapping in the previously underexplored north and northeastern parts of the district.



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- Two new veins were found: One is a typical Batopilas-style native silver vein, the other is the first significant gold-rich vein encountered on the project to date.
- Notable high grade samples ranged from 305 to 42,302 g/t silver and 1.03 to 21.4 g/t gold.
- District-scale high-resolution Worldview III satellite hyperspectral imagery received subsequent to the sampling program shows distinctive alteration mineralogy coincides with both the new and long-known structures with all anomalies currently undergoing review and sampling.
- These results were combined with historic data to define targets for drilling later in the year once permits were received.

Table 1. Silver and Gold Highlights from Q4, 2020 Batopilas Sampling Program  
*The full list of assays with location maps, detailed assays, and field photographs may be found on the website [www.reynasilver.com](http://www.reynasilver.com).*

<u>Sample Number</u>	<u>Sample Type</u>	<u>Ag (gpt)</u>
133164	<u>Channel</u>	42,306.00
133119	<u>Channel</u>	18,078.00
133172	<u>Channel</u>	6,320.00
133120	<u>Channel</u>	2,880.00
133117	<u>Channel</u>	2,060.00
133173	<u>Channel</u>	2,060.00
133178	<u>Channel</u>	1,510.00
133112	<u>Channel</u>	989.00
133113	<u>Channel</u>	841.00
133073	<u>Channel</u>	671.00
133108	<u>Soil</u>	662.00
133137	<u>Petro</u>	414.00
133169	<u>Channel</u>	405.00
133072	<u>Channel</u>	400.00
133071	<u>Channel</u>	310.00
133107	<u>Soil</u>	305.00

<u>Sample Number</u>	<u>Sample Type</u>	<u>Au (gpt)</u>
133090	<u>Channel</u>	21.40
133093	<u>Channel</u>	18.35
133248	<u>Channel</u>	18.30
109247	<u>Channel</u>	16.90
133095	<u>Petro</u>	16.40
133088	<u>Dump</u>	15.40
133091	<u>Channel</u>	15.20
133232	<u>Channel</u>	12.90
133250	<u>Channel</u>	12.40
109249	<u>Channel</u>	7.82
109251	<u>Petro</u>	5.71
109250	<u>Petro</u>	5.44
133094	<u>Channel</u>	3.77
133087	<u>Dump</u>	3.34
133249	<u>Channel</u>	3.24
109254	<u>Petro</u>	2.98
133247	<u>Channel</u>	2.03
109257	<u>Petro</u>	1.18
133080	<u>Petro</u>	1.13
133239	<u>Channel</u>	1.03
133243	<u>Channel</u>	1.02



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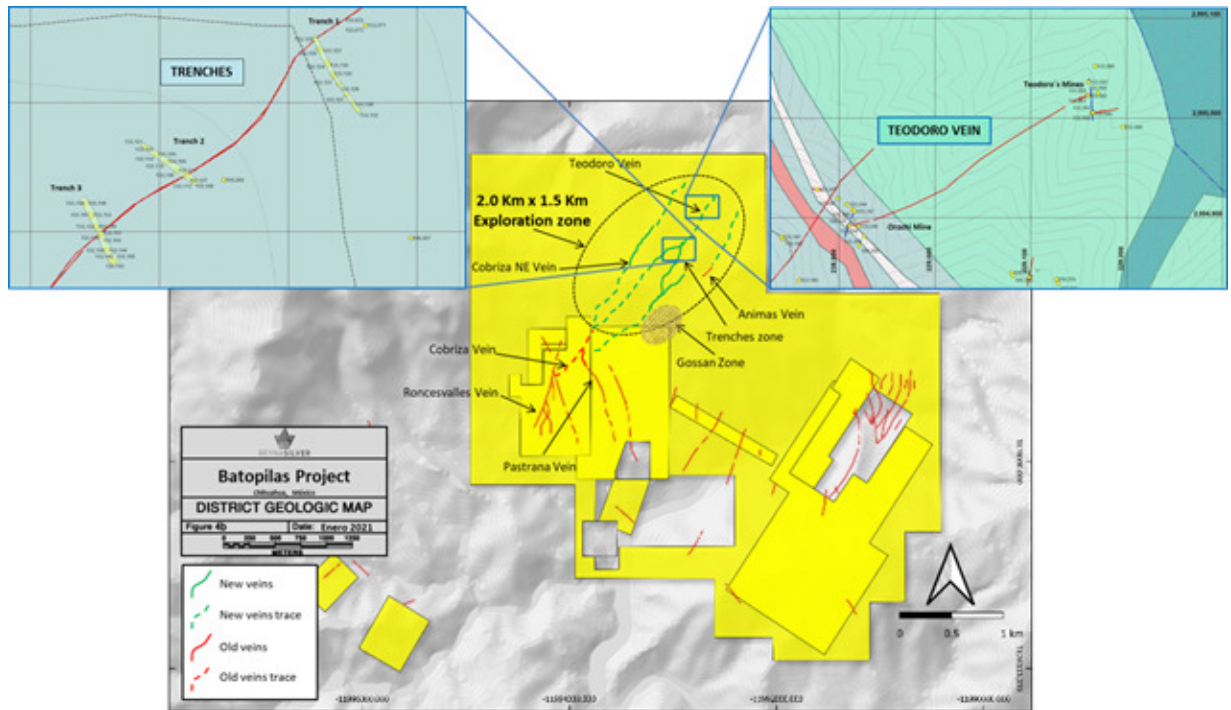
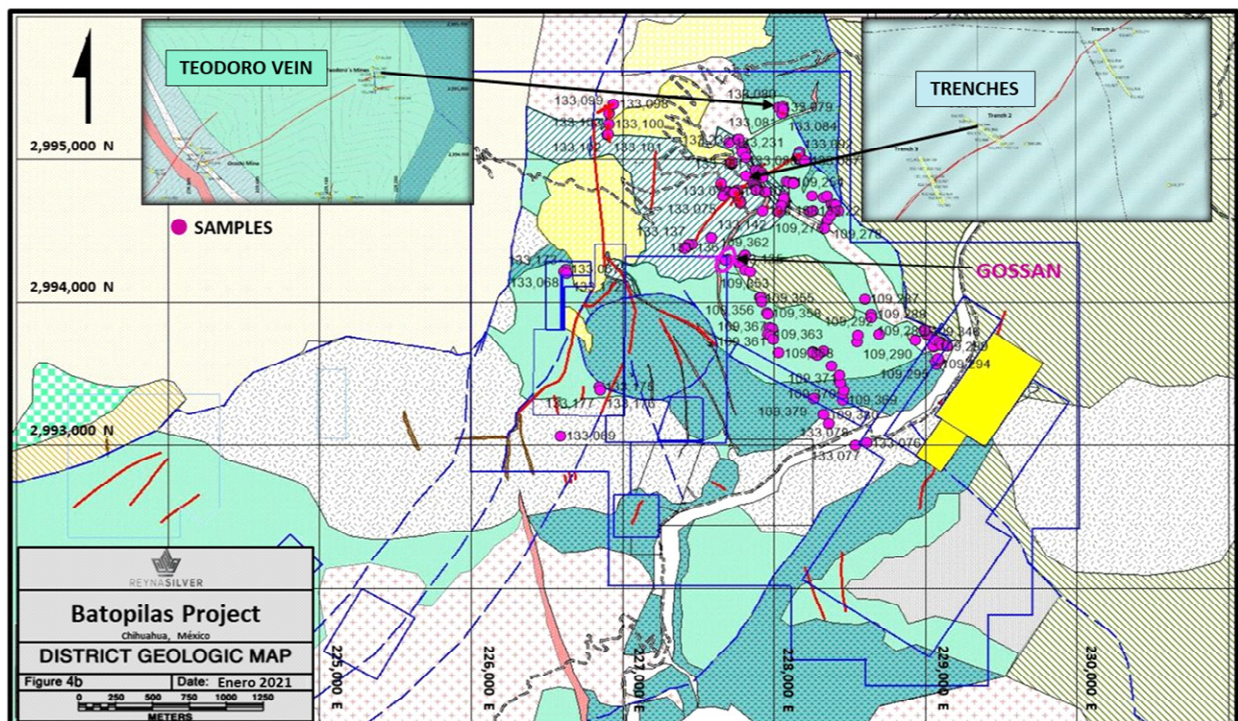


Figure 1. Map of the Batopilas Property with the identified vein traces; Circled area represents the zone of the 2020 Exploration program at the project.

Figure 2. Geological Map of the Batopilas Project area and the sampling locations of the 2020 Exploration Program at Batopilas.

### On-going work



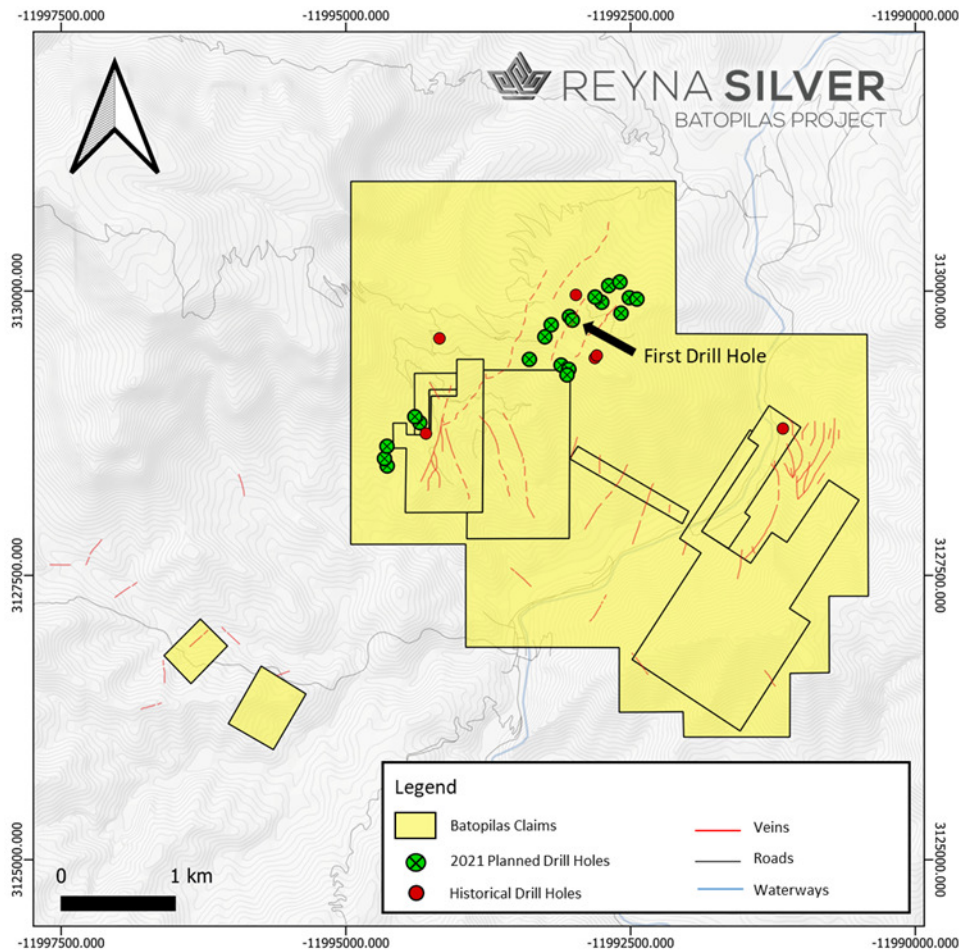


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On May 26, 2021, the Company announced that permits had been received and that drilling at Batopilas was set to begin the second week of June. The drill program follows the targets established by Reyna’s technical team in the spring exploration campaign which discovered multiple extensions to the 30 known veins in the district, as well as two new veins with multiple high-grade silver and gold sample results of up to 43,306 g/t Ag and 21.4 g/t Au.

On June 30, the Company announced that it started a 10,000-meter drill campaign at Batopilas.

The attached map includes the location of the planned drill holes.



### (c) Trudeau Gold Property (Quebec, Canada)

On March 8, 2021, the Company sold the Trudeau Gold property in Quebec to Beyond Minerals Ltd. (“Beyond Minerals”). Beyond Minerals is a non-reporting, Manitoba based company. The sale price received by the Company is 1,000,000 shares of Beyond Minerals and a 1.0% NSR.

As of June 30, 2021, these shares were valued at \$100,000.



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## (d) Medicine Springs Property (Nevada, USA)

On June 9, 2021, the Company announced that it added 450 unpatented Federal mineral claims covering 3,642 hectares to its Medicine Springs Property. Medicine Springs shows many of the earmarks of a significant Carbonate Replacement Deposit (CRD) similar to the Santa Eulalia District in Chihuahua Mexico which hosts Reyna’s Guigui Project. Combined with the original 149 claims (1,189 ha) optioned from Northern Lights Resources Corp. (CSE: NLR) in 2020 (see press release of October 5, 2020) the property now consists of 599 contiguous claims covering 4,831 hectares, which covers the expanded limits of recognized mineralization and alteration, making it a complete district scale project in a prime mining region.

The property expansion stems from Reyna’s early recognition that structurally-controlled, multistage CRD-style mineralized jasperoids extend well beyond the original claim block optioned from Northern Lights. With the new claims, Reyna believes the entire system is covered. A systematic property-wide mapping and selective jasperoid sampling program is underway to determine the limits of the system and where its center (or centers) lie. The orientation sampling phase was complete (assays pending) and a Lidar-like survey to facilitate mapping has been contracted. The results will be combined into Reyna’s recently compiled GIS model with existing (and possibly additional) Magnetic and NSAMT geophysics for drill targeting.

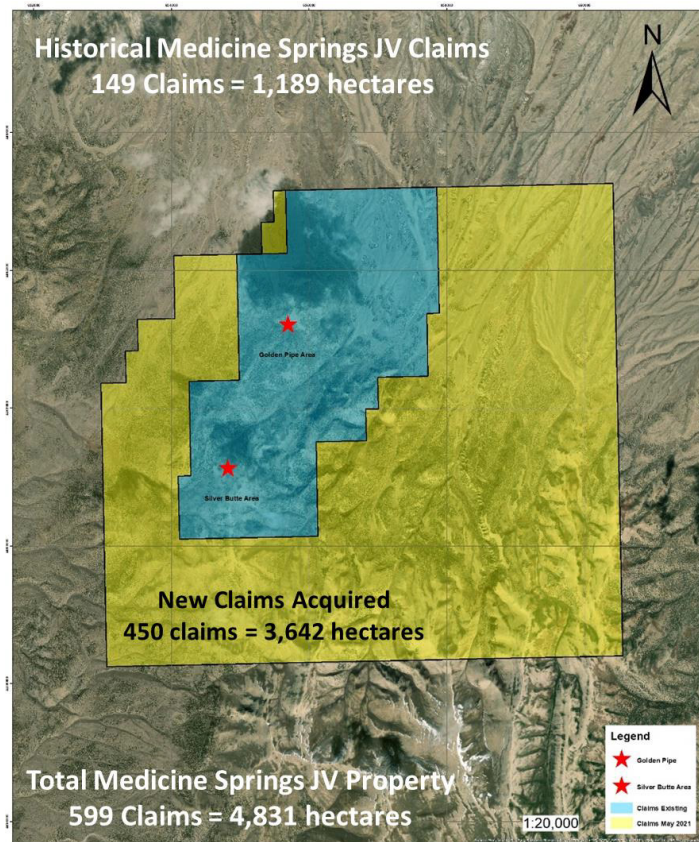


Figure 3. Medicine Springs Joint Venture Mineral Claims



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### (e) El Durazno Property

On July 19, 2021, the Company signed an option agreement with Reyna Gold Corp (“Reyna Gold”). The Company agreed to grant to Reyna Gold the exclusive option to acquire up to a 51% interest in the El Durazno Property. Pursuant to the agreement:

- Reyna Gold must pay the sum of \$20,000 within 10 days of execution of this agreement (received);
- Incur at least \$500,000 of Expenditures on the El Durazno property before July 19, 2025.

## QUARTERLY FINANCIAL CONDITION

### Capital Resources

On June 22, 2020, the Company completed a non-brokered private placement by issuing 7,298,134 units (“Unit”) at a price of \$0.83 per Unit for gross proceeds of \$6,057,451. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a 24-month period at a price of \$1.25, expiring on June 22, 2023.

In connection with the private placement, the Company paid a total of \$371,482 cash finder’s fee and issued 446,978 finder’s warrants, each of which is exercisable into one Unit at a price of \$0.83 for a period of 24 months, expiring on June 22, 2023. Another \$107,650 was also included as share issue costs.

In addition to the private placement that the Company completed in June 2021, the Company also increased its capital with a total of 212,500 advisor options, 57,138 finder’s warrants and 1,866,118 warrants being exercised at prices ranging from \$0.20 to \$0.90 during the six months ended June 30, 2021.

The Company intends to use the net proceeds from the private placement and the exercise of advisor options, finder’s warrants and warrants for the exploration of the Company’s Guigui, Batopilas, La Reyna and La Chinche projects in Mexico, as well as for Medicine Spring property in USA, and for general working capital purposes.

On April 30, 2021, the Company issued 699,666 common shares toward partial annual compensation to seven advisors and consultants of the Company. The share compensation was based on a 20-day volume weighted average price of \$1.00 per share.

During the six months ended June 30, 2021, 502,400 options were granted to its consultants with an exercise price of \$1.03 expiring on January 12, 2026 and 130,000 options to a consultant with an exercise price of \$1.00 expiring on March 30, 2024.

Subsequent to June 30, 2021, 335,625 warrants were exercised with an exercise price at \$0.45.

Subsequent to June 30, 2021, 3,500,000 warrants with exercise price at \$1.00 were granted to United Minerals Pty Limited pursuant to the mineral property option agreement.



## REYNA SILVER

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company's current treasury and the future cash flows from warrants, finders' warrants, advisors' options and options, along with the planned developments within the Company are sufficient to carry out its activities throughout 2021. The Company would consider future equity financings if such financings are beneficial to the Company. If the market conditions change, the Company will make adjustment to its budgets accordingly.

### Liquidity

As at June 30, 2021, the Company had a working capital of \$14,059,527 (December 31, 2020 – \$11,074,505). With respect to working capital, \$14,186,463 was held in cash and cash equivalents (December 31, 2020 – \$11,294,878). The increase in cash was mainly due to (a) net proceeds of \$6,496,534 from the issuance of shares; while being offset by (b) operating expenses including exploration expenses totaling \$3,546,266 and (c) exploration and evaluation assets expenditures of \$58,683.

### Operations

#### **For the three months ended June 30, 2021 compared with the three months ended June 30, 2020:**

The Company's exploration expenses amounted to \$1,910,572 (2020 - \$146,413), an increase of \$1,764,159 as a result of the Company being more active in its exploration work on its properties in Mexico, including Guigui, Batopilas and La Chinche properties.

Excluding the share-based payment of \$65,090 (2020 - \$47,345) and foreign exchange of \$96,933 (2020 – \$64,924), the Company's administrative expenses amounted to \$519,974 (2020 - \$703,645), a decrease of \$183,671 mainly due to: (a) consulting of \$81,606 (2020 - \$255,652); (b) legal of \$10,820 (2020 - \$248,798); while being offset by the increase in marketing and shareholders communication of \$202,326 (2020 - \$91,872). During fiscal 2021, the Company was a publicly listed company with administrative expenses to support the exploration activities; while during fiscal 2020, the Company was working on getting itself listed on the TSX Venture Exchange.

The other major item for the three months ended June 30, 2021, compared with June 30, 2020, was:

- Write-down of investment of \$713,596 (2020 - \$Nil).

During the three months ended June 30, 2021, the Company reported a loss of \$3,304,889 (2020 – \$961,862), an increase of \$2,343,027.

#### **For the six months ended June 30, 2021 compared with the six months ended June 30, 2020:**

The Company's exploration expenses amounted to \$2,601,007 (2020 - \$306,508), an increase of \$2,294,499 as a result of the Company being more active in its exploration work on its properties in Mexico, including Guigui, Batopilas and La Chinche properties.



Excluding the share-based payment of \$334,604 (2020 - \$47,345) and foreign exchange of \$184,222 (2020 - \$90,431), the Company's administrative expenses amounted to \$951,863 (2020 - \$1,102,580), a decrease of \$150,717 mainly due to: (a) consulting of \$168,120 (2020 - \$433,519); (b) legal of \$27,797 (2020 - \$249,317); while being offset by the increase in marketing and shareholders communication of \$343,530 (2020 - \$233,181). During fiscal 2021, the Company was a publicly listed company with administrative expenses to support the exploration activities; while during fiscal 2020, the Company was working on getting itself listed on the TSX Venture Exchange.

The other major item for the six months ended June 30, 2021, compared with June 30, 2020, was:

- Write-down of investment of \$713,596 (2020 - \$Nil).

During the six months ended June 30, 2021, the Company reported a loss of \$4,779,157 (2020 - \$1,546,399), an increase of \$3,232,758.

## **SIGNIFICANT RELATED PARTY TRANSACTIONS**

During the quarter, there was no significant transaction between related parties other than the normal course of business.

## **COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES**

The Company is committed to issue a total of 1,401,667 common shares to its directors, officers and consultants over the next 12 months for consulting and geological consulting services.

Other than disclosed in this MD&A – Quarterly Highlights, the Company does not have any commitments, expected or unexpected, or uncertainties.

## **RISK FACTORS**

In our MD&A filed on SEDAR April 30, 2021 in connection with our annual financial statements (the "Annual MD&A"), we have set out our discussion of the risk factors which we believe are the most significant risks faced by the Company. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company's undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

The authorized share capital of the Company consists of an unlimited number of common shares without par value. The following is a summary of the Company's outstanding share data as at June 30, 2021:



	Issued and outstanding	
	June 30, 2021	August 27, 2021
Common shares outstanding	100,220,093	100,555,718
Options	2,884,585	2,884,585
Warrants	24,191,445	26,355,820
Finder's warrants	2,035,327	2,035,327
Warrants associated with Finder's warrants	590,591	590,591
Fully diluted common shares outstanding	129,922,041	132,422,041

## QUALIFIED PERSON

Dr. Peter Megaw, Ph.D., C.P.G., is the Company's Qualified Person, reviewing the technical aspects of exploration projects described herein and is responsible for the design and conduct of the exploration programs and the verification and quality assurance of analytical results. Dr. Megaw is not independent as he and/or companies with which he is affiliated hold Net Smelter Royalties on the Guigui and Batopilas Projects that predate Reyna Silver acquiring them.

### Cautionary Statements

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.