Prospero Silver Corp.

Management Discussion and Analysis

For the six month period ended June 30, 2020

DATE

For the six month period ended June 30, 2020.
This MD&A includes material occurring up to and including August 21, 2020.

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of the financial position of Prospero Silver Corp. ("Prospero" or the "Company") and results of operations should be read in conjunction with the un-audited condensed interim financial statements and accompanying notes for the six months ended June 30, 2020, (the "financial statements"), which have been prepared in accordance with International Financial Reporting Standards, and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards board ("IASB"). Readers are also advised to read the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2019, (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards. Unless otherwise noted, all amounts in the consolidated financial statements and this discussion and analysis are expressed in Canadian dollars.

The Audit Committee of the Board of Directors of the Company has reviewed this document.

Forward Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and certain estimates, factors and assumptions. They involve known and unknown risks, uncertainties and other factors. Any information concerning mineral resource estimates and the interpretation of drill results may be considered as a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, grade or recovery rates, commodity prices, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; changes in project parameters as plans continue to be refined; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.

Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason. The material assumptions that were applied in making the forward looking statements in this MD&A include, but are not limited to: any statements regarding estimated mineral resources and the accuracy of any current interpretation of drill and other exploration results; and execution of the

Company’s existing plans or exploration programs for each of its properties, either of which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs.

For a description of material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this MD&A, please see “Risks and Uncertainties”. In addition, readers are urged to review the conditions and risk factors relating to the Company's business and affairs as set out in the Company's final long-form prospectus dated November 27, 2009 which is available on SEDAR (www.sedar.com).

Description of Business

Since first listing in 2010, the Company worked exclusively in Mexico acquiring and exploring mineral resource properties to determine whether or not they contain economically recoverable resources. The Company sold its Mexican subsidiary and all the exploration and evaluation assets on December 27, 2019 and severed all ties to Mexican operations. The Company is in the process of acquiring new mining projects in other jurisdictions. The process of doing this has been severely hampered by the COVID-19 crisis of 2020.

The Company was listed for trading of its common shares on the TSX Venture Exchange (“TSX-V”), (the “Listing”) on January 5, 2010 and commenced trading under the symbol PSL on the TSX-V.

OVERALL PERFORMANCE

At this time, the Company does not own any operating mines and has no operating income/sales from mineral production. Funding for operations is raised through public and private share offerings and cash payments from Joint Venture partners. Future operations and the Company’s ability to meet mineral property option commitments are dependent on the Company’s ability to raise sufficient funding through share offerings or income from Joint Ventures or sale of properties to support current and future expenditures. At June 30, 2020, the Company had cash available of $12,694 (December 31, 2019 - $67,592).

Overall - Realization of the carrying value of mineral interests is dependent upon funding, the ability of the Company and third parties to bring mineral interests into profitable production, or recovery from sale.

On July 07, 2020 the Company consolidated its share capital on a ten to one basis. All share and per share information in these financial statements have been restated to retroactively reflect this consolidation for all periods presented.

During the six month period ending June 30, 2020, the Company used $71,378 cash in operations (2019 - $194,945), recovered $16,480 cash from investing activities (2019 - $59,099) and the Company had no financing activities (2019 – $Nil).

The financial statements have been prepared on a “going concern basis”, meaning the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations. A different reporting framework for measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

STRATEGIC REVIEW

With its departure from Mexico in December 2019 the Company is in the process of restructuring and repurposing and reviewing potential mining projects in a new jurisdiction.

RECENT CORPORATE AND PROJECT UPDATE SUMMARY

- The Company sold its Mexican subsidiary and all the exploration and evaluation assets on December 27, 2019.
- On September 28, 2019 the Company announced that Fortuna Silver terminated the Pachuca SE Option Agreement. Fortuna has not earned an interest in the Pachuca SE property.

FINANCIAL SUMMARY

Operating

All financial data is presented in Canadian Dollars except where specifically mentioned differently.

Cash Flow analysis:
Operating activities: The Company has not had any revenues from operations during the six month period ended June 30, 2020, or the six month period ending June 30, 2019. During the six month period ending June 30, 2020, the Company used $71,378 (2019 - $194,945) cash in operating activities.

Investing activities: During the six month period ending June 30, 2020 the Company raised $16,480 from the sale of Marketable securities and in the prior year during the same quarter spent $373,738 on its mineral interests and also raised $432,837 through its option proceeds.

Financing activities: During the six month period ending June 30, 2020 and June 30, 2019, the Company had no financing activities.

During the six month period ending June 30, 2020 there was a net decrease of cash of $54,898 (2019 - $135,846)

RESULTS OF OPERATIONS

Net loss before other items, for the six month period ending June 30, 2020 totaled $138,966 compared to a net loss of $291,367 for the same period during the prior year, reflecting an overall decrease in loss of $152,401. The overall decrease in expenses reflects drastic steps taken by management to preserve cash. The overall loss for the six month period ending June 30, 2020 was $148,463 compared to $274,954, being a decrease of losses of $126,491. The current loss includes the loss on sale of marketable securities of $9,497 under other items compared to a unrealized gain on marketable securities under other items during the prior period of $16,413.

Most of the line item decreases can be explained by ultra conservative spending of the Company.

Significant line item changes were as follows:

- Travel decreased by $50,025 from $52,654 to $2,629 due to conservative spending.
- Salaries and wages decreased by $45,636 from $45,636 to $Nil due to cut backs.

- Directors' fees decreased by $45,000 from $45,000 to $Nil due to cut backs.
- Corporate fees increased with $67,000 as corporate expense was paid to various parties including a company controlled by a related party.
- Investor relation expenses decreased by $38,500 from $38,500 to $Nil due to cut backs.
- Share based compensation of $Nil decreased $21,754 from the prior period due to decreased vesting schedules of stock options issued prior.
- Foreign exchange losses decrease by $21,586 from $24,317 to $2,731 due to less foreign exchange transactions.
- Office and miscellaneous decreased by $16,352 from $19,150 to $2,798 due to conservative spending.

SUMMARY OF QUARTERLY RESULTS

The summary of the Company's quarterly results is as follows:

Three Months Ended	Jun 30 2020 $	Mar 31 2020 $	Dec. 31 2019 $	Sep. 30 2019 $	Jun 30 2019 $	Mar 31 2019 $	Dec. 31 2018 $	Sep 30 2018 $
Total revenues	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	(73,060)	(75,403)	(3,709,243)	(96,308)	(99,134)	(175,820)	(1,306,097)	(281,430)
Net loss per share – Basic and diluted	(0.01)	(0.01)	(0.65)	(0.02)	(0.02)	(0.03)	(0.23)	(0.05)

Discussion:

Increased exploration activity and operations caused increased losses, as the Company has no revenue. Other losses can be caused by write-downs or write-offs of carrying values of impaired mineral assets. The first and second quarter of 2020 shows decreased losses due to cut-backs and conservative spending. The fourth quarter of 2019 shows an increase in losses mainly due to the loss on the sale of the subsidiary of $3,719,158. The third quarter of 2019 shows decreased losses due to cut-backs in an attempt to preserve cash. The second quarter of 2019 show decreased spending due to active cut-backs and attempts to preserve cash. The fourth quarter of 2018 shows increased losses due to the impairment write-down of $1,199,800 of assets The operating results of junior exploration companies are capable of demonstrating wide variations from period to period. Management does not believe that other meaningful information can be derived from analysis of quarterly fluctuations in more detail than presented above.

LIQUIDITY

At June 30, 2020, the Company had cash of $12,694 (December 31, 2019 - $67,592) which management considers being insufficient to continue operations for the coming year. However, in the longer term, in order to continue operations, and in particular, to fund ongoing expenditure commitments, the Company will need to raise additional capital. The Company will finance operating costs during the next twelve months by private placement of common shares, exercise of warrants, exercise of options, asset sales or with loans or loans from directors and companies controlled by directors and option payments. There is a risk that the Company will not be able to secure sufficient working capital to continue as a going concern because of an inability to obtain external financing or an inability to sell its assets in order to meet its obligations as they become due.

CAPITAL RESOURCES AND EXPLORATION EXPENDITURE COMMITMENTS

As at June 30, 2020, the Company had a working capital deficiency of $68,230 (December 31, 2019 – working capital of $80,233) that consisted primarily of cash of $12,694 (December 31, 2019 - $67,592), marketable securities of $Nil (December 31, 2019 - $25,977) receivables of $3,207 (December 31, 2019 - $17,486) and accounts payable and accrued liabilities of $84,131 (December 31, 2019 - $30,822).

EXPLORATION EXPENDITURES

During the six month period ending June 30, 2020 the Company had no exploration activity. During the year ending December 31, 2019 the Company spent a total of $1,414,611 (2018 - $1,625,221) cash on exploration and evaluation of assets. All expenditures on exploration properties totaled $1,427,786. The majority of the work during the prior year, where the Company concentrated its efforts on the Pachuca SE property, where $1,311,502 was spent. Full details on exploration expenditures are disclosed in Note 6 accompanying the audited consolidated financial statements for the year ended December 31, 2019.

Contingent obligations and commitments

As of the date of this MD&A, the Company had no contingent obligations.

OFF BALANCE SHEET ARRANGEMENTS:

The Company has no off-balance sheet arrangements that would potentially affect current or future operations, or the financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. For details of related party transactions, the reader is directed to Note 11 and comments included in the condensed interim financial statements for the three month period ended June 30, 2020. Additional details are as follows:

As at June 30, 2020 a total amount of $60,000 (December 31, 2019 - $4,862) was due to Directors and Companies controlled by directors and officers of the Company. The amount is unsecured, non-interest bearing and has no fixed date of repayment.

The Company incurred corporate fees of $60,000 payable to a company controlled by a director of the Company. Directors fees were $Nil (2019 - $45,000) for the six month period ending June 30, 2020 and 2019. A company officer and director received $Nil (2019 - $56,421) for geological and administrative services. Companies controlled by directors of the Company received $Nil (2019 - $23,838) for geological and administrative services, which are included in deferred exploration services. A company controlled by an officer of the Company received $Nil (2019 - $33,500) for investor relations services. Stock-based compensation of $Nil (2019 - $24,367) were recorded as vesting for options issued during prior periods.

<u>Share transactions</u>

Following a September 2018 private placement with Fortuna as the only subscriber, consisting of 474,667 common shares for gross proceeds of $356,000, Fortuna owned an aggregate of

1,546,095 shares in Prospero, or approximately 26.9% of the Company's issued share capital. Fortuna's participation in this private placement is considered to be a related party transaction.

During the year ending December 31, 2019 the Company issued shares with a fair value of $Nil (During the year ending December 31, 2018 - $18,000) pursuant to its mineral interest acquisitions.

PROPOSED TRANSACTIONS

The Company had no material proposed transaction.

CRITICAL ACCOUNTING ESTIMATES

The accounting estimates considered to be significant to the Company are the carrying value of mineral property interests including acquisition costs and deferred exploration expenditures.

Management reviews the carrying values of mineral property interests on a periodic basis and recognizes impairment in value based upon: current evaluation results; the prospect of further work being carried out by the Company on each particular property; the assessment of future probability of profitable operations from the property; or, from the sale of the property. Amounts shown for mineral property interests represent costs incurred net of write-downs and recoveries and are not intended to represent present or future values.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting standards issued but not yet applied

(i) IFRS 16 Leases

IFRS 16 will replace IAS 17 *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Application of the standard is mandatory for annual periods beginning on or after January 1, 2019, with early application permitted. The adoption of this standard had no impact as the Company does not have any leases.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS & FUTURE ACCOUNTING POLICIES

Accounting standards issued but which have not yet been adopted

Adoption and assessment of impact

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

RISK FACTORS

Risks and uncertainties

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several metal commodity targets in a number of favorable geologic and political environments.

Exploration is presently conducted exclusively in Mexico which exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's existing assets and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and future mine development opportunities.

Financial instruments

The Company's financial instruments consist of cash, receivables, accounts payable and marketable securities. Cash consists of bank deposits. The Company has no asset backed commercial paper. The fair values of the financial instruments approximate their amortized cost value due to their short-term nature. The majority of the Company's cash is held through a major Canadian chartered bank. The Company also maintained deposits for ongoing working capital at large banks in the jurisdiction in which its foreign subsidiary operates.

A portion of the Company's financial assets and liabilities was denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. The Company was exposed to currency exchange rate risks to the extent of its activities in Mexico. The Company sold its Mexican subsidiary and all the exploration and evaluation assets on December 27, 2019. The Company's currency risk is presently $Nil.

OUTSTANDING SHARE CAPITAL

On July 07, 2020 the Company consolidated its share capital on a ten to one basis. All share and per share information in these financial statements have been restated to retroactively reflect this consolidation for all periods presented.

At the date of this management discussion and analysis, the Company had the following number of securities outstanding:

Securities	Number	Exercise Price	Expiry Date
Common shares issued and outstanding	5,747,189	N/A	N/A
Share purchase warrants	198,673	$1.20	December 03, 2020
Share purchase options	326,000	$0.50 to $3.00	March 04, 2021 to September 06, 2023
Fully diluted share Capital	6,271,862	N/A	N/A

ADDITIONAL INFORMATION

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at http://www.prosperosilver.comand by accessing the Company's news releases and filings on the SEDAR website: www.sedar.com.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com) No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.