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# **ABRASILVER RESOURCE CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2022 and 2021**

**(Expressed in Canadian Dollars)**

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**Crowe MacKay LLP**

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## **Independent Auditor's Report**

To the Shareholders of AbraSilver Resource Corp.

### **Opinion**

We have audited the consolidated financial statements of AbraSilver Resource Corp. (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and 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 Group as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit 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 is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter - Comparative Information**

We draw attention to Note 17 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2021 has been restated. Note 17 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2022. We have determined the matters described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Preparation of the consolidated financial statements on a going concern basis**

As described in Note 1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The Group has accumulated losses, currently has no sources of revenues, and is dependent on its ability to raise additional cash through the issuance of further capital to continue operations.

### **Why the Matter is a Key Audit Matter**

We considered this a key audit matter due to the absence of a revenue stream and the assessment of whether the Group can continue as a going concern requires an understanding of management's overall plans and forecasts, which require significant judgments and assumptions.

### **How the Key Audit Matter was Addressed in the Audit**

We performed the following to conclude the preparation of the consolidated financial statements on a going concern basis is appropriate and no material uncertainty exists:

- We reviewed management's assessment of its ability to continue as a going concern by obtaining its cash flow forecast and testing the appropriateness of the estimates and the Group's ability to continue operations for at least 12 months from the end of the reporting period;
- We assessed the plausibility of the key assumptions taken by management in its preparation of the cash flow forecasts;
- We discussed management's assumptions with Directors to ensure they were reasonable and appropriate and allowed for sufficient variability of outcomes depending on how future cash flow needs evolved;
- We critically assessed the levels of uncertainty, as it is related to the Group's ability to continue as a going concern, within these assumptions and judgments;
- We assessed the disclosures in the consolidated financial statements relating to going concern to ensure that they were sufficient and appropriate.

### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit 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, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's 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 auditor's report. We have nothing to report in this regard.

### **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 International Financial Reporting Standards, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's 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 auditor's 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group 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 Group 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.

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 auditor's report is Diana Huang.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
April 13, 2023**

# ABRASILVER RESOURCE CORP.

## Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

As at	December 31, 2022	December 31, 2021 (Restated, note 17)	January 1, 2021 (Restated, note 17)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 13,823,197	\$ 19,016,003	\$ 17,087,494
Term deposits (note 5 (n))(*)	2,000,000	-	-
Receivables	296,438	169,903	211,218
Prepaid expenses	97,767	169,280	73,025
<b>Total current assets</b>	<b>16,217,402</b>	<b>19,355,186</b>	<b>17,371,737</b>
Equipment and right-of-use asset	11,406	23,527	59,672
Mineral property interests (note 8)	22,901,710	17,944,564	18,934,857
<b>Total Assets</b>	<b>\$ 39,130,518</b>	<b>\$ 37,323,277</b>	<b>\$ 36,366,266</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities (note 13)	\$ 910,981	\$ 562,727	\$ 530,438
Lease liabilities	12,528	4,150	25,667
<b>Total current liabilities</b>	<b>923,509</b>	<b>566,877</b>	<b>556,105</b>
Non-Current liabilities			
Lease liability	-	15,928	28,039
Consideration payable (notes 10 and 17)	6,607,366	5,361,636	4,695,849
<b>Total Liabilities</b>	<b>7,530,875</b>	<b>5,944,441</b>	<b>5,279,993</b>
<b>Shareholders' Equity</b>			
Share capital (note 11(b))	83,534,280	66,139,947	51,313,308
Reserves (notes 11 (c),(d) and (e))	7,273,915	9,585,088	9,839,298
Shares to be issued	-	-	195,045
Accumulated other comprehensive income (loss)	1,430,237	(4,611,642)	(9,367,476)
Accumulated deficit	(60,638,789)	(39,734,557)	(20,893,902)
<b>Total shareholders' equity</b>	<b>31,599,643</b>	<b>31,378,836</b>	<b>31,086,273</b>
<b>Total Liabilities and Equity</b>	<b>\$ 39,130,518</b>	<b>\$ 37,323,277</b>	<b>\$ 36,366,266</b>

(\*) The term deposits consist of a guaranteed investment certificate maturing in October 2023.

Nature of operations (note 1)

Commitments (note 16)

Subsequent events (note 18)

The notes to the consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

Director: (s) "Flora Wood"

Director: (s) "Robert Bruggeman"

# ABRASILVER RESOURCE CORP.

Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)

Years ended December 31,	2022	2021 (Restated, note 17)
<b>Administrative expenses</b>		
Consulting fees (note 13)	\$ 825,239	\$ 759,576
Insurance	120,031	79,641
Investor relations	118,874	149,843
Depreciation, office and administration	1,594,614	946,939
Professional fees (note 13)	718,361	509,497
Salaries, benefits and director fees (note 13)	762,141	724,824
Share-based payments (notes 11 and 13)	1,963,840	1,979,755
Transfer agent and filing fees	173,713	140,409
<b>Total administrative expenses</b>	<b>6,276,813</b>	<b>5,290,484</b>
<b>Evaluation and exploration expenses (note 9)</b>	<b>24,574,273</b>	<b>13,105,447</b>
Other (income) expenses		
Gain on sale of marketable securities (note 14)	(11,276,455)	(4,802,046)
Write-off of mineral property interests (note 8)	-	4,241,796
Other income	(298,827)	(296,621)
Accretion of consideration payable and lease liabilities (notes 10 and 17)	844,936	698,845
Foreign exchange loss	494,188	556,953
Loss on net monetary position	289,304	45,797
<b>Total other (income) loss</b>	<b>(9,946,854)</b>	<b>444,724</b>
<b>Net loss for the year</b>	<b>20,904,232</b>	<b>18,840,655</b>
Other comprehensive (income) loss:		
Impact of hyperinflation	(12,087,213)	(8,511,787)
Foreign currency translation adjustment	6,045,334	3,755,953
<b>Total comprehensive loss for the year</b>	<b>\$ 14,862,353</b>	<b>\$ 14,084,821</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.04</b>	<b>\$ 0.04</b>
<b>Weighted average number of shares outstanding</b>	<b>489,548,521</b>	<b>445,405,274</b>

The notes to the consolidated financial statements are an integral part of these statements.

# ABRASILVER RESOURCE CORP.

## Consolidated Statements of Changes in Shareholders' Equity (Expressed in Canadian Dollars)

	Share Capital		Shares to be issued	Share-based payment reserve	Warrant reserve	Accumulated Other Comprehensive Income (loss) (Restated, note 17)	Accumulated Deficit (Restated, note 17)	Total
	Number	Amount						
Balance, December 31, 2020 (restated, note 17)	409,284,334	\$ 51,313,308	\$ 195,045	\$ 2,011,259	\$ 7,828,039	\$ (9,367,476)	\$ (20,893,902)	\$ 31,086,273
Shares issued and shares to be issued from exercise of warrants	63,783,550	14,315,966	(195,045)	-	(1,570,104)	-	-	12,550,817
Vesting of RSU	977,278	381,138	-	(597,701)	-	-	-	(216,563)
Shares issued from exercise of stock options	975,000	102,228	-	(38,853)	-	-	-	63,375
Expiry of warrants	-	27,307	-	-	(27,307)	-	-	-
Share-based payments	-	-	-	1,979,755	-	-	-	1,979,755
Impact of hyperinflation	-	-	-	-	-	8,511,787	-	8,511,787
Foreign currency translation adjustment	-	-	-	-	-	(3,755,953)	-	(3,755,953)
Net loss for the year	-	-	-	-	-	-	(18,840,655)	(18,840,655)
Balance, December 31, 2021 (restated, note 17)	475,020,162	66,139,947	-	3,354,460	6,230,628	(4,611,642)	(39,734,557)	31,378,836
Shares issued from exercise of warrants	20,931,421	4,797,187	-	-	(972,283)	-	-	3,824,904
Vesting of RSU	1,292,052	497,440	-	(617,923)	-	-	-	(120,483)
Shares and warrants issued in private placement, net of costs	27,027,000	7,518,570	-	-	1,783,829	-	-	9,302,399
Shares issued from exercise of stock options	450,000	197,161	-	(84,661)	-	-	-	112,500
Expiry of warrants	-	4,383,975	-	-	(4,383,975)	-	-	-
Share-based payments	-	-	-	1,963,840	-	-	-	1,963,840
Impact of hyperinflation	-	-	-	-	-	12,087,213	-	12,087,213
Foreign currency translation adjustment	-	-	-	-	-	(6,045,334)	-	(6,045,334)
Net loss for the year	-	-	-	-	-	-	(20,904,232)	(20,904,232)
Balance, December 31, 2022	524,720,635	\$ 83,534,280	\$ -	\$ 4,615,716	\$ 2,658,199	\$ 1,430,237	\$ (60,638,789)	\$ 31,599,643

The notes to the consolidated financial statements are an integral part of these statements.



# ABRASILVER RESOURCE CORP.

## Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

Years ended December 31,	2022	2021 (Restated, note 17)
<b>Operating Activities</b>		
Net loss for the year	\$ (20,904,232)	\$ (18,840,655)
Items not affecting cash:		
Loss on net monetary position	289,304	45,797
Hyperinflation adjustment included in expenses	2,570,228	2,337,370
Accretion of consideration payable and lease liabilities	844,936	698,845
Foreign exchange loss (gain)	494,188	(612,555)
Share-based payments	1,963,840	1,979,755
Gain on sale of marketable securities	(11,276,455)	(4,802,046)
Write-off of mineral property interests	-	4,241,796
Depreciation	6,864	28,956
Changes in non-cash operating working capital:		
Receivables	(126,535)	41,315
Accounts payable and accrued liabilities	348,254	32,332
Prepaid expenses	71,513	(96,255)
<b>Cash (used in) operating activities</b>	<b>(25,718,095)</b>	<b>(14,945,345)</b>
<b>Investing Activities</b>		
Additions to mineral interests	(522,948)	(351,600)
Purchase of term deposits	(2,000,000)	-
Disposal from sale of marketable securities	23,143,998	12,326,564
Purchase of marketable securities	(12,987,651)	(7,524,518)
<b>Cash (used in) provided by investing activities</b>	<b>7,633,399</b>	<b>4,450,446</b>
<b>Financing Activities</b>		
Proceeds from issuance of shares in private placements, net of issuance costs	9,302,399	-
Proceeds from exercise of warrants	3,824,904	12,550,774
Proceeds from exercise of stock options	112,500	63,375
Repayment of lease liabilities	(18,853)	(30,772)
Payment for settlement of RSU	(120,483)	(216,563)
<b>Cash provided by financing activities</b>	<b>13,100,467</b>	<b>12,366,814</b>
<b>Foreign exchange effect on cash and cash equivalents</b>	<b>(208,577)</b>	<b>56,594</b>
<b>Change in cash and cash equivalents during the year</b>	<b>(5,192,806)</b>	<b>1,928,509</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>19,016,003</b>	<b>17,087,494</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 13,823,197</b>	<b>\$ 19,016,003</b>
<b>Cash and cash equivalents are comprised of:</b>		
Cash	\$ 12,529,710	\$ 1,410,622
Cash equivalents	1,293,487	17,605,381
	<b>\$ 13,823,197</b>	<b>\$ 19,016,003</b>
<b>Supplemental cash flow information:</b>		
Interest received	\$ 51,775	\$ 39,802
Income tax paid	\$ -	\$ -
<b>Non-cash investing and financing activities</b>		
Shares issued for settlement of RSU	\$ 497,440	\$ 381,138

The notes to the consolidated financial statements are an integral part of these statements.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### 1. Nature of operations

AbraSilver Resource Corp. (formerly AbraPlata Resource Corp.) (the "Company" or "AbraSilver") was incorporated on August 31, 1993 under the Alberta Business Corporations Act. On September 30, 2015, the Company's incorporation jurisdiction was moved to British Columbia. The Company's registered office is located at Suite 550, 220 Bay Street, Toronto, Ontario, M5J 2W4.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2022, the Company has working capital of \$15,293,893 (December 31, 2021 – \$18,788,309) and has an accumulated deficit of \$60,638,789. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. As at December 31, 2022, the Company has not achieved profitable operations and had \$15,293,893 working capital and therefore has sufficient resources to sustain operations for the next 12 months, although the Company will need additional funding to achieve its long-term business objectives. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

On March 4, 2021, the Company changed its name from "AbraPlata Resource Corp." to "AbraSilver Resource Corp.". The common shares of the Company began trading under the Company's new name on TSX Venture Exchange on March 9, 2021.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

### 2. Basis of preparation

#### Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on April 13, 2023.

#### Basis of measurement

These consolidated financial statements are expressed in Canadian dollars, the Company's presentation currency and have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies used in the preparation of these consolidated financial statements are the policies listed in the note 5. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements as if the policies have always been in effect, except change of accounting policy in note 4.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### 3. Hyperinflation

Due to various qualitative factors and developments with respect to the economic environment in Argentina during the year ended December 31, 2018, including, but not limited to, the acceleration of multiple local inflation indices, the three-year cumulative inflation rate of the local Argentine wholesale price index exceeding 100% in May 2018 and the significant devaluation of the Argentine peso, Argentina was designated a hyper-inflationary economy as of July 1, 2018 for accounting purposes.

Accordingly, IAS 29, Financial Reporting in Hyper-Inflationary Economies, has been applied to these consolidated financial statements as the Company's Argentine operating subsidiaries (the "Argentine Subsidiaries") use the Argentine peso as its functional currency. The Company also followed the interpretive guidance for first time adoption of IAS 29 included within IFRIC 7. The consolidated financial statements are based on the historical cost approach in IAS 29.

The application of hyperinflation accounting requires restatement of the Argentine subsidiaries' non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Wholesale Price Index (Indice de Precios Mayoristas or ("IPIM") for periods up to December 31, 2016, and the Retail Price Index (Indice de Precios al Consumidor or "IPC") thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE").

As the consolidated financial statements of the Company have been previously presented in Canadian dollars, a stable currency, the comparative period amounts do not require restatement.

As at September 30, 2022, the IPC was 967.31 (December 31, 2021 - 582.46), which represents an increase of 66% during the period.

On October 1, 2022, the Company changed the functional currency of its Argentine subsidiaries from Argentine peso to US dollar and stopped the application of hyperinflation accounting in its Argentine subsidiaries during the period from October 1, 2022 to December 31, 2022.

### 4. Change in accounting policy

#### Functional currency change

Prior to October 1, 2022, the functional currency of the Company's Argentinian subsidiaries, was the Argentinian peso. Per IAS 21, The Effects of Changes in Foreign Exchange Rates, an entity's functional currency should reflect the underlying transactions, events, and conditions relevant to the entity. Determination of functional currency involves certain judgments to determine the primary economic environment, and this is re-evaluated for each new entity or if conditions change. Based on management's evaluation, taking into consideration the currency of the property payments and majority of the exploration expenditures, management determined the United States dollar as the functional currency of the Argentinian subsidiaries. The change in functional currency has been accounted for prospectively, with no impact of this change on prior year comparative information.

In prior reporting periods, the translation of the Company's Argentinian subsidiaries into the Company's presentation currency of the Canadian dollar, gave rise to a translation adjustment which was recorded as a cumulative translation adjustment ("CTA"), a separate component of shareholders' equity. The CTA balance will remain the same until the entities, which gave rise to the CTA balance, are disposed of, or retired.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

### 4. Change in accounting policy (continued)

#### New and amended IFRS standards that are effective for the current year

The amendments to IAS 37 - Cost of Fulfilling a Contract specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The Company adopted these amendments in the year ended December 31, 2022 and the adoption of these amendments did not have any material impact on the consolidated financial statements for the years ended December 31, 2022.

#### Future accounting standards and pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2023. The following new standards will be adopted on their effective dates:

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

The Company does not expect the adoption of the amendment will have a significant impact on the consolidated financial statements.

### 5. Significant accounting policies

#### (a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the Company's wholly-owned subsidiaries at the end of the reporting year. All inter-company transactions and balances have been eliminated.

	Jurisdiction	Percentage of ownership	
		2022	2021
Aethon Minerals Corporation ("Aethon")	Canada	100%	100%
Huayra Minerals Corp. ("Huayra")	Canada	100%	100%
AbraPlata Argentina S.A.	Argentina	100%	100%
Pacific Rim Mining Corporation Argentina S.A. <sup>(1)</sup>	Argentina	100%	100%
Minera Cerro Bayo S.A. <sup>(2)</sup>	Argentina	100%	100%
ABP Global Inc. (BVI)	BVI	100%	100%
ABP Diablillos Inc. (BVI)	BVI	100%	100%
Aethon Minerals Chile SpA.	Chile	100%	100%
Abrasilver US Resource Corp.	USA	100%	0%

<sup>(1)</sup> Please refer to note 8 (a)(1) for outstanding payments and note 10 for consideration payable for the mineral property interests in Pacific Rim Mining Corporation Argentina S.A.

<sup>(2)</sup> Please refer to note 8 (a)(2) for outstanding payments for the mineral property interests in Minera Cerro Bayo S.A.

The results of subsidiaries are fully consolidated from the date on which control is transferred to the Company. The results of these subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

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## 5. Significant accounting policies (continued)

### (b) Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Critical accounting estimates**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

#### **Assumptions used in determination of the consideration payable**

The assumptions used in determination of consideration payable requires significant estimate of the expected payment date and the discount rate used which is based on the borrowing rate of Company adjusted for entity specific risk factors. Estimates and assumptions made may change if new information becomes available.

#### **Critical accounting judgments**

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments, which are discussed below.

#### **Impairment of mineral interests**

The application of the Company's accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

#### **Functional currency**

The assessment of each entity's functional currency involves significant judgment. Refer to our discussion in notes 4 and 5(d).

#### **Going concern risk assessment**

The assessment of the Company's ability to continue as a going concern involves significant judgment. Refer to our discussion in Note 1.

### (c) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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## 5. Significant accounting policies (continued)

### (d) Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in Canadian Dollars. The Company's presentation currency is the Canadian dollar and the Company and its subsidiaries' functional currencies are summarized below.

The functional currency of AbraPlata Argentina S.A. , Pacific Rim Mining Corporation Argentina S.A., Minera Cerro Bayo S.A., ABP Global Inc. (BVI), ABP Diablillos Inc. (BVI) and AbraSilver (US) Resource Corp. is the US dollar. The functional currency of AbraSilver Resource Corp. Aethon Minerals Corporation, and Huayra Minerals Corp. is the Canadian dollar. The function currency of Aethon Minerals Chile SpA is the Chilean peso.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the consolidated statement of loss and comprehensive loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive (income) loss in the consolidated statement of loss and comprehensive (income) loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive (income) loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

#### Parent and Subsidiary Companies

For the Company's Argentine subsidiaries, which were affected by hyperinflationary accounting as described in note 3 above, and used the Argentine peso as its functional currency prior to October 1, 2022, the results as of September 30, 2022 of these subsidiaries are translated into the presentation currency using the exchange rate prevailing on September 30, 2022.

The results and financial position of all other subsidiaries that have a functional currency different from the presentation currency and for the Argentine subsidiaries after September 30, 2022 are translated into the presentation currency as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at the average exchange rates for the period.

Exchange differences are transferred directly to other comprehensive (income) loss and are included in a separate component of equity titled "Accumulated other comprehensive income or loss – currency translation adjustment". These differences are recognized in profit or loss in the period in which the operation is disposed of.

# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements

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## 5. Significant accounting policies (continued)

### (e) Evaluation and exploration expenses

Evaluation and exploration expenses are comprised of costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the subsequent costs incurred for the development of that project are capitalized as mining properties, a component of property, plant and equipment.

Development expenditures are net of the proceeds of the sale of ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as mineral interests.

Incidental proceeds received from option agreement on the mineral properties are recorded in profit and loss in the consolidated statements of loss and comprehensive loss.

### (f) Mineral interests

Mineral interests include any costs relating to the acquisition and claim maintenance of mineral properties, including option payments and annual fees to maintain the property in good standing. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved by the Board of Directors, the capitalized mineral interests for that project are capitalized as mining properties, a component of property, plant and equipment. Upon determination and the decision to proceed with development of a mineral interest, the mineral interest is tested for impairment and then reclassified from mineral interests to mining properties, net of any impairment losses.

The Company assesses its capitalized mineral interests for indications of impairment on a regular basis and when events and circumstances indicate a risk of impairment. A mineral interest is written down or written off when the Company determines that an impairment of value has occurred or when exploration results indicate that no further work is warranted.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects.

# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements

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## 5. Significant accounting policies (continued)

### (g) Impairment of long-lived assets

Long-lived assets are assessed for impairment at each reporting date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and 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. In assessing value in use, the estimated future 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). These are typically individual mines or development projects.

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. A reversal of an impairment loss is recognized immediately in profit or loss.

### (h) Loss (earnings) per share

The basic loss (earnings) per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period if dilutive. The Company uses the treasury stock method of calculating fully diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the year. Diluted loss (earnings) per share has not been presented separately as the outstanding options and warrants are anti-dilutive for each period presented.

All of the outstanding stock options, warrants and RSU as of December 31, 2022 and 2021 were not included in the calculation of diluted per share amounts.

### (i) Equipment

Equipment is carried at cost less accumulated depreciation. Depreciation is charged on a straight-line basis so as to write off the cost of these assets less estimated residual value over their estimated useful economic lives, which is expected to be 2 to 5 years.

### (j) Cash and cash equivalents

The Company considers deposits that are highly liquid, readily convertible to known amounts of cash, redeemable on demand to be cash equivalents. Interest income is recorded as earned on the accrual basis at the stated rate of interest over the term of the investment.



# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements

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## 5. Significant accounting policies (continued)

### (k) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

#### Current tax

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

#### Deferred tax

Deferred tax is accounted for using the liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases. A deferred tax liability is recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred income tax asset is recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and losses can be utilized, except where the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements

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## 5. Significant accounting policies (continued)

### (l) Share-based compensation

The Company grants share-based awards to certain officers, employees, directors and other eligible persons. For equity-settled awards, the fair value is charged to profit or loss and credited to the related reserve account, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest.

The fair value of the equity-settled awards is determined at the date of the grant. In calculating fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company. The fair value is determined by using the Black-Scholes option pricing model.

At each statement of financial position date, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognised in profit or loss with a corresponding entry against the related reserve. No expense is recognised for awards that do not ultimately vest. The amount remains in the related reserve for stock options which expire unexercised. When options are exercised, the related amount in reserve is reclassified to share capital.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement.

The terms of the Company's restricted share units ("RSU") arrangement provide the Company with a choice of whether to settle in cash or by issuing equity instruments. For RSU which are considered equity-settled awards, the fair value of the grant is determined by multiplying the Company's share price at grant date by the number of RSU granted and recorded as share-based payments expense in profit or loss, a corresponding credit is recorded to share-based payments reserve and is recognized over the vesting period. Actual number of RSU that will eventually vest is likely to be different from estimation. Upon settlement of the RSU through the issuance of shares, the amount reflected in stock-based payment reserve is credited to share capital. If the Company elects the settlement alternative with the higher fair value, as at the date of settlement, the Company recognizes an additional expense for the excess value given, ie the difference between the cash paid and the fair value of the equity instruments that would otherwise have been issued, or the difference between the fair value of the equity instruments issued and the amount of cash that would otherwise have been paid, whichever is applicable.

### (m) Share capital

#### Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

#### Equity units

The Company has adopted a prorata value method with respect to the measurement of shares and warrants issued as private placement equity units. The prorata value method values the fair value of warrants issued in the unit using Black-Scholes valuation model and the fair value of the shares is determined by the closing bid price on the closing date of the private placement. The unit price in the private placement is then allocated between warrants and shares prorata on the basis of the fair value of warrants and shares. The value attributed to the warrants is recorded as an equity reserve. If the warrants are exercised or expired unexercised, the value attributable to the warrants is transferred to share capital.

# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements  
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## 5. Significant accounting policies (continued)

### (n) Financial instruments

#### Classification and measurement

IFRS 9 requires financial assets and liabilities to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss ("FVTPL"), those measured at fair value through other comprehensive loss and those measured at amortized cost. Measurement and classification of financial assets and financial liabilities is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets and liabilities.

The Company classified cash and cash equivalents, term deposits, accounts payable and accrued liabilities, lease liabilities and consideration payable as amortized costs, and marketable securities as FVTPL.

The term deposit is a guaranteed investment certificate held at a major Canadian financial institution and has a fixed interest of 4.75% maturing on October 12, 2023.

Financial assets and liabilities at amortized costs are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Investments in equity instruments are required to be measured by default at fair value through profit or loss, unless the Company makes an irrevocable election to present subsequent changes in the fair value of its equity investments in other comprehensive (income) loss.

#### De-recognition

The Company derecognizes financial assets 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 risk and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on de-recognition of financial assets and liabilities are generally recognized in the consolidated statements of loss and comprehensive loss.

#### Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized costs based on a probability-weighted estimate of credit losses over the expected life of the financial asset.

The expected credit losses are reviewed and updated at each reporting date as appropriate to reflect changes in the credit risk of the financial instruments, whereby 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 credit loss of 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 twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

### (o) Rehabilitation obligations

The Company recognizes the fair value of a legal or constructive liability for a rehabilitation obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in profit or loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have significant rehabilitation obligations.

# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements

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## 5. Significant accounting policies (continued)

### (p) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

A lease liability is initially measured at the present value of the unpaid lease payments discounted using the interest rate implicit in the lease or if that rate cannot be reliably determined, the Company's incremental borrowing rate which is 10%. Subsequently, the Company measures a lease liability at amortized cost using the effective interest method. It is then remeasured to reflect revised in-substance fixed lease payments. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

## 6. Financial instruments

### (a) Fair value estimation

The fair value of financial instruments is determined by valuation methods depending on hierarchy levels as defined below:

1. Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;
2. Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and
3. Level 3 includes inputs for the asset or liability that are not based on observable market data.

The Company's marketable securities are valued using level 1 fair value hierarchy. At December 31, 2022, the carrying value was \$nil. The carrying values of financial instruments maturing in the short term approximates their fair values.

### (b) Financial risks

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

# ABRASILVER RESOURCE CORP.

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### 6. Financial instruments (continued)

#### (b) Financial risks (continued)

##### ***Credit risk***

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk with respect to its cash and cash equivalents and term deposits. The Company's maximum exposure to credit risk is their carrying amounts disclosed in the consolidated statement of financial position. Credit risk associated with cash and cash equivalents and term deposits are minimized by placing these instruments with major Canadian financial institutions with strong investment-grade ratings as determined by a primary ratings agency. Credit risk associated with receivables is minimal as the majority of the balance is owing from Canada Revenue Agency.

##### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

At December 31, 2022, the Company had a cash and cash equivalents balance of \$13,823,197 to settle current liabilities of \$923,509.

The Company intends to finance future requirements from share issuances, the exercise of options and/or warrants, debt or other sources. There can be no certainty of the Company's ability to raise additional financing through these means.

The Company has the following contractual cash flow requirements as at December 31, 2022:

	Years ended December 31,		
	2023	2024	2025
Consideration payable (US\$7,000,000)	\$ -	\$ -	\$ 9,480,000
Lease liability	13,002	-	-
Accounts payable and accrued liabilities	910,981	-	-
<b>Total commitments</b>	<b>\$ 923,983</b>	<b>\$ -</b>	<b>\$ 9,480,000</b>

##### ***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

##### ***Price risk***

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

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### 6. Financial instruments (continued)

#### (b) Financial risks (continued)

##### *Market risk (continued)*

###### Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash and cash equivalents and term deposits, if any, maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

###### Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at December 31, 2022 are as follows:

<b>Cost</b>	<b>Argentine peso</b>	<b>Chilean peso</b>	<b>US\$</b>	<b>C\$ equivalent</b>
Cash	46,483,624	208,254,748	98,722	822,274
Accounts payable and accrued liabilities	19,806,288	930,461	58,180	231,728
Lease liability	-	-	9,250	12,528
Consideration payable	-	-	4,878,445	6,607,366

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$661,000 decrease or increase in the Company's total comprehensive income or loss.

As at December 31, 2022, US dollar amounts have been translated at a rate of C\$1.3544 per US dollar; Argentine peso amounts have been translated at C\$0.0077 per Argentine peso and Chilean peso amounts have been translated at C\$0.0016 per Chilean peso.

### 7. Capital management

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

The Company depends on external financing to fund its activities and there can be no guarantee that external financing will be available at terms acceptable to the Company. Additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. There is no certainty that additional financing at terms that are acceptable to the Company will be available. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt, new shares or warrants. The Company is not subject to externally restricted capital requirements.

Management reviews its capital management approach on a regular basis. There were no changes in the Company's approach to capital management.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

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### 8. Mineral property interests

Through the Company's wholly-owned subsidiaries, the Company controls exploration projects in Argentina classified by the Company into the Diablillos Project, Cerro Amarillo Project, Santo Domingo and La Coipita Project and in Chile classified into the Arcas project. All acquisition costs and option payments related to these exploration projects are capitalized as mineral interests and are incurred in US dollars and translated to Canadian dollars, the presentation currency for the Company.

#### (a) Diablillos project

(1) On November 1, 2016, the Company closed a share purchase agreement dated August 23, 2016, as amended and restated on March 21, 2017, and further amended on September 11, 2019, with SSRM Mining Inc. ("SSRM") and Fitzcarraldo Ventures Inc. (the "Diablillos SPA") pursuant to which Huayra acquired from SSRM all of the issued and outstanding shares of Pacific Rim Mining Corporation Argentina S.A., ABP Global Inc. (BVI) and ABP Diablillos Inc. (BVI) (together, the "SSRM subsidiaries"). Through the acquisition of the SSRM subsidiaries, the Company acquired certain exploration projects in Salta and Chubut Provinces, Argentina (the "Diablillos Project" and the "Aguas Perdidas Project").

Cash consideration payable to SSRM consists of the following:

1. US\$300,000 on closing; this amount to be increased by an amount equal to the US dollar equivalent of the amount of Argentine pesos deposited in entity purchased by the Company (paid);
2. US\$300,000 on or before February 15, 2017 (as amended) (paid);
3. US\$500,000 on 180th day after closing (paid);
4. US\$50,000 on or before January 12, 2018 (as amended) (paid);
5. \$ 200,000 to be paid at the closing date of the Arrangement with Aethon (paid);
6. US\$5,000,000 to be paid on the earlier of (paid) (note 17(1) and note 10):
  - o the date on which a Diablillos Feasibility Study in respect of all or any part of the Diablillos Concessions has been obtained;
  - o July 31, 2023; and
  - o 90 days after demand by SSRM for payment if (a) AbraSilver's market capitalization exceeds \$100,000,000 for 20 consecutive trading days (on the primary stock exchange on which such entity's shares are traded) or (b) after November 1, 2020, the spot price of silver (based on the London Bullion Market Association (LBMA) Silver Price as published by the LBMA on its website (or should that quotation cease, another similar quotation acceptable to the parties acting reasonably) (the "Benchmark") exceeds \$25 per ounce for 20 consecutive trading days on the Benchmark;
7. US\$7,000,000 to be paid on the earlier of (notes 10 and 17(1)):
  - o the date on which Commercial Production occurs in respect of all or any part of the Diablillos Concessions (not reached yet); and
  - o July 31, 2025.

On September 2, 2020 AbraSilver's market capitalization exceeded \$100,000,000 for twenty (20) consecutive trading days on the TSX-V for the period from and after August 6, 2020 to and including September 2, 2020. On the same day SSRM requested the US\$ 5,000,000 to be paid within 90 days. During the year ended December 31, 2020, the Company paid \$6,533,500 (US\$5,000,000) as an addition to the Diablillos project.

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## 8. Mineral property interests (continued)

### (a) Diablillos project (continued)

(1) (continued) Equity consideration consists of 11,294,609 Class B common shares of the Company which automatically converted into a number of Huayra Class A Shares that, upon the completion of the RTO, resulted in SSRM holding common shares of the Company representing 19.9% of the Company's then outstanding common shares. The Diablillos SPA provided SSRM an anti-dilution right to maintain 19.9% equity interest in the capital of the Company until the Company completes a qualified financing of a minimum of US\$5,000,000. During the year ended December 31, 2018 the Company completed a qualified financing and is no longer obligated to maintain SSRM's free carried equity interest. As consideration for SSRM's agreement to amend the Share Purchase Agreement, in 2019 the Company issued an additional 24.15 million common shares of the Company plus payment of \$200,000.

The royalty consideration payable to SSRM consists of a 1% net smelter returns royalty. SSRM is entitled to receive advance royalty payments totaling of US\$250,000 on November 1, 2017 (paid).

These advance royalty payments will be deducted and set off against the first US\$250,000 of net smelter returns royalty payments otherwise payable in respect of the Diablillos Project. As security for the above obligations the Company has pledged to SSRM all the shares the Company acquired in the two entities which hold interest to the Diablillos Project and the Aguas Perdidas Project.

The US\$7,000,000 balance will be paid on earlier of the date on which commercial production occurs in respect of all or any part of the Diablillos Project and July 31, 2025. The unpaid cash consideration under the Diablillos SPA is secured against a mortgage, pledge and assignment agreement in favour of EMX. If the Company fails to pay the unpaid cash consideration under the Diablillos SPA, when due, EMX (the assignee of SSRM's rights under the Diablillos SPA) will be permitted to enforce against the Company's assets related to the Diablillos Project.

(2) On August 30, 2017 the Company signed a share purchase agreement, which was amended September 6, 2019, to acquire all of the issued and outstanding shares of Minera Cerro Bayo S.A. ("Cerro Bayo"), a privately held Argentine company. Cerro Bayo owns certain mineral rights that, as a result of a long-standing border dispute between two neighboring provinces in northwestern Argentina, overlap and potentially conflict with the Company's mineral rights to its Diablillos Ag-Au project. The acquisition of the potentially conflicting mineral rights through the acquisition of Cerro Bayo means that the Company will retain its title to the Diablillos Ag-Au project regardless of the ultimate outcome of the provincial border dispute.

Cash and equity consideration payable under the agreement is as follows:

1. US\$225,000 upon closing (paid);
2. US\$175,000 on or before February 28, 2018 (paid);
3. US\$15,000 upon signing of the September 6, 2019, amendment (paid);
4. US\$350,000 and 300,000 common shares on or before November 30, 2019 (paid and issued);
5. US\$65,000 on or before April 30, 2020 (paid);
6. US\$65,000 and 200,000 common shares on or before October 31, 2020 (paid and issued);
7. US\$65,000 on or before April 30, 2021 (paid);
8. US\$65,000 on or before October 31, 2021 (paid);
9. US\$65,000 on or before April 30, 2022 (paid);
10. US\$65,000 on or before October 31, 2022 (paid);
11. US\$1,000,000 on or before July 31, 2023; and
12. US\$1,170,000 on or before July 31, 2025.

The unpaid cash consideration is secured against a stock pledge and trust agreement in favor of the seller of the equity interest of Cerro Bayo. Any unpaid cash consideration will become a liability of the Company only if the Company does not terminate the Diablillos SPA when the payments are due. As such, the amounts not due as of December 31, 2022 have not been recognized as a liability. The Company has disclosed the unpaid cash consideration as commitments in note 16.



# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### 8. Mineral property interests (continued)

#### (b) La Coipita Project

On January 31, 2020, AbraSilver entered into an option agreement, through its wholly owned subsidiary, AbraPlata Argentina SA, to acquire a 100% interest in the La Coipita project ("La Coipita") located in San Juan province, Argentina by paying a total of US\$4,265,000 in staged payments over 60 months (US\$365,000 paid to December 31, 2022) to the optionors ("Project Owners").

Cash consideration payable per the letter agreement were as follows:

1. US\$35,000 upon celebration of the letter agreement (paid)
2. US\$30,000 in February 2020 (paid)
3. US\$100,000 in January 2021 (paid)
4. US\$200,000 in January 2022 (paid)
5. US\$400,000 in January 2023 (paid subsequent to year end)
6. US\$1,000,000 in January 2024
7. US\$2,500,000 in January 2025

In the event the project is placed into commercial production, the Project Owners shall be entitled to collect 1.1% of the net smelter return ("NSR"), which AbraSilver may purchase for US\$3,000,000 during the 60 months after the first staged payment was made, or for US\$5,000,000 thereafter until start-up of construction of the project.

On February 5, 2020, AbraPlata Argentina SA entered into a binding letter agreement with Altius Resources Inc. to sell its right to acquire the 1.1% NSR from the Project Owners. In consideration, Altius will invest in AbraPlata by way of subscription for common shares or share units in its next equity financing a minimum sum of \$125,000 (received).

On August 9, 2021, AbraSilver entered into an option agreement, through its wholly owned subsidiary, AbraPlata Argentina SA, to acquire a 100% interest in the Yaretas project ("Yaretas") located in San Juan province, Argentina by paying a total of US\$3,025,000 in staged payments over 60 months (US\$125,000 paid to December 31, 2022) to the optionors ("Yaretas Project Owners").

Cash consideration payable per the letter agreement were as follows:

1. US\$50,000 upon celebration of the letter agreement (paid)
2. US\$75,000 in August 2022 (paid)
3. US\$200,000 in August 2023
4. US\$400,000 in August 2024
5. US\$800,000 in August 2025
6. US\$1,500,000 in August 2026

In the event the project is placed into commercial production, the Yaretas Project Owners shall be entitled to collect 1.1% of NSR, which AbraSilver may purchase for US\$5,000,000 at any time.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### 8. Mineral property interests (continued)

#### (c) Arcas Project

On December 19, 2019, the Company completed a plan of arrangement (the "Arrangement") with Aethon, whereby each former Aethon shareholder received 3.75 common shares in the capital of AbraPlata for each Aethon common share held prior to the Arrangement. This transaction has been determined to be an acquisition of assets and the Arcas Project of Aethon was deemed to be acquired on December 19, 2019 by the Company.

On January 23, 2018, Aethon entered into the option agreement with the optionors, as amended February 28, 2018, pursuant to which Aethon has been granted the option to earn a 100% interest in four blocks of exploration-stage mineral concessions with prospective copper and gold targets located in northern Chile, subject to certain underlying royalties.

The consideration for the purchase of the databases and the grant of the option is the issuance of an aggregate of 11,200,000 common shares of Aethon (issued). To exercise the option, Aethon must incur cumulative expenditures of at least \$750,000 on the exploration and development of the properties within 18 months from the closing of the qualifying transaction of which at least \$500,000 must be incurred within 12 months from the closing date. Aethon must also pay an aggregate of \$1,000 to the optionors. Any production from the Properties is subject to an existing 0.98% gross sales royalty in favor of a third party and a new 1.02% gross sales royalty in favor of the Optionors, for a total gross sales royalty of 2.0%.

On April 4, 2019, Aethon announced that it had exercised its option to acquire a 100% interest in the Arcas project.

On September 11, 2019, Aethon entered into an Earn-In with Option to Joint Venture Agreement (the "Option Agreement") with Rio Tinto Mining and Exploration Limited / Agencia En Chile, a member of the Rio Tinto Group ("Rio Tinto"), to acquire an interest in the Arcas project. Rio Tinto has the right but not the obligation to earn up to a 75% interest in the Arcas Project by funding project expenditures of up to US\$25 million as follows:

1st Option: If Rio Tinto incurs total project expenditures of US\$4 million within 3 years, and makes aggregate cash payments of US\$300,000 during the first two years, it will have the right to acquire a 51% interest in the Arcas project ("Stage 1 earn-in project expenditure") through the acquisition of 51% stock of a new company ("Opco") that will be incorporated. To exercise the option, Rio Tinto shall make the cash payments before the following dates:

1. US\$100,000 on or before the first anniversary date (received);
2. US\$200,000 on or before the second anniversary date (received);

2nd Option: If Rio Tinto incurs additional project expenditures of US\$5 million over the subsequent 2 year period, it will have a right to acquire an additional 14% interest in Opco (holder of the Arcas project), resulting in its total interest being 65%; and

3rd Option: If Rio Tinto incurs additional project expenditures of US\$16 million over the subsequent 3 year period, it will have a right to acquire an additional 10% interest in Opco (holder of the Arcas project), resulting in its total interest being 75%;

Rio Tinto has agreed to incur minimum project expenditures of US\$1 million within 18 months of securing all necessary approvals to conduct drilling activities which is to be part of the Stage 1 earn-in project expenditure. As of March 31, 2021, that commitment had been satisfactorily fulfilled.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### 8. Mineral property interests (continued)

#### (c) Arcas Project (continued)

In the event Rio Tinto withdraws from the Arcas Project, it will pay Aethon an amount equaling the cost to maintain the Arcas Project concessions for the 12 month period commencing on the date of termination that have not already been paid.

Under the terms of the agreement, Rio Tinto shall have the right to form a Joint Venture ("JV") with the following key terms:

1. The JV (Opco) may be formed with 51% to Rio Tinto and 49% to Aethon upon satisfaction of the 1st Option; 65% to Rio Tinto and 35% to Aethon upon satisfaction of the 2nd Option; or 75% to Rio Tinto and 25% to Aethon upon satisfaction of the 3rd Option.
2. The JV will be managed by Rio Tinto and funded by each participant in accordance with their interest.
3. Aethon may elect not to fund its interest and be diluted down to a 10% interest. If Aethon is diluted below a 10% interest, its interest will convert to a 1% net smelter royalty capped at US\$50 million.
4. Each party will have a right of first refusal should the other party wish to divest its shareholder interest.

During the year ended December 31, 2020, the Company recorded the US\$100,000 received from Rio Tinto as other income in the consolidated statements of loss and comprehensive loss. During the year ended December 31, 2021, the Company recorded the US\$200,000 received from Rio Tinto as other income in the consolidated statements of loss and comprehensive loss. During the year ended December 31, 2021, Rio Tinto informed the Company that it would not continue with the Option Agreement and the Company had no planned exploration for the property and decided to make an impairment of 100% of the property value. During the year ended December 31, 2021, the Company recorded a write-off of mineral property interest of \$4,200,636 in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021.

#### (d) Santo Domingo project

On August 21, 2020, AbraSilver formalized an option agreement, through its wholly owned subsidiary, AbraPlata Argentina SA, to acquire a 100% interest in the Santo Domingo - Marayes project located in San Juan province, Argentina by paying a total of US\$2,500,000 in staged payments over 96 months (US\$25,000 paid) to the optionors.

Cash consideration payable per the letter agreement were as follows:

1. US\$10,000 before October 21, 2020 (paid)
2. US\$ 15,000, in February 2021 (paid)
3. US\$ 25,000 in August 2021
4. US\$ 50,000 in August 2022
5. US\$ 100,000 in August 2023
6. US\$ 150,000 in August 2024
7. US\$ 200,000 in August 2025
8. US\$ 250,000 in August 2026
9. US\$ 500,000 in August 2027
10. US\$ 1,200,000 in August 2028

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

### 8. Mineral property interests (continued)

During the year ended December 31, 2021, the Company decided not to continue with this project and wrote it off in the amount of \$41,160.

	Diablillos Argentina	La Coipita Project	Santo Domingo Project	Arcas Project	Total
December 31, 2020 (restated, note 17)	\$ 14,184,830	\$ 106,465	\$ 13,443	\$ 4,630,119	\$ 18,934,857
Additions, cash	157,721	175,890	17,989	-	351,600
Write-off	-	-	(41,160)	(4,200,636)	(4,241,796)
Hyperinflationary adjustment	5,897,279	103,914	12,251	-	6,013,444
Foreign exchange translation	(2,661,559)	(19,976)	(2,523)	(429,483)	(3,113,541)
December 31, 2021 (restated, note 17)	17,578,271	366,293	-	-	17,944,564
Additions, cash	157,238	365,710	-	-	522,948
Hyperinflationary adjustment	8,893,602	334,079	-	-	9,227,681
Foreign exchange translation	(4,625,308)	(168,175)	-	-	(4,793,483)
December 31, 2022	\$ 22,003,803	\$ 897,907	\$ -	\$ -	\$ 22,901,710

### 9. Evaluation and exploration expenses

Years ended December 31,	2022	2021
<b>Diablillos</b>		
Camp costs	\$ 1,982,867	\$ 1,540,204
Drilling	11,215,038	5,686,198
Legal and regulatory fee	65,399	80,348
Engineering	124,442	634,406
Geology and lab	1,388,215	1,441,573
Personnel costs	1,412,049	782,256
Travel and transport	492,945	236,357
Administration	120,386	55,441
Impact of hyperinflation	2,927,970	1,967,565
	\$ 19,729,311	\$ 12,424,348
<b>La Coipita</b>		
Professional and access fees	\$ 1,107,767	\$ 333,654
Drilling	1,271,493	-
Camp costs	702,462	136,018
Travel and administration	233,701	73,282
Geology	146,821	-
Impact of hyperinflation	1,361,870	26,621
	\$ 4,824,114	\$ 569,575

# ABRASILVER RESOURCE CORP.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

## 9. Evaluation and exploration expenses (continued)

Years ended December 31,	2022	2021
<b>Santo Domingo</b>		
Camp costs	\$ -	\$ 1,003
Legal and regulatory fee	-	26,266
Geology	-	854
Administration	-	2,612
Travel	-	8,027
Impact of hyperinflation	-	14,275
	\$ -	\$ 53,037
<b>Arcas project</b>		
Legal and regulatory fee	\$ 20,848	\$ -
Administration	-	58,487
Impact of hyperinflation	-	-
	\$ 20,848	\$ 58,487
<b>Total evaluation and exploration expenses</b>	<b>\$ 24,574,273</b>	<b>\$ 13,105,447</b>

## 10. Consideration payable

As at December 31,	2022	2021
Opening balance	\$ 5,361,636	\$ 4,695,849
Accretion	827,915	693,588
Foreign exchange	417,815	(27,801)
Ending balance	\$ 6,607,366	\$ 5,361,636

The consideration payable represents the remaining payment in the amount of US\$7,000,000 as per the Diablillos SPA, which is to be paid on the earlier of the date on which commercial production occurs in respect of all or any part of the Diablillos Concessions and July 31, 2025. The payment obligation is discounted and accreted at a discount rate of 15% per annum, with an estimated payment date of July 31, 2025, see note 8 (a).

## 11. Share capital

### a) Authorized

Authorized: Unlimited common shares without par value. Unlimited first preferred shares without par value. Unlimited second preferred shares without par value.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### 11. Share capital (continued)

#### b) Issued share capital

On December 6, 2022, the Company closed its bought deal private placement (the "Placement"). In connection with the closing of the Placement, the Company issued 27,027,000 units (each, a "Unit") at a price of \$0.37 per Unit for gross proceeds of \$9,999,990. Each Unit consisted of one common share in the equity of the Company (each, a "Common Share") and one-half of one share purchase warrant (each, a "Warrant"). Each Warrant will entitle the subscriber to purchase one additional Common Share at a price of \$0.50 until the second (2nd) anniversary of the closing date of the Offering (the "Expiry Date"). The warrants were valued at \$1,513,479 under the prorate value method. The Company paid finder's fees of \$565,018 and incurred \$132,573 in share issue costs. The Company also issued 1,527,075 broker warrants which were valued at \$270,350 using the Black-Scholes valuation model with the following assumptions: share price of \$0.37, exercise price of \$0.37, risk free rate of 3.78%, dividend yield of 0%, time to expiry of 1.5 years and volatility of 88%.

#### c) Stock options

The Company adopted a share compensation plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company pursuant to options granted. The total number of Common Shares issuable under the Plan pursuant to settlement of RSU that may be awarded shall not exceed 5,000,000 Common Shares. The options can be granted for a maximum of ten years and vest as determined by the Board of Directors. The exercise price of each option granted may not be less than the fair market value of the common shares.

On July 13, 2022, the board of directors of the Company approved certain administrative amendments to the share compensation plan, including: (i) clarifying the circumstances which the expiry time for options and RSUs may be extended during a black-out period; (ii) placing limits on when RSUs may vest; (iii) modifying the certain amendments to the share compensation plan that would require shareholder approval; (iv) adding certain defined terms to the share compensation plan to conform to the policies of the TSX-V; (v) specifying that decisions relating to certain adjustments and vesting acceleration shall require the prior approval of the TSX-V; (vi) specifying certain instances where a TSX-V imposed hold period will be applied to awards; and (vii) allowing for the issuance of "incentive stock options".

On May 2, 2022, the Company granted 200,000 options to a consultant. The exercise price is \$0.45 and the options will expire on May 2, 2025. The options will vest as follow: 25% three months from the date grant and 25% every three months thereafter. The fair value of the stock options was determined to be \$58,016 using the Black-Scholes option pricing model with the following assumptions: 3 years expected life; share price at the grant date of \$0.42; 117% volatility; risk free interest rate of 1.72%; and a dividend yield of 0%.

On February 11, 2022, the Company granted 3,700,000 options to Directors, Officers and Consultants. The exercise price is \$0.38 and the options will expire on February 11, 2027. The options will vest as follow: 25% six months from the date grant and 25% every 6 months thereafter. The fair value of the stock options was determined to be \$1,037,357 using the Black-Scholes option pricing model with the following assumptions: 5 years expected life; share price at the grant date of \$0.38; 100% volatility; risk free interest rate of 1.72%; and a dividend yield of 0%.

On October 22, 2021, the Company granted 750,000 options to a Director. The exercise price is \$0.53 and the options will expire on October 22, 2026. The options will vest as follow: 25% six months from the date grant and 25% every 6 months thereafter. The fair value of the stock options was determined to be \$283,149 using the Black-Scholes option pricing model with the following assumptions: 5 years expected life; share price at the grant date of \$0.51; 100% volatility; risk free interest rate of 1.35%; and a dividend yield of 0%.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

### 11. Share capital (continued)

#### c) Stock options (continued)

On January 25, 2021, the Company granted 3,157,500 options to Directors, Officers and Consultants. The exercise price is \$0.39 and the options will expire on January 25, 2026. The options will vest as follow: 25% six months from the date grant and 25% every 6 months thereafter. The fair value of the stock options was determined to be \$910,228 using the Black-Scholes option pricing model with the following assumptions: 5 years expected life; share price at the grant date of \$0.39; 100% volatility; risk free interest rate of 0.42%; and a dividend yield of 0%.

Expected volatility was estimated based on similar-sized entities in the industry.

During the year ended December 31, 2022, the Company recorded \$1,208,346 (2021 - \$867,453) in share-based expense related to the stock options.

The movement in the Company's share options for the years ended December 31, 2022 and 2021 are as follows:

	Number of stock options outstanding	Weighted average exercise price
Balance, December 31, 2020	18,562,500	\$ 0.11
Granted	3,907,500	0.42
Exercised	(975,000)	0.07
Balance, December 31, 2021	21,495,000	0.17
Exercised	(450,000)	0.25
Granted	3,900,000	0.38
Expired	(600,000)	0.38
Balance, December 31, 2022	24,345,000	\$ 0.19

The weighted average trading price of the Company's shares on the dates of the exercises of stock options was \$0.40 (2021 - \$0.64) for the year ended December 31, 2022.

Stock options outstanding as at December 31, 2022:

Expiry date	Options outstanding	Exercise price (\$)	Remaining contractual life (years)	Options exercisable
March 21, 2023 <sup>(1)</sup>	500,000	0.20	0.22	500,000
April 26, 2023	4,810,625	0.14	0.32	4,810,625
June 1, 2023	800,000	0.17	0.42	800,000
October 12, 2023	200,000	0.30	0.78	200,000
March 1, 2024	700,000	0.065	1.17	700,000
June 24, 2024	601,875	0.14	1.48	601,875
January 8, 2025	8,925,000	0.065	2.02	8,925,000
January 25, 2026	3,157,500	0.39	3.07	2,368,125
October 22, 2026	750,000	0.53	3.81	375,000
February 11, 2027	3,700,000	0.38	4.12	925,000
May 2, 2025	200,000	0.45	2.34	100,000
	24,345,000	0.19	2.05	20,305,625

<sup>(1)</sup> Subsequent to year-end, all of these options were either exercised or expired (note 18).

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

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### 11. Share capital (continued)

#### d) Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2020	186,336,581	\$ 0.23
Exercised	(63,783,550)	0.20
Expired	(412,000)	0.30
Balance, December 31, 2021	122,141,031	0.24
Issued	15,040,575	0.49
Exercised	(20,931,421)	0.18
Expired	(57,176,365)	0.29
Balance, December 31, 2022	59,073,820	\$ 0.27

Warrants outstanding as at December 31, 2022:

Expiry date	Warrants outstanding	Exercise price (\$)	Remaining contractual life (years)
April 26, 2023	21,218,245	0.27	0.32
May 14, 2023	16,775,000	0.15	0.37
April 8, 2024	4,090,000	0.10	1.27
April 18, 2024	1,950,000	0.10	1.30
June 6, 2024	1,527,075	0.37	1.43
December 6, 2024	13,513,500	0.50	1.93
	59,073,820	0.27	0.83

On December 6, 2022 in connection with the private placement (note 11(b)) the Company issued 13,513,500 warrants exercisable at \$0.50 for a period of two years.

On December 6, 2022 in connection with the private placement (note 11(b)) the Company issued 1,527,075 broker warrants exercisable at \$0.37 for a period of 1.5 years. Upon exercise of the broker warrants, holder is entitled to one common share and one-half purchase warrants with each warrants exercisable at \$0.50 for a period of 1.5 years.



# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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### 11. Share capital (continued)

#### (e) RSU

On January 25, 2021, the Company granted 4,815,000 RSU, including 3,450,000 RSU to officers and directors. The RSU will vest as follow: 33.33% on December 1, 2021; 33.33% on December 1, 2022 and 33.34% on December 1, 2023.

On February 11, 2022, the Company granted 1,150,000 RSU to directors and consultants. The RSU will vest as follow: 33.33% on February 11, 2023; 33.33% on February 11, 2024 and 33.34% on February 11, 2025.

RSU movements are as follows:

Balance, December 31, 2020	-
Granted	4,815,000
Vested and settled	(1,605,000)
Balance, December 31, 2021	3,210,000
Granted	1,150,000
Vested and settled	(1,604,996)
Balance, December 31, 2022	2,755,004

During the year ended December 31, 2021, the Company issued 977,278 shares and paid \$216,563 in settlement upon vesting of 1,605,000 RSU. The cash payment of \$216,563 was based on the price of the Company's common share at \$0.345 on the date of the settlement and was recognized in share-based payments.

During the year ended December 31, 2022, the Company issued 1,292,052 shares and paid \$120,483 in settlement upon vesting of 1,604,996 RSU. The cash payment of \$120,483 was based on the price of the Company's common share at \$0.385 on the date of settlement and was recognized in share-based payments.

For the year ended December 31, 2022, the Company recorded \$755,494 (2021 - \$1,112,302) as a stock-based compensation expense relating to the RSU.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 12. Income taxes

The provision for income taxes for the years ended December 31, 2022 and 2021 differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 26.5% and 26.5% as follows:

	2022	2021
Loss before recovery of income taxes	\$ (20,904,232)	\$ (18,840,655) (Restated, note 17)
	26.5%	26.5%
Expected income tax (recovery)	(5,540,000)	(4,993,000)
Items not deductible (taxable) for tax purposes	(1,741,000)	(736,000)
Effect of tax rate change	-	139,000
Tax rate difference	212,000	183,000
Tax losses carry forward expired	-	67,000
True-up	(2,872,000)	(1,418,000)
Change in unrecognized tax benefit	9,941,000	6,758,000
Actual income tax recovery	\$ -	\$ -

The Company recognizes deferred tax assets on losses or other deductible amounts where it is probable that sufficient future taxable profits will be available to realize such assets. The Company's unrecognized deferred tax asset consist of the following amounts:

	2022	2021
Tax losses carry forward	\$ 7,660,000	\$ 6,112,000
Mineral interests	9,022,000	2,455,000
Share issue costs, hyperinflation adjustments and other	1,536,000	2,407,000
Unrecognized deferred tax asset	\$ 18,218,000	\$ 10,974,000

As at December 31, 2022, the Company has Canadian non-capital loss carryforwards of approximately \$17,652,000 (2021 - \$15,286,000) that are available to reduce taxable income in Canada. These losses expire between 2029 and 2042. As at December 31, 2022, the Company has Argentine loss carryforwards of approximately \$3,730,000 (2021 - \$1,984,000) that are available to reduce taxable income in Argentina. These losses expire between 2023 and 2027.

As at December 31, 2022 and 2021, the Company has unrecognized deferred tax liabilities of \$1,373,000 due to temporary differences arising on the initial recognition of the acquisition of all of the issued and outstanding common shares of Minera Cerro Bayo S.A. and ABP Global Inc. As at December 31, 2022 and 2021, the Company has unrecognized deferred tax liabilities of \$240,000 due to temporary differences arising on the initial recognition of the acquisition of all of the issued and outstanding common shares of Aethon.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 13. Related party transactions

Key management personnel include the members of the Board of Directors and officers of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amounts paid and accrued to directors, former director, officers and companies in which directors and officers are shareholders or partners are as follows:

Years ended December 31,	2022	2021
Salaries, benefits and director fees	\$ 742,950	\$ 701,250
Consulting fees	30,000	30,000
Professional fees	179,123	136,506
Share-based payments	1,179,994	1,446,109
	<u>\$ 2,132,067</u>	<u>\$ 2,313,865</u>

As at December 31, 2022, \$136,755 (December 31, 2021 – \$142,500) was payable to directors, officers and companies in which directors and officers are shareholders or partners of the Company. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

### 14. Use of marketable securities

From time to time, the Company may acquire and transfer marketable securities to facilitate intragroup funding transfers between the Canadian parent and its Argentine operating subsidiaries. The Company does not acquire marketable securities or engage in these transactions for speculative purposes. In this regard, under this strategy, the Company generally uses marketable securities of large and well established companies, with high trading volumes and low volatility. Nonetheless, as the process to acquire, transfer and ultimately sell the marketable securities occurs over several days, some fluctuations are unavoidable. As the marketable securities are acquired with the intention of a near term sale, they are considered financial instruments that are held for trading, all changes in the fair value of the instruments, between acquisition and disposition, are recognized through profit or loss. The subsequent disposition of these marketable securities in exchange for Argentine pesos gave rise to a gain as the amount received in Argentine peso exceeds the amount of Argentine peso the Company would have received from a direct foreign currency exchange. As a result of having utilized this mechanism for intragroup funding for the year ended December 31, 2022, the Company realized a gain of \$11,276,455 (2021 - \$4,802,046) from the favorable foreign currency impact.

### 15. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the year ended December 31, 2022, the Company has four (2021 – three) operating segments.

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 15. Segmented information (continued)

The Company's reportable segments are based on the geographic region for the Company's operations and include Argentina and Chile. The gains on sale of marketable securities are allocated to Argentina, as they are the result of funding provided to the Company's Argentine subsidiaries.

The segmental report is as follows:

As at December 31, 2022	US	Argentina	Chile	Canada	Total
Current assets	\$ 96,432	\$ 363,845	\$ 429,261	\$ 15,327,864	\$ 16,217,402
Equipment and right-of-use asset	-	11,372	34	-	11,406
Mineral property interest	-	22,901,710	-	-	22,901,710
<b>Total assets</b>	<b>\$ 96,432</b>	<b>\$ 23,276,927</b>	<b>\$ 429,295</b>	<b>\$ 15,327,864</b>	<b>\$ 39,130,518</b>
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 163,969</b>	<b>\$ 1,489</b>	<b>\$ 7,365,417</b>	<b>\$ 7,530,875</b>
Gain on sale of marketable securities	\$ -	\$ 11,276,455	\$ -	\$ -	\$ 11,276,455
Net (loss) income for the year ended December 31, 2022	\$(167,518)	\$(25,435,732)	\$ 18,181	\$ 4,680,837	\$(20,904,232)
As at December 31, 2021		Argentina	Chile	Canada	Total
Current assets		\$ 470,395	\$ 389,854	\$ 18,494,937	\$ 19,355,186
Equipment and right-of-use asset		23,402	125	-	23,527
Mineral property interest (restated, note 17)		17,944,564	-	-	17,944,564
<b>Total assets (restated, note 17)</b>		<b>\$ 18,438,361</b>	<b>\$ 389,979</b>	<b>\$ 18,494,937</b>	<b>\$ 37,323,277</b>
<b>Total liabilities (restated, note 17)</b>		<b>\$ 142,175</b>	<b>\$ 6,872</b>	<b>\$ 5,795,394</b>	<b>\$ 5,944,441</b>
Gain on sale of marketable securities		\$ 4,802,046	\$ -	\$ -	\$ 4,802,046
Net (loss) income for the year ended December 31, 2021 (restated, note 17)		\$(13,641,596)	\$(4,125,637)	\$(1,073,422)	\$(18,840,655)

### 16. Commitments

As at December 31, 2022, the Company has mineral interest commitments at its Diablillos and La Coipita projects in the form of option payments, although as at the current date the Company had the commitments shown in the table below, some of these commitments could be reduced, deferred or eliminated pending the outcome of the strategic review. The Company also has operating expenses in Buenos Aires, Santiago de Chile and Toronto.

The Company has the following commitments:

	2023	Years ended December 31,		
		2024	2025	2026
Diablillos	\$ 1,354,400	\$ -	\$ 1,584,648	\$ -
La Coipita	812,640	1,896,160	4,469,520	2,031,600
<b>Total mineral interest commitments</b>	<b>2,167,040</b>	<b>1,896,160</b>	<b>6,054,168</b>	<b>2,031,600</b>
Minimum office rental payments in Argentina	13,002	-	-	-
<b>Total commitments</b>	<b>\$ 2,180,042</b>	<b>\$ 1,896,160</b>	<b>\$ 6,054,168</b>	<b>\$ 2,031,600</b>

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(Expressed in Canadian Dollars)

### 17. Restatements

During the year ended December 31, 2022, the Company identified an error in accounting for consideration payable under the Diablillos SPA which resulted in an understatement of mineral property interests, consideration payable, accumulated deficit and accumulated other comprehensive loss as at January 1, 2021, and December 31, 2021. The Company previously disclosed the unpaid remaining consideration of US\$7,000,000 as a commitment. The Company has corrected this error by recognizing the remaining consideration payable as at January 1, 2021 of US\$7,000,000, discounted at 15% discount rate per annum, with an estimated payment date of July 31, 2025. The Company has also recognized a corresponding addition to mineral property interests since the date of the Diablillos SPA, considering the hyperinflation impact in the Argentine subsidiary. The consideration payable has been accreted.

The Company has restated the comparative figures to correct the impact of this error, as summarized below:

Consolidated statements of financial position as at January 1, 2021:

	As previously stated \$	Adjustment \$	Restated \$
Mineral property interests	16,762,683	2,172,174	18,934,857
Total assets	34,194,092	2,172,174	36,366,266
Consideration payable	-	4,695,849	4,695,849
Total liabilities	584,144	4,695,849	5,279,993
Accumulated deficit	(25,572,634)	4,678,732	(20,893,902)
Accumulated other comprehensive income (loss)	(2,165,069)	(7,202,407)	(9,367,476)
Total shareholders' equity	33,609,948	(2,523,675)	31,086,273
Total liabilities and equity	34,194,092	2,172,174	36,366,266

Consolidated statements of financial position as at December 31, 2021:

	As previously stated \$	Adjustment \$	Restated \$
Mineral property interests	15,282,499	2,662,065	17,944,564
Total assets	34,661,212	2,662,065	37,323,277
Consideration payable	-	5,361,636	5,361,636
Total liabilities	582,805	5,361,636	5,944,441
Accumulated deficit	(43,747,502)	4,012,945	(39,734,557)
Accumulated other comprehensive income (loss)	2,100,874	(6,712,516)	(4,611,642)
Total shareholders' equity	34,078,407	(2,699,571)	31,378,836
Total liabilities and equity	34,661,212	2,662,065	37,323,277

# ABRASILVER RESOURCE CORP.

## Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

### 17. Restatements (continued)

Consolidated statement of loss and comprehensive loss for the year ended December 31, 2021

	As previously stated \$	Adjustment \$	Restated \$
Accretion of consideration payable	-	693,588	693,588
Foreign exchange loss	584,754	(27,801)	556,953
Net loss for the year	18,174,868	665,787	18,840,655
Other comprehensive (income) loss:			
Impact of hyperinflation	(7,614,322)	(897,465)	(8,511,787)
Foreign currency translation adjustment	3,348,379	407,574	3,755,953
Total comprehensive loss for the year	13,908,925	175,896	14,084,821
Basic and diluted loss per share	0.04	-	0.04

The restatement has no impact on the Company's cash used in operating activities, cash provided by investing and financing activities, except for net loss, accretion and foreign exchange within the operating activities.

### 18. Subsequent events

- On February 21, 2023, the Company announced that pursuant to the Company's Share Compensation Plan and regulatory approval, an aggregate of 5,725,000 incentive stock options (the "**Options**"), exercisable at a price of \$0.37 per share for a period of five years, has been granted to officers, directors, employees and consultants of the Company. The Options vest in 25% instalments every 6 months, starting from the date of the grant.
- Subsequent to December 31, 2022, an aggregated of 6,594,250 warrants were exercised at a weighted average strike price of \$ 0.20 for net proceeds of \$1,288,806.
- Subsequent to December 31, 2022, the Company received advances of \$537,300 to exercise 2,087,500 warrants at a weighted average strike price of \$ 0.26. The shares are to be issued.
- Subsequent to December 31, 2022, 383,333 shares were issued as a settlement of RSU of the Company.
- Subsequent to December 31, 2022, an aggregate of 1,301,875 stock options were exercised at a weighted average strike price of \$ 0.16 for net proceeds of \$214,355.
- On March 21, 2023, 50,000 vested stock option expired unexercised.