



**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
(Expressed in Canadian Dollars)

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

*This Management's Discussion and Analysis ("MD&A") of AbraSilver Resource Corp. should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2021. All dollar amounts included in this MD&A are expressed in Canadian Dollars unless otherwise noted. The information contained within this MD&A is current to April 27, 2022.*

## **1. OVERVIEW OF THE COMPANY**

AbraSilver Resource Corp. ("**AbraSilver**" or the "**Company**") is a Canadian-based precious metals exploration company headquartered in Toronto, Canada. The Company was originally 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, ON, M5J 2W4. The Company changed its name to Angel Bioventures Inc. on August 28, 2013. Subsequently on March 23, 2017 the Company changed its name to AbraPlata Resource Corp. and on March 4, 2021 to AbraSilver Resource Corp.

The Company's common shares are listed on TSX Venture Exchange ("**TSX-V**", or the "**Exchange**") under the symbol "**ABRA**", and on the OTCQX under the symbol "**ABBRF**".

Further information about the Company and its operations is available on SEDAR at [www.abrasilver.com](http://www.abrasilver.com) and [www.sedar.com](http://www.sedar.com).

## **2. HIGHLIGHTS**

The Company's key events and highlights from January 1, 2021, to the date of this MD&A, include the following:

- During the first half of the year the Company completed its 15,000-metre, Phase I, diamond drilling program at the Diablillos project, resulting in multiple high-grade silver, gold and copper exploration results.
- On March 4, 2021 the Company announced that has 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 the TSX Venture Exchange (the "TSXV") on March 09, 2021. The Company's ticker symbols remain unchanged.
- On April 1, 2021 the Company announced its Phase II, exploration program at Diablillos will consist of an additional 10,000 metres of diamond drilling.
- On July 21, 2021 the Company announced that effective that day its common shares will commence trading on the OTCQX Best Market in the United States under the symbol ABBRF.
- On August 19, 2021 the Company entered into a letter agreement, through its wholly owned subsidiary, to acquire a 100% interest in the Yaretas property located in San Juan province, Argentina by paying a total of US\$3,025,000 in staged payments over 60 months. This property forms part of the highly-prospective La Coipita Project which encompasses over 70,000 hectares.
- On August 25, 2021 the Company held its Annual and Special Meeting of Shareholders.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**2. HIGHLIGHTS (continued)**

- On September 15, 2021 the Company announced a significant increase in the Mineral Resources Estimate for Diablillos. The updated Measured and Indicated Mineral Resources totalled 1.0 million ounces gold and 90.2 million ounces silver, for a 37% increase in contained gold ounces and an 11% increase in contained silver ounces.
- On October 18, 2021 the Company announced the appointment of Stephen Gatley as an independent member of the Board of Directors.
- On October 28, 2021 the Company announced a doubling of its Phase II drill program at Diablillos to a total of 20,000 metres of diamond drilling.
- On October 29, 2021 the Company filed on SEDAR a National Instrument 43-101 ("NI 43-101") compliant, independent technical report entitled "NI 43-101 Technical Report Mineral Resource Estimate - Diablillos Project". The Report is available for review on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.abrasilver.com](http://www.abrasilver.com))
- On November 29, 2021 the Company announced positive results from a Preliminary Economic Assessment ("PEA") on the Diablillos project. Details of the PEA study are provided in a Technical Report filed under the Company's SEDAR profile entitled, "NI 43-101 Preliminary Economic Assessment Technical Report – Diablillos Project" with an effective date of January 13, 2022.
- From January 1 to December 31 2021, the Company issued 63,783,550 shares after 63,783,550 warrants were exercised at a weighted average exercise price of \$0.20 for net proceeds of \$12,550,774.
- From January 1 to December 31, 2021, the Company issued 975,00 shares after 975,000 Stock Options were exercised at a weighted average price of \$0.07, for net proceeds of \$63,375.
- From January 1 to December 31, 2021, the Company issued 977,278 shares and paid \$216,563 in settlement upon vesting of 1,605,000 Restricted share units ("RSU").

**2. EXPLORATION AND EVALUATION**

**Diablillos Project**

The Diablillos project was acquired by the Company from SSRM in 2016 and covers an area of approximately 79km<sup>2</sup> in the Salta Province of northwestern Argentina and hosts epithermal precious metal mineralization in a number of mineral occurrences. The main deposit is known as Oculito, and this silver-gold deposit is surrounded by various satellite occurrences including the Fantasma silver-rich zone. To the north of Oculito lies the Cerro Viejo – Cerro Blanco copper-gold mineralized zone and its related Northern Arc of gold-rich occurrences.

The Diablillos project lies within the border zone between the Province of Salta and the Province of Catamarca. For many years, the definitive border line between Salta and Catamarca has been in dispute and the Diablillos project falls within territory claimed by both provinces. In 1984, the government of Salta granted mineral rights to the Diablillos project to one of the Company's predecessors-in-title. In the early 2000s, the government of Catamarca granted overlapping mineral rights in the same area to a third party, thereby creating the potential for conflicting titles pending the resolution of the border dispute, a matter falling within the jurisdiction of the federal government under the Constitution of Argentina. Additional details respecting the provincial border dispute and the potentially conflicting titles to the Diablillos project can be found in the Company's Filing Statement dated March 1, 2017, a copy of which is filed under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **3. EXPLORATION AND EVALUATION (continued)**

The Company reached an agreement with the shareholders of Minera Cerro Bayo SA ("Cerro Bayo"), the owner of the conflicting mineral rights granted by the government of Catamarca, to acquire a 100% equity interest in Cerro Bayo, thereby indirectly acquiring ownership and control of the conflicting mineral interests. As consideration, the Company will pay US\$3,325,000 in cash and issue 500,000 common shares of the Company to the shareholders of Cerro Bayo in instalments over an eight-year period. As at the date of this MD&A, US\$1,025,000 has been paid and 500,000 shares have been issued.

#### **Diablillos Q4/2021 Exploration Highlights**

During the fourth quarter ended December 31, 2021, the Company issued several announcements regarding the exploration program, including:

- AbraSilver Intersects 171 g/t AgEq (2.3 g/t AuEq) Over 64.5m in Oxides at Diablillos (news release dated October 5, 2021)
- AbraSilver Continues to Extend Shallow Mineralization in Broad Intercepts Northeast and West of the Main Oculito Zone; 39.5m at 234 g/t AgEq (3.12 g/t AuEq) (news release dated October 13, 2021)
- AbraSilver Reports Wide, High-Grade Intercepts in the Northeast Zone Well Beyond the Whittle Pit Boundary Including 35.5m at 3.11 g/t Gold-Equivalent (news release dated December 13, 2021)

#### **Phase II Drill Program**

On October 28, 2021, the Company announced a doubling in the size of the ongoing Phase II exploration program, which will now consist of approximately 20,000 metres of diamond drilling. The Phase II drill program remains on track to be completed in Q2/2022 and is focused on the following high priority targets at the Oculito Deposit:

- **Northeast Zone:** Step-out drill holes targeting high-grade gold dominant mineralization, which is expected to expand the dimensions of the proposed open pit and potentially form the basis for an underground Mineral Resource in this zone.
- **Tesoro Zone:** Carry out close-spaced drilling in the high-grade silver and gold Tesoro Zone which is expected to convert existing Indicated Mineral Resources to the Measured category.
- **Shallow Mineralization:** Continue to expand Mineral Resources at shallow depths within the proposed open pit margin which is expected to further reduce the strip ratio and associated upfront capital cost, as well as boost the silver and gold production profile in the initial years of the mine plan.

#### **PEA Study for the Diablillos Project**

*Base Case metal prices used in this analysis were \$1,650 per gold ounce ("oz") and \$24.00 per silver oz*

- The PEA considers a 7,000 tonne-per-day ("tpd") operation, with an initial mine life of 16 years. On an after-tax basis, Diablillos generates a Base Case NPV (5%) of US\$364 million, with an IRR of 30.2%.
- The study outlines average annual production of 11.4 million ounces silver-equivalent ("AgEq") over the first five years, and an average of 8.5 million ounces AgEq over the Life-of-Mine.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**3. EXPLORATION AND EVALUATION (continued)**

- Average All-in Sustaining Cash Costs ("AISC") during first five years of \$10.41/oz AgEq; with an average of \$11.97/oz AgEq over the Life-of-Mine.
- Initial Capital Expenditure of \$255.0 million, with payback period of 2.6 years.
- Several potential opportunities have been identified that may significantly further enhance the economic returns.

**La Coipita Project, San Juan, Argentina**

The La Coipita project is located in the San Juan province of Argentina adjacent to the Chilean border. The Company has an option agreement to acquire a 100% interest in the Project which encompasses a large area, totaling approximately 70,000 hectares, in the western portion of the Calingasta Department.

The project is located in a geological setting similar to world-class deposits in the same belt, including the Filo del Sol and Los Azules projects, where porphyry style mineralisation is found immediately beneath epithermal mineralization

On January 24, 2022, the Company announced the commencement of its maiden drill campaign at the La Coipita project. The initial drill program is expected to be completed in May 2022, and results will be announced once they become available.

**4. SELECTED ANNUAL AND QUARTERLY INFORMATION**

For the years ended December 31, 2021, December 31, 2020 and December 31, 2019:

	<b>Year ended December 31, 2021</b>	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Net (loss) income for the year	\$ (18,174,868)	\$ (5,692,380)	\$ (1,541,228)
Basic and diluted earnings (loss) per share	\$ (0.04)	\$ (0.02)	\$ (0.02)
Total assets	\$ 34,661,212	\$ 34,194,092	\$ 12,612,143
Total liabilities	\$ 582,848	\$ 584,144	\$ 1,279,871

The Company has no revenue to report for the years ended December 31, 2021, December 31, 2020 and December 31, 2019.

Below is a summary of information for the eight most recent quarters:

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

**4. SELECTED ANNUAL AND QUARTERLY INFORMATION** (continued)

<b>Quarter Ended</b>	<b>Net income (loss) for the period</b>	<b>Earnings (loss) per share - basic &amp; diluted</b>	<b>Total assets</b>
December 31,2021	\$ (7,907,226)	\$ (0.02)	\$ 34,661,212
September 30,2021	\$ (3,599,403)	\$ (0.01)	\$ 38,834,938
June 30,2021	\$ (4,021,394)	\$ (0.01)	\$ 39,167,151
March 31,2021	\$ (2,646,845)	\$ (0.01)	\$ 35,136,329
December 31, 2020	\$ (1,391,776)	\$ (0.01)	\$ 34,194,092
September 30, 2020	\$ (2,124,439)	\$ (0.01)	\$ 40,958,169
June 30, 2020	\$ (948,528)	\$ (0.00)	\$ 12,000,275
March 31, 2020	\$ (1,227,637)	\$ (0.00)	\$ 11,645,117
	\$ (960,223)	\$ (0.00)	\$ 12,612,143

**5. RESULTS OF OPERATIONS**

The operating results of junior mining companies can fluctuate significantly from period to period. The Company is in the exploration stage and has no revenue from operations.

Three months ended December 31, 2021 ("Q4 2021") is compared to the three months ended December 31, 2020 ("Q4 2020").

During Q4 2021 the net loss increased by \$6,515,450 to \$7,907,226 compared to the net loss recorded during Q4 2020 due mainly to the following:

- Write-Off Mineral Property Acquisition were \$4,402,788 during Q4 2021 related to an impairment of the Arcas Properties compared with \$14,147 for Q4 2020 related to Cerro Amarillo properties Write-Off.
- Evaluation and exploration expenses were \$3,735,223 during Q4 2021 compared to \$2,609,183 for Q4 2020, an increase of \$1,126,040 due to the ongoing Phase II diamond drilling program.
- Share based compensation increased by \$344,322 during Q4 2021 compared to Q4 2020 due to options and RSU granted to Directors, Officers, and Consultants.
- Professional Fees expense decreased by \$175,230 during Q4 2021 compared to Q4 2020, due to activities related to the preparation of the PEA during that period.
- Salary, benefits and director fees expense increased by \$163,354 during Q4 2021 compared to Q4 2020 due to the expansion of corporate activities.
- Consulting fees increased by \$102,433 during Q4 2021 compared to Q4 2020 mainly due to the expansion of the exploration and evaluation activities.
- Office and Administrative expenses increased by \$160,570 during Q4 2021 compared to Q4 2020 due to the expansion of corporate activities increasing the bank and broker fees.
- Investor Relations expenses decreased by \$98,432 during Q4 2021 compared with Q4 2020 due to the reduction of financing and promotion activities.
- Gain on sale of marketable securities reduced by \$657,317 during Q4 2021 compared with Q4 2020 in connection with the transfer in equity instruments to the Argentinian subsidiaries as part of a process used to transfer money to Argentina and convert it into Argentina Pesos at a more favourable exchange rate than the official exchange rate.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**5. RESULTS OF OPERATIONS** (continued)

Twelve months ended December 31, 2021 ("FY 2021") is compared to the Twelve months ended December 31, 2020 ("FY 2020").

During FY 2021 the net loss increased by \$12,482,488 to \$18,174,868 compared to the net loss recorded during FY 2020 due mainly to the following:

- Write-Off Mineral Property Acquisition were \$4,241,796 during FY 2021 related to Arcas and Santo Domingo Properties impairment compared with \$70,203 for FY 2020 related to Cerro Amarillo properties Write-Off.
- Evaluation and exploration expenses were \$13,105,447 during FY 2021 compared to \$4,729,986 for FY 2020, an increase of \$8,375,461 due to increased drilling activity at the Diablillos project.
- Share based compensation increased by \$1,586,645 during FY 2021 compared to FY 2020 due to the options and RSU granted to Directors, Officers and Consultants during the year.
- Office and Administrative expenses increased by \$533,269 during FY 2021 compared to FY 2020 due to the expansion of corporate activities increasing the bank and broker fees.
- Consulting fees increased by \$254,273 during FY 2021 compared to FY 2020 mainly due to the expansion of the exploration and evaluation activities.
- Salary, benefits and director fees expense increased by \$300,982 during FY 2021 compared to FY 2020 due to the expansion of corporate activities.
- Gain on Sale of marketable securities increased by \$2,862,046 during FY 2021 compared with FY 2020 in connection with the transfer in equity instruments to the Argentinian subsidiaries as part of a process used to transfer money to Argentina and convert it into Argentina Pesos at a more favourable exchange rate than the official exchange rate.

**6. MINERAL 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 SSR Mining Inc. ("SSRM") and Fitzcarraldo Ventures Inc. (the "Share Purchase Agreement") 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:

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**6. MINERAL INTERESTS** (continued)

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 180<sup>th</sup> 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):
  - the date on which a Diablillos Feasibility Study in respect of all or any part of the Diablillos Concessions has been obtained;
  - July 31, 2023; and
  - 90 days after demand by SSRM for payment if (a) AbraPlata'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:
  - the date on which Commercial Production occurs in respect of all or any part of the Diablillos Concessions; and
  - 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) to SSRM related to the Diablillos project.

Equity consideration issued to SSRM consisted 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 Share Purchase Agreement provided SSRM an anti-dilution right to maintain 19.9% equity interest in the capital of the Company until the Company completed 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 was no longer obligated to maintain SSRM's free carried equity interest. As consideration for SSRM's agreement to amend the Share Purchase Agreement, 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.

- (2) On August 30, 2017 the Company signed an 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



**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**6. MINERAL INTERESTS** (continued)

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;
10. US\$65,000 on or before October 31, 2022;
11. US\$1,000,000 on or before July 31, 2023; and
12. US\$1,170,000 on or before July 31, 2025.

**(b) Cerro Amarillo project**

On July 14, 2016, AbraPlata Argentina S.A., a wholly owned subsidiary of the Company, signed an agreement for the right to purchase the Cerro Amarillo project located in the province of Mendoza in Argentina. This agreement is a replacement agreement to the one that was entered into in 2010.

The Company made the following payments:

1. US\$25,000 in October 2016, deferred to May 2017 (paid)
2. and will pay US\$25,000 annually every November, starting in November 2017, until the earlier of the ratification of appropriate permits or the receipt of exploration permits given in accordance with the legislature of the province of Mendoza (the "Notification Date"). The Company will then make a series of installments in total of US\$875,000 over 48-month period from the Notification Date. The due date for November 2018 payment was extended to January 10, 2019 and paid during the year ended December 31, 2019.

An exercise fee of US\$2,500,000 will be due by the end of 60 months period from the Notification Date. The underlying owners are also entitled to a 1% NSR royalty which can be purchased back for US\$3,000,000.

Due to uncertainty of the timing for the completion of the glaciers inventory and the ratification of the permits, the Company wrote down the Cerro Amarillo project to \$1 during the fifteen months ended December 31, 2017. During the year ended December 31, 2019, management decided to pursue exploration on the property again and accordingly, commenced capitalizing acquisition costs incurred.

During the year ended December 31, 2020, the management evaluated its project portfolio including the new acquisitions and elected not to continue with the Cerro Amarillo project purchase. As a result, the November 2020 payment was not made, the property was dropped and all prior costs were written off.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**6. MINERAL INTERESTS** (continued)

**(c) La Coipita project**

On January 31, 2020, AbraSilver entered into a letter 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\$165,000 paid) 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
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"), of 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 a letter 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\$50,000 paid) to the optionors ("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
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 Project Owners shall be entitled to collect 1.1% of the net smelter return ("NSR"), of which AbraSilver may purchase for US\$5,000,000 at any time. In Order to exercise this Purchase Option for the Royalty AbraSilver will communicate its decision in a reliable way to the Project Owners.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**6. MINERAL INTERESTS** (continued)

**(d) Arcas Project**

On April 4, 2019, the Company's Chilean subsidiary ("Aethon") announced that it had exercised its option to acquire a 100% interest in the properties

On September 11, 2019, Aethon entered into an Earn-In with Option to Joint Venture 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:

1<sup>st</sup> 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);

2<sup>nd</sup> 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

3<sup>rd</sup> 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 has been satisfactorily fulfilled.

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 1<sup>st</sup> Option; 65% to Rio Tinto and 35% to Aethon upon satisfaction of the 2<sup>nd</sup> Option; or 75% to Rio Tinto and 25% to Aethon upon satisfaction of the 3<sup>rd</sup> 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

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**6. MINERAL INTERESTS** (continued)

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, the Company received notice from Rio Tinto terminating its earn-in option agreement. Rio Tinto made this decision after the initial drill program at Arcas failed to produce significant mineralized intercepts. AbraSilver retains 100% ownership of the Arcas concessions and is evaluating opportunities for strategic partnerships on its Chilean concessions, while the Company remains focused on advancing its Diablillos project and other earlier stage exploration assets in Argentina. As the Company currently has no exploration plans for its Chilean properties it has decided to make an accounting 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.

**(e) Santo Domingo Project**

On August 21, 2020, AbraSilver formalized a letter 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

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

**7. FINANCIAL INSTRUMENTS**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive loss and those measured at amortized cost. Measurement and classification of financial assets is dependent on the

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**7. FINANCIAL INSTRUMENTS (continued)**

Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Company's financial instruments as of December 31, 2021, and December 31, 2020 are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Financial assets</b>		
Cash and Cash equivalents	\$ 19,016,003	\$ 17,087,494
<b>Total financial assets</b>	<b>\$ 19,016,003</b>	<b>\$ 17,087,494</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	\$ 562,770	\$ 530,438
Lease liabilities	20,078	53,706
<b>Total financial liabilities</b>	<b>\$ 582,848</b>	<b>\$ 584,144</b>

Additional financial instruments disclosure, including an analysis of risks associated with financial instruments, is contained in Note 5 of the Company's audited consolidated financial statements for the twelve months ended December 31, 2021 and 2020

**8. LIQUIDITY AND CAPITAL RESOURCES**

**(a) Liquidity**

The Company's working capital as of December 31, 2021, was \$18,788,266 as compared to working capital of \$16,815,632 on December 31, 2020. Included in working capital was cash and cash equivalents of \$19,016,003 (December 31, 2020 - \$17,087,984).

Except as disclosed, the Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the Company's exploration programs and the Company's ability to raise additional capital as required.

The Company is not now and does not expect in the future, to be engaged in currency hedging to offset any risk of currency fluctuations.

**(b) Capital Resources**

The Company's focus for the recently completed fiscal period and going forward is the advancement and development of its exploration projects. The major expenses that will be incurred by the Company in the next twelve months will be costs associated with its exploration activities and general and administrative activities. The Company believe its current working capital is sufficient to maintain its core operations for the next twelve months, and additional funding will be required by the Company to complete its strategic and long-term objectives.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**8. LIQUIDITY AND CAPITAL RESOURCES** (continued)

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. The Company will be relying on further equity financing, debt financing, strategic partnerships or joint-venture partnerships as the most likely source of funds for the advancement of the Company's exploration assets to a resource delineation or feasibility stage. In the future the Company may also receive additional funds through the exercise of stock options and warrants. If adequate funds are not available when required, the Company may, based on the Company's cash position, delay, scale back or eliminate various programs.

There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that future additional financing will be available to the Company at acceptable terms.

**c) Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements other than those disclosed under Mineral Interests.

**d) Commitments**

As of December 31, 2021, 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.

	2022	2023	2024	After 2024
<b>Mineral interest commitments</b>				
Diablillos	\$ 164,814	\$ 1,267,800	\$ -	\$ 10,357,926
La Coipita	348,645	760,680	1,774,920	6,085,440
Total mineral interest commitments	513,459	2,028,480	1,774,920	16,443,366
Minimum office rental payments in Argentina	18,256	12,171	-	-
<b>Total commitments</b>	<b>\$ 531,715</b>	<b>\$ 2,040,651</b>	<b>\$ 1,774,920</b>	<b>\$ 16,443,366</b>

**9. 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:

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

9. **RELATED PARTY TRANSACTIONS** (continued)

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Salaries, benefits and director fees	\$ 285,000	\$ 132,500	\$ 701,250	\$ 410,000
Administration	-	-	-	25,000
Consulting fees	7,500	37,500	30,000	70,000
Professional fees	34,306	35,684	136,506	125,799
Share-based payments	317,380	42,163	1,446,109	241,277
	<b>\$ 644,186</b>	<b>\$ 247,847</b>	<b>\$ 2,313,865</b>	<b>\$ 872,076</b>

As of December 31, 2021, \$142,500 (December 31, 2020 – \$70,000) 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.

10. **OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares without par value. As of April 27, 2022, the Company has 482,239,745 common shares issued and outstanding.

As of April 27, 2022, the Company has 114,921,447 warrants outstanding:

Number of warrants	Exercise Price	Expiry Date
36,375,369	\$ 0.17	July 09, 2022
30,916,583	\$ 0.40	September 01, 2022
21,514,495	\$ 0.27	April 26, 2023
18,175,000	\$ 0.15	May 14, 2023
5,890,000	\$ 0.10	April 8, 2024
2,050,000	\$ 0.10	April 18, 2024

As of April 27, 2022, the Company has:

- 25,195,000 share purchase options outstanding with the weighted average exercise price of \$0.199; 19,153,125 of which are exercisable with the weighted average exercise price of \$0.140.
- 4,360,000 restricted shares units Nil of which are exercisable.

## **11. RISKS AND UNCERTAINTIES**

The Company's exploration activities and related results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding uncertainty due to COVID-19, receiving required permits in Argentina, exploration results, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk.

The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

A summary of the Company's financial instruments risk exposure was provided in Note 6 of the Company's consolidated financial statement for the year ended December 31, 2021. The following are additional risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply.

Metal price volatility may affect the future production, profitability, and financial condition of the Company. Metal prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, global supply and demand, and political economic conditions of major metal consuming countries throughout the world.

The metals market also tends to move in cycles. Periods of high demand, increasing profits and high capacity utilization lead to additional capacity through expansion of existing mines and investment in new mines which results in increased production. This growth increases supply until the market is saturated, leading to declining prices and declining capacity utilization until the cycle repeats. This cyclicity in prices can result in supply/demand imbalances and pressures on mineral prices and profit margins which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Depending on the price of silver, gold, copper, and other metals, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue development and may lose its interest in, or may be forced to sell, one or more of the mineral properties. Future production from the Company's mineral properties will be dependent on metal prices that are adequate to make these properties economically viable. Furthermore, future mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mineral properties.

In addition to adversely affecting any future Mineral Resources and Mineral Reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. If such a reassessment determines that any of the Company's projects are not economically viable, then operations may cease and such projects may never be developed. Even if the projects are ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.



**11. RISKS AND UNCERTAINTIES** (continued)

***AbraSilver may need substantial additional financing in the future and cannot assure that such financing will be available***

To meet its operating costs and to finance its respective future acquisition, exploration, development and operating activities, the Company will require financing from external sources, including from the sale of equity and debt securities, the sale of an interest in one or more of its mineral projects, entering into joint ventures or seeking other means to meet its financing requirements. There can be no assurance that additional funding will be available to the Company or, if available, that such funding will be offered on terms acceptable to the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the respective company may be diluted.

If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities and may not be able to take advantage of acquisition opportunities.

If the Company is unable to complete minimum work obligations on its exploration projects or make required property payments, the projects could be relinquished under applicable exploration project agreements. The failure of the Company to obtain additional financing would have a material adverse effect on its business, financial condition, results of operations or prospects.

***The volatility of the capital markets may affect the Company's access to and cost of capital***

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, particularly those in the resource sector, can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. Increased levels of volatility and resulting market turmoil may adversely impact the Company and its share price.

If the Company is required to access credit markets to carry out their respective development objectives, the state of domestic and international credit markets and other financial systems could affect their respective access to, and cost of, capital. If these credit markets were significantly disrupted, as they were in 2007 and 2008, such disruptions could make it more difficult for the Company to obtain or increase its cost of obtaining capital and financing for its operations. Such capital may not be available on terms acceptable to the Company or at all, which may have a material adverse impact on its business, financial condition, results of operations or prospects.

***Exploration Risk***

The Company may engage in the potential acquisition and exploration of other resource properties, an inherently risky business, and there is no assurance that economic mineral deposits will ever be discovered, or if discovered, subsequently put into production. Most exploration activities do not result in the discovery of commercially mineable deposits.

**11. RISKS AND UNCERTAINTIES** (continued)

***Early Stage of Development***

There is limited financial, operational and other information available with which to evaluate the prospects of the Company. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

***The Company's prospects depend on its ability to attract and retain qualified personnel***

Recruiting and retaining qualified personnel will be critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. The Company believes that it will have the necessary personnel to meet its corporate objectives but, as its business activities grow, it will require additional key financial, administrative, mining and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

***Future mining operations and exploration activities are subject to laws and regulations relating to the protection and remediation of the environment***

The Company's future mining operations and exploration activities are and will be subject to laws and regulations relating to the protection and remediation of the environment. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. These laws, regulations and the governmental policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations and changes to existing laws and regulations (including the imposition of higher taxes and mining royalties) could cause additional expense or capital expenditure, or result in restrictions or delays in the Company's development plans.

The Company cannot give any assurance that, notwithstanding its precautions and careful operating practices, breaches of environmental laws, whether inadvertent or not, or some type of environmental problem will not occur. In the event of any such breach, it is possible that the respective regulatory authority can suspend the rights of the Company, as applicable, to develop its mineral interests.

A breach of environmental laws and regulations may allow governmental authorities and third parties, who have an interest in any future mining operations or the consequences of mining operations, to bring lawsuits based upon damages to project and injury to persons resulting from the environmental impact of the Company's potential future operations which could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

If the Company's environmental compliance obligations were to vary as a result of changes to legislation, or if certain assumptions the Company makes to estimate liabilities are incorrect, or if unanticipated conditions were to arise in the Company's future mining operations, the Company's expenses and other obligations could increase, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

**11. RISKS AND UNCERTAINTIES** (continued)

***As a participant in the resource extraction industry, the Company may face opposition from local and international groups***

There is an increasing level of public concern relating to the effects of mining production on its surroundings, communities, and environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs"), who oppose globalization and resource development and who may not be bound to codes of ethical reporting, can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While the Company will seek to operate in a socially responsible manner, NGOs or local community organizations could direct adverse publicity and/or disrupt its operations in respect of one or more properties, regardless of the Company's successful compliance with social and environmental best practices, due to political factors and/or activities of unrelated third parties on lands in which the Company has an interest or operates.

Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company, as applicable, or its relationships with the communities in which it operates, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***The costs of complying with applicable laws and governmental regulations may have an adverse impact on the Company's business***

The Company's operations and exploration activities will be subject to laws and regulations governing various matters. These include without limitation laws and regulations relating to repatriation of capital and exchange controls, taxation, labour standards and occupational health and safety and historic and cultural preservation.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or the more stringent enforcement thereof, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects by increasing exploration expenses, future capital expenditures or future production costs or by reducing the future level of production, or cause the abandonment of or delays in the development of the Projects.

***Competition in the mining industry may adversely affect the Company***

The mining industry is intensely competitive. The Company will compete with other mining companies, many of which have greater resources and experience. Competition in the mining industry is primarily for: (i) properties which can be developed and can produce economically; (ii) the technical expertise to find, develop, and operate such properties; (iii) labour to operate the properties; and (iv) capital to fund such properties. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund their respective operations and develop their respective properties. The Company's inability to compete with other mining companies for these resources could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

**11. RISKS AND UNCERTAINTIES** (continued)

***The Company's insurance coverage may not cover all of its potential losses, liabilities and damages related to its business and certain risks are uninsured or uninsurable***

The Company's business will be subject to a number of risks and hazards (as further described herein). Although the Company will maintain insurance to protect against certain risks in such amounts as it considers being reasonable, such insurance will likely not cover all the potential risks associated with its activities, including any future mining operations. The Company may also be unable to maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration or production may not be available to the Company on acceptable or any terms. The Company might also become subject to liability for pollution or other hazards which it is not currently insured against and/or in the future may not insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***Mining and mineral exploration is inherently dangerous and subject to factors or events beyond the Company's control***

The Company's business, and any future development or mining operations, will involve various types of risks and hazards typical of companies engaged in the mining industry. These risks will affect the exploration, development and refurbishment activities of the Company, and will affect its business to an even larger extent once commercial mining operations, if any, commence.

Such risks include, but are not limited to: (i) industrial accidents; (ii) unusual or unexpected rock formations; (iii) structural cave-ins or slides and pitfall, ground or slope failures and accidental release of water from surface storage facilities; (iv) fire, flooding and earthquakes; (v) rock bursts; (vi) metals losses; (vii) periodic interruptions due to inclement or hazardous weather conditions; (viii) environmental hazards; (ix) discharge of pollutants or hazardous materials; (x) failure of processing and mechanical equipment and other performance problems; (xi) geotechnical risks, including the stability of the underground hanging walls and unusual and unexpected geological conditions; (xii) unanticipated variations in grade and other geological problems, water, surface or underground conditions; (xiii) labour disputes or slowdowns; (xiv) work force health issues as a result of working conditions; and (xv) force majeure events, or other unfavorable operating conditions.

These risks, conditions and events could result in: (i) damage to, or destruction of, the value of, the Projects or their facilities; (ii) personal injury or death; (iii) environmental damage to the Projects or the properties of others; (iv) delays or prohibitions on mining or the transportation of minerals; (v) monetary losses; and (vi) potential legal liability. Any of the foregoing could have a material adverse effect the Company's business, financial condition, results of operation or prospects.

***Directors and officers may be subject to conflicts of interest***

Certain directors and officers of the Company are or may become associated with other mining and/or mineral exploration and development companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the company with which they serve are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve such a contract. In addition, directors and officers are required

**11. RISKS AND UNCERTAINTIES** (continued)

to act honestly and in good faith with a view to the best interests of their respective company. Some of the directors and officers have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner, or to allocate opportunities that they become aware of to the Company, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***Political instability and hyperinflationary economy***

Political or economic instability, including high inflation rate, or unexpected regulatory change in the countries where the Company's mineral properties are located could adversely affect the business.

***Global pandemic outbreak***

Since January 2020 there has been a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations.

***Russia's military action against Ukraine***

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

**12. SIGNIFICANT ACCOUNTING POLICIES**

The Company's management is required to make judgments in the process of applying the Company's accounting policies in the preparation of its financial statements. In addition, the preparation of the financial statements in accordance with IFRS requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances.

While management believes the estimates are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows. Revisions to estimates and resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**12. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(a) Critical Estimates in Applying Accounting Policies**

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 determination of environmental obligations, if any; and the recoverability of mineral interests.

**(b) Critical Judgments in Applying Accounting Policies**

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

***Functional currency***

In accordance with IAS 21 "*The Effects of Changes in Foreign Exchange Rates*", management determined that the functional currency of AbraPlata Argentina S.A. (former Meryllion Argentina S.A.), Pacific Rim Mining Corporation Argentina S.A., and Minera Cerro Bayo S.A. is Argentine Peso. The functional currency of ABP Global Inc. (BVI) and ABP Diablillos Inc. (BVI) is the US dollar. The functional currency of AbraSilver Resource Corp. Huayra Minerals Corp. and Aethon Minerals Corp. is Canadian dollar. The functional currency of Aethon Minerals Chile SpA is the Chilean Peso.

***Impairment of mineral interests***

The application of the Company's accounting policy for exploration and evaluation expenditure 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.

***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 of the consolidated financial statements for the year ended December 31, 2020.

**(c) Change in Accounting Policy**

During the year ended December 31, 2020, the Company retrospectively changed its accounting policy for the valuation of shares and warrants in a unit placement. Proceeds from unit placements were previously allocated between shares and warrants issued based on the residual value method, with the shares being valued first using the bid price on announcement date.

Under the new policy, proceeds from unit placements are allocated between shares and warrants issued based on the prorated value method, with unit price allocated between warrants and shares prorated based on the

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**12. SIGNIFICANT ACCOUNTING POLICIES (continued)**

fair values of the warrants and shares. Upon expiry of warrants, the fair value of warrants are reclassified to share capital. As required by IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the consolidated financial statements reflect the retroactive application of this accounting policy change, which has no net effect on the net loss for the years ended December 31, 2019 and 2018. Please look at note 4 in the Consolidated Financial Statements.

**13. FORWARD LOOKING STATEMENTS**

Certain of the statements made and information contained herein are considered "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements

listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- the impact of currency fluctuations in Argentina and Chile;
- the impact of increasing competition in gold, silver and copper business;
- unpredictable changes to the market prices for gold, silver and copper;
- exploration and development costs for its properties;
- availability of additional financing or joint-venture partners;
- anticipated results of exploration activities; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A including, uncertainty due to COVID-19, uncertainties relating to receiving mining and exploration permits in Argentina; volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral exploration; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and/or joint venture partners and unpredictable weather conditions.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**13. FORWARD LOOKING STATEMENTS** (continued)

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

**14. DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by consolidated financial statements; and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI- 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**15. SUBSEQUENT EVENTS**

- On February 11, 2022 the Company announced that pursuant to the Company's Share Compensation Plan and regulatory approval, an aggregate of 3,700,000 incentive stock options (the "Options"), exercisable at a price of \$0.375 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. In addition, the Company has granted an aggregate of 1,150,000 restricted share units ("RSU"). The RSU vest in three equal tranches on the 12-month, 24-month and 36-month anniversaries. The RSU entitle the holder to be issued one common share for each vested RSU.



**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2021**  
*(In Canadian Dollars unless otherwise stated)*

---

**15. SUBSEQUENT EVENTS** (continued)

- Subsequent to December 31, 2021 the Company issued 7,219,584 shares after 7,219,584 warrants were exercised at a weighted average exercise price of \$0.225 for net proceeds of \$1,624,675