

# **SILVERTON METALS CORP.**

*(formerly Plymouth Realty Capital Corp.)*

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

*(Expressed in Canadian Dollars)*

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SILVERTON METALS CORP.

#### *Opinion*

We have audited the consolidated financial statements of Silverton Metals Corp. (formerly Plymouth Realty Capital Corp.) (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at December 31, 2021 and 2020;
- ♦ the consolidated statements of loss and comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in shareholders' equity for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$3,976,227, during the year ended December 31, 2021 and as at that date has an accumulated deficit of \$4,542,694. As stated in Note 1, these conditions, along with other matters as set out in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

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*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 29, 2022

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# SILVERTON METALS CORP.

(formerly Plymouth Realty Capital Corp.)

Consolidated Statements of Financial Position

As at December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Note	December 31, 2021 \$	December 31, 2020 \$
<b>ASSETS</b>			
Current Assets			
Cash		4,128,888	253,877
Other receivables		130,295	6,399
Prepaid expenses and other assets	5	186,838	2,252
<b>Total current assets</b>		<b>4,446,021</b>	<b>262,528</b>
Non-Current Assets			
Exploration and evaluation assets	6	7,525,723	-
Prepaid expenses	5	145,645	-
Deferred acquisition costs	4	-	114,669
Deferred financing costs	7(c)	-	25,710
<b>Total assets</b>		<b>12,117,389</b>	<b>402,907</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	6,9	877,717	53,706
Other payables		3,962	3,962
Deferred purchase consideration - current	4	682,841	-
		1,564,520	57,668
Non-Current Liabilities			
Deferred purchase consideration	4	424,745	-
<b>Total liabilities</b>		<b>1,989,265</b>	<b>57,668</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	7	12,649,726	911,706
Contributed surplus		2,018,338	-
Accumulated other comprehensive loss		2,754	-
Deficit		(4,542,694)	(566,467)
<b>Total shareholders' equity</b>		<b>10,128,124</b>	<b>345,239</b>
<b>Total liabilities and shareholders' equity</b>		<b>12,117,389</b>	<b>402,907</b>

Nature of operations and going concern (Note 1)

## APPROVED BY THE BOARD OF DIRECTORS

John Theobald ("signed")

Director

Barry Girling ("signed")

Director

The accompanying notes are an integral part of these consolidated financial statements

**SILVERTON METALS CORP.***(formerly Plymouth Realty Capital Corp.)*

## Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2021 and 2020

*(Expressed in Canadian Dollars)*

		December 31, 2021 \$	December 31, 2020 \$
<b>General and administrative expenses</b>			
Accounting and audit	9	92,325	41,241
Bank charges and interest		2,180	1,559
Exploration research & investigation		19,807	-
Filing and listing fees		46,431	9,542
Insurance		11,752	-
Investor relations and marketing		949,328	3,033
Legal fees		43,821	22,904
Management, consulting and advisory fees	9	700,251	3,000
Office and miscellaneous		8,555	699
Rent	9	23,992	10,500
Share-based compensation	7(d),9	1,482,550	-
Transfer agent fees		20,757	4,417
Loss before other items		(3,401,749)	(96,895)
<b>Other income (expenses)</b>			
Bad debt expense	5	(600,000)	-
Foreign exchange gain		25,522	-
<b>Net loss for the year</b>		<b>(3,976,227)</b>	<b>(96,895)</b>
<b>Other comprehensive loss</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		2,754	-
<b>Total other comprehensive profit (loss) for the year</b>		<b>2,754</b>	<b>-</b>
<b>Total Comprehensive Loss for the year</b>		<b>(3,973,473)</b>	<b>(96,895)</b>
<b>Weighted average number of common shares outstanding during the year</b>			
	7(f)	<b>24,681,390</b>	5,551,462
<b>Loss per share - basic and diluted</b>		<b>(0.16)</b>	<b>(0.02)</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**SILVERTON METALS CORP.***(formerly Plymouth Realty Capital Corp.)*

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the years ended December 31, 2021 and 2020

*(Expressed in Canadian Dollars)*

	Number of shares #	Capital Stock \$	Contributed Surplus \$	AOCI* \$	Deficit \$	Total \$
<b>Balance - December 31, 2019</b>	<b>622,500</b>	<b>416,981</b>	-	-	<b>(469,572)</b>	<b>(52,591)</b>
Private placement	10,000,000	500,000	-	-	-	500,000
Shares issued as finder's fee	765,000	38,250	-	-	-	38,250
Share issuance costs	-	(43,525)	-	-	-	(43,525)
Net and comprehensive loss for the year	-	-	-	-	(96,895)	(96,895)
<b>Balance - December 31, 2020</b>	<b>11,387,500</b>	<b>911,706</b>	-	-	<b>(566,467)</b>	<b>345,239</b>
Private placement	11,574,000	9,259,200	-	-	-	9,259,200
Share issuance costs - cash	-	(732,484)	-	-	-	(732,484)
Share issuance costs - warrants	-	(288,696)	288,696	-	-	-
Shares issued pursuant to qualifying transaction	4,375,000	3,500,000	-	-	-	3,500,000
Share-based compensation – stock options	-	-	1,729,642	-	-	1,729,642
Net and comprehensive loss for the year	-	-	-	2,754	(3,976,227)	(3,973,473)
<b>Balance - December 31, 2021</b>	<b>27,336,500</b>	<b>12,649,726</b>	<b>2,018,338</b>	<b>2,754</b>	<b>(4,542,694)</b>	<b>10,128,124</b>

\* AOCL: Accumulated other comprehensive income

*The accompanying notes are an integral part of these consolidated financial statements*

**SILVERTON METALS CORP.***(formerly Plymouth Realty Capital Corp.)*Consolidated Statements of Cash Flow  
For the years ended December 31, 2021 and 2020*(Expressed in Canadian Dollars)*

	2021	2020
	\$	\$
Operating activities:		
Net loss for the year	(3,976,227)	(96,895)
<i>Items not affecting cash:</i>		
Interest expense	-	1,166
Share-based compensation	1,482,550	-
	(2,493,677)	(95,729)
<i>Changes in non-cash working capital related to operations:</i>		
GST receivable	(2,744)	(4,280)
Prepays	(380,856)	(2,252)
Accounts payable and accrued liabilities	(35,087)	(12,958)
<b>Net cash used in operating activities</b>	<b>(2,912,364)</b>	<b>(115,219)</b>
Investing activity:		
Deferred acquisition costs	-	(95,568)
Investment in exploration and evaluation assets	(1,782,677)	-
Cash acquired on acquisition of Minera Terra Plata	6,737	-
<b>Net cash used in investing activities</b>	<b>(1,775,940)</b>	<b>(95,568)</b>
Financing activity:		
Proceeds from shares issued	9,259,200	500,000
Share issuance costs	(706,774)	(5,275)
Proceeds from promissory notes	-	3,500
Repayment of promissory notes	-	(23,500)
Deferred financing fee	-	(11,620)
<b>Net cash from in financing activities</b>	<b>8,552,426</b>	<b>463,105</b>
Increase in cash during the year	3,864,122	252,318
Foreign exchange effect on cash and cash equivalents	10,889	-
Cash – beginning of the year	253,877	1,559
<b>Cash – end of the year</b>	<b>4,128,888</b>	<b>253,877</b>

Supplemental Cash Flow Information – Note 11

*The accompanying notes are an integral part of these consolidated financial statements*



# **SILVERTON METALS CORP.**

*(formerly Plymouth Realty Capital Corp.)*

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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## **1. Nature of Operations and Going Concern**

Silverton Metals Corp., formerly Plymouth Realty Capital Corp. (“Silverton” or the “Company”), was incorporated under the Business Corporation Act (Ontario) on July 15, 2013. On March 21, 2019, the Company was continued under the British Columbia Business Corporations Act, and on March 2, 2021, in conjunction with the closing of its qualifying transaction (“Qualifying Transaction”), the Company changed its name to Silverton Metals Corp. From incorporation to the date of these consolidated financial statements, there have been no significant operations. On July 14, 2020, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share (the “Consolidation”). All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the Consolidation. Upon closing of its Qualifying Transaction on March 2, 2021, the Company ceased to be a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (“TSX-V”) and became a Tier 2 Mining issuer on the TSXV under the symbol “SVTN”. On May 5, 2021, the Company’s shares commenced trading on the OTC Markets system, through the SEC-registered Alternative Trading System quotation facilities (known as OTC Link® ATS), under the symbol “SVTNF”. The head office of the Company is located at 704-595 Howe Street, Vancouver, British Columbia, V6C 2T5.

On March 2, 2021, the Company completed its Qualifying Transaction with the acquisition of three silver-focused Mexican mineral properties, being Peñasco Quemado, Sonora; La Frazada, Nayarit; and Pluton, Durango (the “Silver Properties”), from Silver One Resources Inc. (“Silver One”), a TSX-V listed company, by acquiring from Silver One all of the issued and outstanding shares of KCP Minerals Inc. (“KCP”), which holds, through its wholly owned Mexican subsidiary, Minera Terra Plata S.A. de C.V. (“Minera Terra”), a 100% interest in the Silver Properties (see Note 4).

### *Going Concern*

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company’s ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements. The Company expects to incur further losses in the development of its business. On March 2, 2021, the Company completed its previously announced Qualifying Transaction (Note 4) and completed contemporaneous financings raising gross proceeds of \$9,259,200. At December 31, 2021, the Company had a working capital of \$2,881,501 (2020 - working capital of \$204,860), which the Company believes is sufficient to meet its obligations and continue its operations for at least the next 12 months.

Beyond the next 12 months, the Company’s ability to continue as a going concern will be dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its mineral properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

# **SILVERTON METALS CORP.**

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Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020  
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During 2020 and into 2021, significant changes in the stock market have occurred for various reasons linked to the COVID-19 global pandemic. The impacts to the Company of further market changes, arising from COVID-19 are not determinable at this date; however, these could be significant to the Company's ability to raise new capital and thus the Company's financial position, results of operations and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted. As at December 31, 2021, COVID-19 has not had a significant negative impact on the Company's operations or ability to raise capital.

## **2. Basis of presentation, significant accounting policies and significant accounting estimates and judgments**

### **a.) Statement of presentation, statement of compliance and basis of presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and are prepared on a going concern basis. The consolidated financial statements were approved by the Board of Directors of the Company on April 29, 2022.

#### *Basis of presentation and consolidation*

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and include the Company's wholly owned direct and indirect subsidiaries, KCP Minerals Inc. (*Canada*) (See Note 6), Minera Terra Plata S.A. de C.V. (*Mexico*), and the Company's inactive subsidiaries, 1269171 B.C. Ltd. (*Canada*) and 1089349 B.C. Ltd. (*Canada*). Subsidiaries are entities controlled by the Company and are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

### **b.) Significant accounting policies**

#### ***Exploration and evaluation assets***

The Company is in the exploration stage and defers all exploration and evaluation expenditures related to its mineral properties until such time as the properties are put into commercial production, impaired, sold or abandoned. Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as exploration and evaluation assets represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to development assets within property, plant and equipment and are carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value.

If a property is put into commercial production, the carrying value will be depleted using the unit of production basis. If a property is impaired, sold or abandoned, the expenditures will be charged to profit or loss in the related period. Exploration costs that are not attributable to a specific property or that are incurred prior to the Company acquiring the legal rights to a property are charged to profit or loss as reconnaissance and sundry exploration.

# SILVERTON METALS CORP.

*(formerly Plymouth Realty Capital Corp.)*

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements.

## **Asset acquisitions and business combinations**

Upon acquisition of an asset or subsidiary, the Company applies a concentration test for a simplified assessment of whether an acquired set of activities and assets is not a business. The Company may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business; if the concentration test is not met, or if the Company elects not to apply the test, the Company then performs a more fulsome assessment as required under IFRS 3 *Business Combinations*. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

## **Deferred acquisition costs**

Costs incurred in the acquisition of an asset are capitalized and included in the carrying cost of the asset. Where costs of acquisition are incurred prior to the acquisition of the asset, such costs are deferred and included in the carrying cost of the asset at the time of acquisition of the underlying asset.

## **Impairment of long-lived assets**

At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset (or cash-generating unit) is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Management's assessment of a property's estimated fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

## **Restoration, rehabilitation and environmental obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The capitalized costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an accretion expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable. The Company has no significant restoration, rehabilitation or environmental obligation as the disturbance to date is minimal.

## ***Foreign currencies***

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Silverton, and its Canadian subsidiaries is the Canadian dollar; the functional currency of Minera Terra, the Company's Mexican subsidiary, is the US dollar. The presentation currency of these consolidated financial statements is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

The statement of financial position of Minera Terra is translated into Canadian dollars using the exchange rate at the statement of financial position date and the statement of operations is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation from the functional currency to the presentation currency are charged to other comprehensive income (loss).

## ***Share-based compensation***

The fair value of all stock options and compensation warrants granted is recorded as a charge to operations or deferred exploration costs, except for compensation warrants issued as finder's fees which are recognized as share issue costs, and a credit to contributed surplus under the graded attribution method, unless the options granted vest immediately. The fair value, as adjusted for the estimated forfeiture rate, is measured at the date of grant and is recognized over the vesting period. Where the Company's stock options or compensation warrants are subject to graded vesting each tranche in the award is considered a separate grant, with a different vesting date and fair value for purposes of recognizing share-based payment expense. Prior to the vesting date, the then-current fair values of stock options or compensation warrants granted are recognized as share-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. Any consideration received on the exercise of stock options or compensation warrants together with the related portion of contributed surplus is credited to share capital. The Company will reclassify equity reserve amounts to deficit on the expiry or forfeiture of share-based payments. The fair value of stock options and compensation warrants are estimated using the Black-Scholes option pricing model.

# SILVERTON METALS CORP.

(formerly *Plymouth Realty Capital Corp.*)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## ***Share issuances***

Common shares are classified as equity. Incremental costs that are directly attributable to the issue of new common shares are deducted from the share issuance proceeds. Where such incremental costs are incurred prior to the issuance of the related shares, these costs are recorded as deferred financing costs and subsequently deducted from the share issuance proceeds upon the issuance of the related shares. The costs of an equity transaction that is abandoned are recognized as an expense.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a component of contributed surplus. If the warrants expire unexercised, the amount recorded is transferred to share capital.

## ***Loss per share***

Basic loss per share is calculated by dividing net loss for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The diluted weighted average number of common shares is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Outstanding ordinary shares that are contingently returnable (including escrowed shares) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall. Potential ordinary shares that are anti-dilutive are excluded from the calculation of diluted loss per share.

## ***Financial instruments***

### *Recognition and classification*

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of financial asset debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

### *Measurement*

#### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in profit or loss.

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## Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

## Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost using the effective interest method, less any impairment.

## Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

## *Derecognition*

### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

### Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

The Company has made the following designations of its financial instruments:

Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Other payables	Amortized cost
Deferred purchase consideration	Amortized cost

## ***Income taxes***

The Company follows the asset and liability method of accounting for income taxes. Income tax is recognized in profit or loss except to the extent it relates to items recognized in equity, in which case the income tax is also recognized in equity. Current tax assets and liabilities are measured at the amount expected to be paid or received from tax authorities using rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are measured at the tax rates enacted or substantively enacted at the reporting date that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be generated and available for the asset to be utilized.

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## c.) Significant accounting estimates and judgment

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amount of expenses during each year. Actual results may differ from these estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Such estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties the Company believes will materially affect the methodology or assumptions in making those estimates and judgments in these consolidated financial statements.

### Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year. Critical accounting estimates include, but are not limited to, the following:

#### Share-based compensation

The Company uses the fair-value method of accounting for share-based compensation related to incentive stock options and compensation warrants granted, modified or settled. Under this method, compensation cost attributable to options granted and warrants issued are measured at fair value at the grant date and expensed over the vesting period, except for compensation warrants issued as finder's fees which are recognized as share issue costs. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the options or warrants, and an estimated risk-free interest rate.

#### Restoration, rehabilitation and environmental obligations

Management must determine if estimates of the future costs the Company will incur to complete the rehabilitation work is required to comply with existing laws, regulations and agreements in place at each exploration site. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of rehabilitation work required by the Company.

Management determined at the date of the statement of financial position that no significant rehabilitation provisions were required under IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*.

#### Discount rate of deferred purchase consideration

The deferred purchase consideration is initially recognized at fair value, calculated as the net present value of the liability based upon discount rates used by comparable issuers and accounted for at amortized cost using the effective interest rate method.

### Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include, but are not limited to, the following:

#### Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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## Impairment of exploration and evaluation assets

The recoverability of amounts shown as mining claims and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties. At each reporting period end, management applies judgment in assessing whether there are any indicators of impairment relating to mining claims and deferred exploration costs. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment.

Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed, (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned, (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area, and (iv) sufficient data exist to indicate that the carrying amount of the mining claims and deferred exploration costs is unlikely to be recovered in full from successful development or by sale. No impairment indicators were identified by management as at December 31, 2021.

## Acquisition transactions

Management must use judgment to assess whether an acquisition transaction is an acquisition of an asset or an acquisition of a business. In considering its assessment, management applied an optional test (the concentration test), as permitted by IFRS 3 *Business Combinations*, to perform a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. During the year ended December 31, 2021, management assessed that the acquisition of KCP and Minera Terra was an asset acquisition and not an acquisition of a business (Note 4).

## Deferred acquisition and financing costs

Deferred acquisition and financing costs are deferred until completion of the applicable transactions, or subsequently expensed should the applicable transaction not be completed. In deferring these costs, management judgment is required in assessing the probability of the successful completion of the applicable transactions.

## Functional currency

The functional currency for each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgments to determine the primary economic environment of an entity and this is re-evaluated for each new entity following an acquisition, or if events and conditions change.

## Bad debts expense

During the year ended December 31, 2021, the Company assessed the collectability of funds recoverable by the Company from a counterparty under a prepaid consulting contract and judged the collectability of the amounts at December 31, 2021 to be in doubt and accordingly recognized a bad debt expense for the value of the contract (see Note 5).



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### 3. Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, deferred purchase consideration and other payables; the fair values of which, other than deferred purchase consideration, approximates their carrying values due to the short-term nature of these instruments. The fair value of the deferred purchased consideration is estimated to be \$1,107,586 at December 31, 2021 (2020 - \$nil), using a discount rate of 15%.

#### Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in paying its financial liabilities. The Company manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. Accounts payable are due under normal commercial terms, typically within 30 days. As at December 31, 2021, the Company had cash of \$4,128,888 to settle liabilities of \$1,564,520 due within 12 months. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer to Notes 1 and 4 for more information regarding the Company's liquidity risk.

#### Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash balances are not held in investment accounts, therefore, is not exposed to the risk from interest rate fluctuations. The Company is not exposed to significant interest rate risk.

#### Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the party by failing to pay for its obligations. The Company is subject to credit risk with respect to its cash balances. The Company mitigates credit risk by depositing cash with a Canadian schedule I chartered bank and monitoring the bank's credit ratings.

#### Foreign currency risk

The Company conducts its business in Canada and Mexico. A large number of Minera Terra's exploration expenditures, and its funding provided by the Company, are primarily incurred in US dollars. Accordingly, the Company's cash profile and exploration expenditures are exposed to changes in the Canadian dollar/US dollar exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in currencies which are not the functional currency of the economic environment in which the Company or its subsidiaries operate. Based on this exposure as at December 31, 2021 a 5% change in exchange rates could give rise to a change in the net loss by approximately \$64,203 (2020 - \$nil). The Company does not employ the use of any hedging or other derivative instruments in the management of its foreign currency risk.

The Canadian dollar equivalent of financial assets and financial liabilities denominated in other currencies at December 31, 2021 is shown below. As at December 31, 2020, the Company did not have any foreign currency risk.

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December 31, 2021	USD	MXN	Total
<b>CAD Equivalent</b>	\$	\$	\$
<i>Financial Assets</i>			
Canada	1,150,979	-	1,150,979
Mexico	5,349	133,863	139,212
	1,156,328	133,863	1,290,191
<i>Financial Liabilities</i>			
Canada	-	-	-
Mexico	(113,664)	(787)	(114,451)
	(113,664)	(787)	(114,451)
<b>Net foreign currency exposure</b>	<b>1,042,664</b>	<b>133,076</b>	<b>1,175,740</b>

## Price Risk

The Company is not exposed to significant price risk.

## 4. Acquisition of subsidiaries and exploration and evaluation assets

Under the terms of a share purchase agreement dated November 16, 2020, as amended January 4, 2021 and February 1, 2021, Silverton acquired from Silver One all of the issued and outstanding shares of KCP, which holds a 100% interest in Minera Terra and, thereby indirectly, the Silver Properties, and, in consideration of which, Silverton agreed to pay Silver One \$6,000,000 in cash and shares as follows: (a) pay \$1,250,000 in cash on closing (paid March 3, 2021), (b) issue 4,375,000 common shares of Silverton (the "Consideration Shares", issued March 3, 2021), (c) pay \$750,000 in cash eighteen months after closing, and (d) pay \$500,000 in cash twenty four months after closing. The deferred cash consideration payments are in the form of non-interest promissory notes. The acquisition of the shares of KCP was the Company's Qualifying Transaction under the rules of the TSX-V and closed on March 2, 2021. The acquisition of KCP and Minera Terra did not qualify as a business combination and is accounted for as an asset acquisition.

The consideration for the asset acquisition, and the related assets and liabilities acquired at March 2, 2021 are as follows:

## Purchase Consideration

	\$
Cash - on closing	1,250,000
Cash - deferred	1,250,000
Fair value discount on cash - deferred*	(264,122)
4,375,000 common shares of the Company at \$0.80 per share	3,500,000
Transaction costs	114,669
Fair value of consideration	5,850,547

## Allocation of Purchase Consideration

	\$
Cash	6,737
Prepays	13,414
Value-added tax receivable	57,113
Mineral properties	6,017,094
Accounts payable and accrued liabilities	(5,725)
Acquisition adjustment to mineral properties*	(238,086)
	5,850,547

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\* Included in the acquisition adjustment to mineral properties is \$264,122 of fair value discount applied to the deferred cash consideration, which was estimated using a discount rate of 15% (Note 6).

Silverton also granted a 1.5% net smelter return royalty (the "Royalty") on each of the Silver Properties to Silver One. At the option of Silverton, Silverton may repurchase two-thirds (2/3) of the Royalty (being a 1% net smelter return royalty) with a payment equal to US \$500,000 for each of the Silver Properties.

During the year ended December 31, 2021 the Company incurred \$114,669 of acquisition costs, related to the Qualifying Transaction, which were recorded as long-term deferred acquisition costs at December 31, 2020. These costs were transferred to exploration and evaluation assets upon closing of the Qualifying Transaction (Note 6).

At December 31, 2021 the deferred cash consideration is represented as follows:

	Current \$	Non-Current \$	Total \$
Balance, December 31, 2020	-	-	-
Cash - deferred purchase consideration	750,000	500,000	1,250,000
Fair value discount on cash – deferred (Note 6)	(142,194)	(121,928)	(264,122)
Unwind of fair value discount (Note 6)	75,035	46,673	121,708
<b>Balance, December 31, 2021</b>	<b>682,841</b>	<b>424,745</b>	<b>1,107,586</b>

### 5. Prepaid expenses and other assets

	December 31, 2021	December 31, 2020
	\$	\$
Prepaid expenses	328,280	2,252
Other assets	4,203	-
	332,483	2,252
Prepaid expenses - non-current	(145,645)	-
	186,838	2,252

Prepaid expenses are impacted by the quantum and timing of contracts entered into. Prepaid expenses at December 31, 2021 represent the unamortized cost of contracts entered into for the development and expansion of the Company's operations. During the year ended December 31, 2021, the Company entered into a prepaid contract for marketing and investor relation services. The contract was subsequently cancelled prior to the commencement of services. The Company is actively pursuing the recovery of the full amount of the contract. However, as at December 31, 2021, the Company has been unsuccessful in securing the return of the funds and accordingly has allowed for the full value of the contract of \$600,000 (2020 - \$nil).

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## 6. Exploration and evaluation assets

	La Frazada	Peñasco Quemado	Pluton	Total
	\$	\$	\$	\$
<b>December 31, 2019 and 2020</b>	-	-	-	-
Exploration and evaluation assets acquired (Note 4)	2,087,978	3,893,957	35,159	6,017,094
Acquisition adjustment to exploration and evaluation assets (Note 4)*	(80,174)	(149,522)	(1,350)	(231,046)
Transfer of deferred acquisition costs (Note 4)	39,791	74,208	670	114,669
Consulting (Note 9)	58,854	59,803	18,411	137,068
Drilling	-	92,648	-	92,648
General exploration	30,655	193,261	-	223,916
Geology	-	-	2,036	2,036
Legal	15,346	28,620	258	44,224
Land / recording fees	41,366	119,039	715,778	876,183
Share-based compensation	85,743	159,905	1,444	247,092
Foreign exchange translation	2,120	(10,308)	10,027	1,839
	2,281,679	4,461,611	782,433	7,525,723
<b>December 31, 2021</b>	<b>2,281,679</b>	<b>4,461,611</b>	<b>782,433</b>	<b>7,525,723</b>

On March 2, 2021, the Company completed the acquisition of three silver-focused Mexican mineral properties, being Peñasco Quemado, Sonora; La Frazada, Nayarit; and Pluton, Durango (the "Silver Properties"), from Silver One by acquiring from Silver One all of the issued and outstanding shares of KCP, which holds, through its wholly owned subsidiary, Minera Terra, a 100% interest in the Silver Properties (see Note 4).

\* Included in acquisition adjustment to exploration and evaluation assets is \$264,122 of fair value discount applied to the deferred cash consideration (Note 4) net of \$121,708 (2020 - \$nil) unwinding of the discount.

### La Frazada

The La Frazada Property is located within the central portion of the Mexican state of Nayarit, approximately 55 km northwest of Tepic, the capital of the state of Nayarit. The La Frazada Property is situated in the El Zopilote mining district in the Ruiz municipality. KCP Minerals holds 100% of the La Frazada Property through Minera Terra, which holds La Frazada mining concession totaling 299 ha. The concession is subject to bi-annual property taxes and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the property tax bi-annual (i.e., twice per year) fee payable to the Mexican government for the mineral concession is Mx \$62,936 (approximately US \$3,103) every six months which is due on or before the end of January and July respectively. The mineral concession expires on May 22, 2058.

### Peñasco Quemado

The Peñasco Quemado Silver Property is located within the north central portion of the Mexican state of Sonora, south of the American state of Arizona. KCP Minerals holds 100% of the Peñasco Quemado Property through Minera Terra. The property consists of seven mining concessions. The main concessions are contiguous and vary in size for a total property area of approximately 3,746 ha, while the fractional claims are not contiguous. The concessions are subject to bi-annual property taxes (which are paid in January and July), and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the aggregate property tax payable to the

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Mexican government for the mineral concessions is Mx \$788,251 per semester (approximately US \$38,869) every six months which is due on or before the end of January and July respectively. The mineral concessions at Peñasco Quemado expire between October 29, 2028 and September 14, 2056. The property is also subject to annual assessment work expenditure requirements of approximately US \$300,000.

## **Pluton**

Pluton is a 6,534 ha property comprised of three contiguous mining concessions. It is strategically located within the historic "Ojuela-Mapimi Mining District" and lies along the eastern front of the Sierra Madre Oriental in northern Durango. KCP Minerals holds 100% of the Pluton Property through Minera Terra. The concessions are subject to bi-annual property taxes and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the total bi-annual (i.e., twice per year) property tax fee payable to the Mexican government for the property's concessions is Mx \$1,374,848 per semester (approximately US \$67,794). At December 31, 2021, there is US \$570,000 (CAD \$840,045) (2020 - \$nil) included in accounts payable and accrued liabilities for amounts due with respect to the property taxes. The property is also subject to annual assessment work expenditure requirements of approximately US \$1,000,000.

Each of the Properties is subject to a 1.5% NSR per property with a buyback of 1% for US \$500,000 in favor of a third party, First Mining Finance Corp. ("First Mining"). Upon closing of the Qualifying Transaction, the Company granted Silver One a 1.5% Net Smelter Return Royalty on each of the Silver Properties. At the option of the Company, the Company may purchase two-thirds of each individual royalty (being 1% of the applicable royalty) with a payment equal to US \$500,000.

## **7. Share Capital**

### **a) Authorized and issued**

Unlimited common shares, without par value

### **b) Consolidation**

On July 14, 2020, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share (the "Consolidation"). All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the Consolidation.

### **c) Financings**

#### Brokered and Non-Brokered Private Placement

On January 8, 2021, Silverton completed its private placement offering through the issuance of 9,250,000 subscription receipts (each, a "Subscription Receipt") at a price of \$0.80 per Subscription Receipt for aggregate gross proceeds of \$7,400,000 (the "Brokered Private Placement"). The Brokered Private Placement was completed by a syndicate of underwriters (the "Agents"). As a result of closing of the Qualifying Transaction, each Subscription Receipt automatically converted, on March 2, 2021, into one common share of Silverton (each a "Silverton Share") and one Silverton common share purchase warrant (each a "Silverton Warrant"). Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of \$1.15 per share until March 2, 2024.

In connection with the closing of the Brokered Private Placement, the Agents received a cash commission equal to 6% of the gross proceeds from the Brokered Private Placement. In addition, the Agents received non-transferable common share purchase warrants equal to 6% of the number of Subscription Receipts issued under the Brokered Private Placement (each a "Broker Warrant"). Upon completion of the Qualifying

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Transaction, each Broker Warrant is exercisable into one Silverton Share at an exercise price of \$0.80 for a period of 24 months from the escrow release date. In addition, the Company incurred cash finders' fees of \$647,213, other cash issuance costs of \$85,271 and issued 555,000 finders' warrants with a fair value of \$288,696. The fair value of the finders' warrants was estimated using the Black-Scholes option-pricing model. Weighted average assumptions used in the pricing model were as follows: share price - \$0.80; exercise price \$0.80; expected life - 2 years; risk-free rate - 0.24%; expected volatility - 132%; expected forfeitures - nil; and expected dividends - nil. The significant estimated assumptions are the expected life which is based on the contractual maturity of the warrants and the expected volatility which is based on a comparable public company's historical volatility. Share price is the share price on date of issuance.

On March 2, 2021, Silverton, through Finco, completed a non-brokered private placement for 2,324,000 units (each a "Unit") at a price of \$0.80 per Unit for total proceeds of \$1,859,200 (the "Non-Brokered Private Placement"). As a result of closing of the Qualifying Transaction, each holder of the Units received one Silverton Share and one Silverton Warrant. Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of \$1.15 until March 2, 2024.

During the year ended December 31, 2020, the Company closed a private placement of 10,000,000 common shares at \$0.05 per share for gross proceeds of \$500,000. The Company paid cash issue costs of \$5,275 and issued 765,000 common shares valued at \$38,250 as finder's fee in connection with the private placement.

During the year-ended December 31, 2020, \$25,710 of share issuance costs were deferred as financing costs and recognized as share issuance costs on March 2, 2021 upon closing of the above financings.

### d) Stock options

The Company adopted a share option plan (the "Plan") on August 6, 2013 for certain employees and non-employees. The Plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX-V. The exercise price of option grants will be determined by the Board of Directors, but cannot be lower than the price permitted by the TSX-V. The Plan provides that the number of common shares that may be reserved for issuance to any one individual upon exercise of all share options held by such individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. Subject to earlier termination, all share options granted under the Plan will expire not later than the date that is five years from the date that such share options are granted.

In the event that an optionee ceases to be a director, officer, employee or consultant, the option will terminate within ninety days. In the event of the death of an optionee, the options will only be exercisable within 12 months of such death. Options granted under the Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

The balance of options outstanding and related information for the years ended December 31, 2021 and 2020 are as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance December 31, 2019 and 2020	-	-	-
Granted	2,450,000	\$1.00	4.17
<b>Exercisable and Outstanding, December 31, 2021</b>	<b>2,450,000</b>	<b>\$1.00</b>	<b>4.17</b>

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The balance of options outstanding as at December 31, 2021 was as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Remaining life (years)</b>	<b>Options Outstanding</b>	<b>Unvested</b>	<b>Exercisable</b>
March 2, 2026	\$1.00	4.17	2,450,000	-	2,450,000

During the year ended December 31, 2021, 2,450,000 options were granted, all of which vested upon grant. The Company recorded share-based compensation expense arising from the granting of options of \$1,729,642 (2020 - \$nil) of which \$247,092 (2020 - \$nil) was allocated to exploration and evaluation assets. The fair value of the options granted during the year ended December 31, 2021 was estimated using Black-Scholes option-pricing model. Weighted average assumptions used in the pricing model were as follows: share price – \$0.80; exercise price \$1.00; expected life – 5 years; risk-free rate – 0.78%; expected volatility – 144%; expected forfeitures – nil; and expected dividends – nil. The significant estimated assumptions are the expected life which is based on the contractual maturity of the warrants and the expected volatility which is based on a comparable public company's historical volatility. Share price is the share price on date of grant.

### e) Share Purchase Warrants

The balance of warrants outstanding and related information for the year ended December 31, 2021 is as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price (per share)</b>	<b>Weighted average remaining life (years)</b>
Balance December 31, 2019 and 2020	-	-	-
Issued	12,129,000	\$1.13	2.12
<b>Exercisable and Outstanding, December 31, 2021</b>	<b>12,129,000</b>	<b>\$1.13</b>	<b>2.12</b>

The balance of warrants outstanding as at December 31, 2021 was as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Remaining life (years)</b>	<b>Warrants Outstanding</b>	<b>Exercisable</b>
March 2, 2023	\$0.80	1.17	555,000	555,000
March 2, 2024	\$1.15	2.17	11,574,000	11,574,000
			<b>12,129,000</b>	<b>12,129,000</b>

### f) Escrowed shares

The total shares held in escrow at September 30, 2020 was 130,000, all of which were contingently returnable to treasury. Upon completion of the Qualifying Transaction (see Note 4), the 130,000 escrow shares were no longer contingently returnable to treasury, but instead are to be released on a time basis with 10% released upon closing of the Qualifying Transaction and a further 15% to be released each subsequent six months thereafter. During the year ended December 31, 2021, 32,500 shares, respectively, were released from escrow. The 130,000 shares are now included in the calculation of the weighted average number of shares outstanding during the year ended December 31, 2021. The escrowed shares were excluded from the calculation of the weighted average number of shares outstanding during the year ended December 31, 2020. In addition, as part of the closing of the Qualifying Transaction 4,475,000 shares were placed in a time release

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escrow with 10% released upon closing of the Qualifying Transaction and a further 15% to be released each subsequent six months thereafter. The full number of these additional escrowed shares are included in the calculation of the weighted average number of shares outstanding during the year ended December 31, 2021.

## 8. Capital Management

The Company defines its capital as its shareholders' equity which as at December 31, 2021, totaled \$10,128,124 (2020 - \$345,239). The Company manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets.

The Company's capital management objectives, policies and processes have remained unchanged since the year ended December 31, 2020. Subsequent to completion of its Qualifying Transaction, the Company is no longer subject to externally imposed capital requirements. Prior to completion of its Qualifying Transaction, the amount of capital it was permitted to raise was limited to \$5 million by the Capital Pool Company Policy of the TSX-V. There have been no changes to the Company's processes for managing its capital during the year ended December 31, 2021.

## 9. Related Party Transactions

Key management comprises the directors, officers and consulting geologist of the Company. Compensation paid or accrued to key management or companies controlled by key management personnel during the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
	\$	\$
Professional fees	35,517	-
Management, consulting and advisory	232,004	-
Share-based compensation	1,306,056	-
	1,573,577	-

Professional fees represent fees charged by a Company controlled by the Chief Financial Officer ("CFO") of the Company for the provision of CFO services.

Management, consulting and advisory charges represent fees paid to (i) the Chief Executive Officer; (ii) two Directors, each for the purposes of management, corporate governance, strategic support and development of corporate affairs; (iii) to one Director for director's fees; and (iv) to the Company's consultant geologist for the planning, management and oversight of exploration activities of the Company (Note 6).

During the year ended December 31, 2021, the Company incurred professional fees of \$25,936 (2020 - \$16,858, respectively) for the provision of non-CFO accounting and advisory support services charged by a company controlled by the Chief Financial Officer of the Company.

On June 1, 2020, the Company entered into an office rental agreement with a company with a common director. The rental agreement is on a monthly recurring basis for a monthly charge of \$1,500, subject to a 5% increase as of June 1, 2021, and may be terminated by either party on 30 days notice to the other party. As at December 31, 2021, a balance owing to a company with a common director of \$nil (2020 - \$1,575) is included in accounts payable and accrued liabilities. All transactions with related parties have occurred in the normal course of operations.

Included in accounts payable and accrued liabilities at December 31, 2021 are amounts due to related parties of \$10,634 (2020 - \$2,168) owing to a company controlled by the CFO for the provision of CFO, and non-



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CFO accounting and advisory support services and to key management, other than the CFO, for management and consulting fees. These amounts are non-interest bearing and due on normal commercial terms.

## 10. Income Tax

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended December 31, 2021 and 2020:

	2021	2020
	\$	\$
Net loss before tax	(3,976,227)	(96,895)
Statutory tax rate	27.00%	27.00%
Expected income tax recovery at statutory rate	(1,073,582)	(26,162)
Change in tax rate	(2,555)	-
True up of opening temporary differences	(287)	-
Other non-deductible expenses	247,877	-
Change in deferred tax asset not recognized	828,547	26,162
Total tax expense (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. The significant components of the Company's net deferred income tax assets as at December 31, 2021 and 2020 are as follows:

	2021	2020
	\$	\$
<b>Deferred tax asset</b>		
Non-capital losses carried forward	1,768,465	178,066
Property, plant and equipment	3,804	3,804
Share issuance costs	158,217	-
Accrued liabilities	229,602	-
Unrecognized deferred tax assets	(1,800,105)	(181,870)
Net deferred tax asset	359,983	-
<b>Deferred tax liability</b>		
Exploration and evaluation assets	(359,983)	-
Net deferred tax asset	-	-

The Company has a capital asset pool of approximately \$14,090, share issuance costs of \$585,987 and Canadian non-capital losses carried forward of approximately \$3,202,300, both available to reduce future taxable income. The remainder of the losses expire as follows:

	\$
2033	55,200
2034	257,800
2035	74,500
2036	58,700
2037	18,400
2038	36,000
2039	62,000
2040	98,000
2041	2,541,700
	3,202,300

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The Company has Mexican non-capital losses carried forward of \$3,012,881, which expire from 2022 to 2031.

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit in the same entity will allow the deferred tax asset to be recovered.

## 11. Supplemental cash flow information

Other cash flow information relating to operating activities is presented below:

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. As at, and during the years ended December 31, 2021 and 2020, the following transactions were excluded from the consolidated statements of cash flows:

	December 31, 2021	December 31, 2020
	\$	\$
<b>Non-cash investing and financing transactions</b>		
Share-based compensation included in exploration and evaluation assets	247,092	-
Change in exploration and evaluation assets included in accounts payable and accrued liabilities	843,398	-
Change in exploration and evaluation assets arising from deferred acquisition costs	114,669	-
Change in exploration and evaluation assets arising from foreign exchange translation	1,840	-
Amounts arising from acquisition of Minera Terra:		
- Prepays and other assets	(70,527)	-
- Accounts payable and accrued liabilities	(5,725)	-
- Deferred cash consideration payable	1,250,000	-
- Shares issued as consideration	3,500,000	-
Change in share issuance costs arising from deferred financing costs	25,710	-

## 12. Segmented Information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at December 31, 2021 and 2020 is as follows:

Identifiable assets	December 31, 2021	December 31, 2020
	\$	\$
<i>Current</i>		
Canada	4,181,572	262,528
Mexico	264,449	-
<b>Total current assets</b>	<b>4,446,021</b>	<b>262,528</b>
<i>Non-Current</i>		
Canada	435,552	140,379
Mexico	7,235,816	-
<b>Total non-current assets</b>	<b>7,671,368</b>	<b>140,379</b>
<b>Total assets</b>	<b>12,117,389</b>	<b>402,907</b>

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<b>Identifiable liabilities</b>	<b>December 31, 2021</b>	December 31, 2020
	\$	\$
Canada	1,149,340	57,668
Mexico	839,925	-
<b>Total liabilities</b>	<b>1,989,265</b>	57,668

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Geographic segmentation of the Company's net earnings (loss) for the years ended December 31, 2021 and 2020 is as follows:

	<b>December 31, 2021</b>	December 31, 2020
	\$	\$
Canada	(3,891,089)	(96,895)
Mexico	(85,138)	-
<b>Net earnings (loss)</b>	<b>(3,976,227)</b>	(96,895)

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