# SILVERTON METALS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2022 and 2021

*(Unaudited - Expressed in Canadian Dollars)*

## Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# SILVERTON METALS CORP.

Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2022 and December 31, 2021
*(Unaudited - Expressed in Canadian Dollars)*

| | Note | **June 30, 2022 $** | December 31, 2021 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets | | | |
| Cash | | 2,723,593 | 4,128,888 |
| Other receivables | | 248,587 | 130,295 |
| Prepaid expenses and other assets | **5** | 168,903 | 186,838 |
| Total current assets | | 3,141,083 | 4,446,021 |
| Non-Current Assets | | | |
| Exploration and evaluation assets | **6** | 8,539,414 | 7,525,723 |
| Prepaid expenses | **5** | - | 145,645 |
| **Total assets** | | **11,680,497** | 12,117,389 |
| **LIABILITIES** | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | **6,9** | 923,960 | 877,717 |
| Other payables | | 3,962 | 3,962 |
| Deferred purchase consideration - current | **4** | 1,187,076 | 682,841 |
| | | 2,114,998 | 1,564,520 |
| Non-Current Liabilities | | | |
| Deferred purchase consideration | **4** | - | 424,745 |
| Total liabilities | | 2,114,998 | 1,989,265 |
| **SHAREHOLDERS' EQUITY** | | | |
| Common shares | **7** | 12,649,726 | 12,649,726 |
| Contributed surplus | | 2,120,437 | 2,018,338 |
| Accumulated other comprehensive loss | | 122,547 | 2,754 |
| Deficit | | (5,327,211) | (4,542,694) |
| Total shareholders' equity | | 9,565,499 | 10,128,124 |
| **Total liabilities and shareholders' equity** | | **11,680,497** | 12,117,389 |

Nature of operations and going concern (Note 1)
Subsequent event (Note 13)

**APPROVED BY THE BOARD OF DIRECTORS**

*Lowell Kamin (“signed”)* Director   *Gunther Roehlig (“signed”)* Director

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

**SILVERTON METALS CORP.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in Canadian Dollars)*

| | Note | Three Months Ended June 30, 2022 $ | June 30, 2021 $ | Six months ended June 30, 2022 $ | June 30, 2021 $ |
|---|---|---|---|---|---|
| **General and administrative expenses** | | | | | |
| Accounting and audit | **9** | 50,141 | 18,255 | 72,117 | 37,193 |
| Bank charges and interest | | (4,989) | 468 | (4,077) | 973 |
| Exploration Research & Investigation | | 2,915 | - | 2,915 | - |
| Filing and listing fees | | 14,380 | 8,425 | 22,889 | 32,072 |
| Insurance | | 7,539 | 2,657 | 12,321 | 2,657 |
| Investor relations and marketing | | 20,684 | 387,644 | 84,737 | 471,722 |
| Legal and professional fees | | 32,057 | 23,042 | 42,463 | 25,582 |
| Management, consulting and advisory fees | **9** | 216,299 | 224,429 | 460,204 | 288,535 |
| Office and miscellaneous | | 3,578 | 3,820 | 3,881 | 4,268 |
| Rent | **9** | 6,545 | 6,137 | 12,479 | 11,375 |
| Share-based compensation | **7(d),9** | 102,099 | - | 102,099 | 1,482,550 |
| Transfer agent fees | | 3,088 | 6,315 | 4,653 | 17,566 |
| Loss before other items | | (454,336) | (681,192) | (816,681) | (2,374,493) |
| **Other income** | | | | | |
| Foreign exchange gain | | 6,174 | 30,317 | 32,164 | 42,148 |
| **Net loss for the period** | | **(448,162)** | (650,875) | **(784,517)** | (2,332,345) |
| **Other comprehensive loss** | | | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | | | |
| Currency translation differences | | 18,185 | (86,562) | 119,793 | (140,253) |
| **Total other comprehensive profit (loss) for the period** | | **18,185** | (86,562) | **119,793** | (140,253) |
| **Total Comprehensive Loss for the period** | | **(429,977)** | (737,437) | **(664,724)** | (2,472,598) |
| **Weighted average number of common shares outstanding during the period** | **7(f)** | **27,336,500** | 27,336,500 | **27,336,500** | 21,982,273 |
| **Loss per share - basic and diluted** | | **(0.02)** | (0.02) | **(0.03)** | (0.11) |

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

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the three and six months ended June 30, 2022 and 2021
*(Unaudited - Expressed in Canadian Dollars)*

| | Number of shares # | Capital Stock $ | Contributed Surplus $ | AOCI(L)* $ | Deficit $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance - December 31, 2020** | **11,387,500** | **911,706** | **-** | **-** | **(566,467)** | **345,239** |
| - Private placement | 11,574,000 | 9,259,200 | - | - | - | **9,259,200** |
| Less issue costs- cash | - | (732,484) | - | - | - | **(732,484)** |
| Less issue costs - warrants | - | (350,252) | 350,252 | - | - | **-** |
| Shares issued pursuant to qualifying transaction | 4,375,000 | 3,500,000 | - | - | - | **3,500,000** |
| Share-based compensation - stock options | - | - | 1,729,642 | - | - | **1,729,642** |
| Net and comprehensive loss for the period | - | - | - | (140,253) | (2,332,345) | **(2,472,598)** |
| **Balance - June 30, 2021** | **27,336,500** | **12,588,170** | **2,079,894** | **(140,253)** | **(2,898,812)** | **11,628,999** |
| Share issuance costs - warrants | - | 61,556 | (61,556) | - | - | |
| Net and comprehensive loss for the period | - | - | - | 143,007 | (1,643,882) | (1,500,875) |
| **Balance - December 31, 2021** | **27,336,500** | **12,649,726** | **2,018,338** | **2,754** | **(4,542,694)** | **10,128,124** |
| Share-based compensation – stock options | - | - | 102,099 | - | - | 102,099 |
| Net and comprehensive loss for the period | - | - | - | 119,793 | (784,517) | (664,724) |
| **Balance - June 30, 2022** | **27,336,500** | **12,649,726** | **2,120,437** | **122,547** | **(5,327,211)** | **9,565,499** |

* AOCI(L): Accumulated other comprehensive income (loss)

## SILVERTON METALS CORP.

Condensed Interim Consolidated Statements of Cash Flow
For the six months ended June 30, 2022 and 2021
*(Unaudited - Expressed in Canadian Dollars)*

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Operating activities: | | |
| Net loss for the period | (784,517) | (2,332,345) |
| *Items not affecting cash:* | | |
| Interest expense | - | - |
| Share-based compensation | 102,099 | 1,482,550 |
| | (682,418) | (849,795) |
| *Changes in non-cash working capital related to operations:* | | |
| GST receivable | (118,292) | (19,880) |
| Prepaids | 163,580 | (1,388,076) |
| Accounts payable and accrued liabilities | 72,296 | (20,807) |
| Net cash used in operating activities | (564,834) | (2,278,558) |
| Investing activity: | | |
| Investment in exploration and evaluation assets | (821,441) | (1,436,004) |
| Cash acquired on acquisition of Minera Terra Plata | - | 6,737 |
| Net cash used in investing activities | (821,441) | (1,429,267) |
| Financing activity: | | |
| Proceeds from shares issued | - | 9,259,200 |
| Share issuance costs | - | (704,118) |
| Net cash from (used) in financing activities | - | 8,555,082 |
| Increase (decrease) in cash during the period | (1,386,275) | 4,847,257 |
| Foreign exchange effect on cash and cash equivalents | (19,020) | (5,321) |
| Cash – beginning of the period | 4,128,888 | 253,877 |
| **Cash – end of the period** | **2,723,593** | 5,095,813 |

Supplemental Cash Flow Information – Note 10

## 1. Nature of Operations and Going Concern

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

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

*Going Concern*

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements. The Company expects to incur further losses in the development of its business. At June 30, 2022, the Company had a working capital of $1,026,085 (2021 – working capital of $2,881,501), which the Company believes is sufficient to meet its obligations and continue its operations for at least the next twelve months.

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

***COVID-19 and Russian-Ukraine Conflict***

Since the onset of COVID-19 in 2020, and continuing into 2022, significant changes in the stock market have occurred for various reasons linked to the COVID-19 global pandemic. The impacts to the Company of further market changes, arising from COVID-19 are not determinable at this date, however these could be significant to the Company's ability to raise new capital and thus the Company's financial position, results of operations and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted. As at June 30, 2022, COVID-19 has not had a significant negative impact on the Company's operations or ability to raise capital.

During February 2022, Russia launched a large military invasion of Ukraine leading to a disruption in the supply of energy resources, the imposition of sanctions on Russia, increased tension between the West and Russia and financial market uncertainty. These situations had an impact on many entities and the markets for the securities that they issue and the impacts may continue.

## 2. Basis of presentation

### Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021 which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the board of directors for use on August 26, 2022.

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2021.

## 3. Critical accounting estimates and judgement

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and the reported amount of expenses during each year. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended December 31, 2021.

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

Under the terms of a share purchase agreement dated November 16, 2020, as amended January 4, 2021 and February 1, 2021, Silverton acquired from Silver One all of the issued and outstanding shares of KCP, which holds a 100% interest in Minera Terra and, thereby indirectly, the Silver Properties, and, in consideration of which, Silverton agreed to pay Silver One $6,000,000 in cash and shares as follows: (a) pay $1,250,000 in cash on closing (paid March 3, 2021), (b) issue 4,375,000 common shares of Silverton (the "Consideration Shares", issued March 3, 2021), (c) pay $750,000 in cash eighteen months after closing, and (d) pay $500,000 in cash twenty four months after closing. The deferred cash consideration payments are in the form of non-interest promissory notes. The acquisition of the shares of KCP was the Company's

(Unaudited - Expressed in Canadian Dollars)

Qualifying Transaction under the rules of the TSX-V and closed on March 2, 2021. The acquisition of KCP and Minera Terra did not qualify as a business combination and is accounted for as an asset acquisition.

On acquisition of KCP on March 2, 2021, the Company recorded an adjustment to mineral properties of $264,122 of fair value discount applied to the deferred cash consideration, which was estimated using a discount rate of 15%. This discount is being unwound over the period from acquisition of KCP to the date of payment of the deferred cash consideration. During the three months ended March 31, 2022 the Company recognized an unwind of discounting on deferred cash consideration of $38,839 (2021 - $Nil) (Note 6).

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

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

At June 30, 2022 the deferred cash consideration payable is represented as follows:

| | **Due: September 2, 2022** | **Due: March 2, 2023** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Balance, December 31, 2021 | 682,841 | 424,745 | 1,107,586 |
| Unwind of fair value discount (Note 6) | 49,007 | 30,483 | 79,490 |
| **Balance, June 30, 2022** | **731,848** | **455,228** | **1,187,076** |

## 5. Prepaid expenses and other assets

| | **June 30, 2022** | December 31, 2021 |
|---|---|---|
| | **$** | $ |
| Prepaid expenses | **164,554** | 328,280 |
| Other assets | **4,349** | 4,203 |
| | **168,903** | 332,483 |
| Prepaid expenses - non-current | **-** | (145,645) |
| | **168,903** | 186,838 |

## 6. Exploration and evaluation assets

| | Peñasco Quemado | La Frazada | Pluton | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **December 31, 2021** | **4,461,611** | **2,281,679** | **782,433** | **7,525,723** |
| Unwind of discounting on deferred cash consideration (Note 4)* | 51,442 | 27,584 | 464 | 79,490 |
| Consulting (Note 9) | 42,263 | 16,494 | 16,260 | 75,017 |
| Drilling | 165,048 | - | - | 165,048 |
| General exploration | 194,290 | - | - | 194,290 |
| Geology | - | 34,830 | 94,055 | 128,885 |
| Land / recording fees | 156,187 | 3,513 | 83,080 | 242,780 |
| Foreign exchange translation | 87,809 | 35,988 | 4,384 | 128,181 |
| | 697,039 | 118,409 | 198,243 | 1,013,691 |
| **June 30, 2022** | **5,158,650** | **2,400,088** | **980,676** | **8,539,414** |

[1] *The foreign currency translation amount arises from the Company's subsidiary, Minera Terra, incurring exploration expenditures in currencies other than the Canadian dollar while the Company's consolidated financial statements are presented in Canadian dollars, thereby giving rise to foreign currency translation differences upon inclusion of the Canadian dollar equivalent of the foreign currency expenditures in the Company's consolidated financial statements.*

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

* Unwinding of the discount of $79,490 arising from the fair value discount applied to the deferred cash consideration for the acquisition of the Silver Properties (Note 4).

### Peñasco Quemado

The Peñasco Quemado Silver Property is located within the north central portion of the Mexican state of Sonora, south of the American state of Arizona. KCP Minerals holds 100% of the Peñasco Quemado Property through Minera Terra. The property consists of seven mining concessions. The main concessions are contiguous and vary in size for a total property area of approximately 3,746 ha, while the fractional claims are not contiguous. The concessions are subject to bi-annual property taxes (which are paid in January and July), and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the aggregate property tax payable to the Mexican government for the mineral concessions is Mx$ 788,251 per semester (approximately US$ 38,869) every six months which are due on or before the end of January and July respectively. The mineral concessions at Peñasco Quemado expire between October 29, 2028 and September 14, 2056. The property is also subject to annual assessment work expenditure requirements of approximately US$300,000.

### La Frazada

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

**Pluton**

Pluton is a 6,534 ha property comprised of 3 contiguous mining concessions. It is strategically located within the historic “Ojuela-Mapimi Mining District” and lies along the eastern front of the Sierra Madre Oriental in northern Durango. KCP Minerals holds 100% of the Pluton Property through Minera Terra. The concessions are subject to bi-annual property taxes and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the total bi-annual (i.e., twice per year) property tax fee payable to the Mexican government for the property’s concessions is Mx $1,374,848 per semester (approximately US $67,794). At June 30, 2022, there is US $631,700 (CAD $789,372) (December 31, 2021 - US$570,000 (CAD $722,646)) included in accounts payable and accrued liabilities for amounts due with respect to the property taxes. The property is also subject to annual assessment work expenditure requirements of approximately US$1,000,000.

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

***Las Margaritas***

On May 24, 2022 the Company, through its wholly owned subsidiary, KCP, entered into a share purchase agreement with Zapata Exploration Ltd. (“Zapata”) and 0924682 B.C. Ltd. (“0924682”) to acquire the Margaritas Gold-Silver Property (“Margaritas”) by acquiring all of the issued and outstanding shares of Zapata’s Mexican Subsidiary, Impulsora De Proyectos Mineros, S.A. De C.V. (“Impulsora”). Zapata and 0924682 are the legal and beneficial owners of all the issued and outstanding shares of Impulsora (the “IPM Shares”). During the three months ended June 30, 2022, the Company cancelled the previously announced share purchase agreement with Zapata and 0924682 to acquire Margaritas. No consideration was transferred by the Company regarding the proposed acquisition of Margaritas.

## 7. Share Capital

### a) Authorized and issued

Unlimited common shares, without par value

### b) Consolidation

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

### c) Financings:

During the three and six months ended June 30, 2022, there were no shares issued.

During the six months ended June 30, 2021, the following shares were issued:

<u>Brokered and Non-Brokered Private Placement</u>

On January 8, 2021, Silverton, completed its private placement offering through the issuance of 9,250,000 subscription receipts (each, a "Subscription Receipt") at a price of $0.80 per Subscription Receipt for aggregate gross proceeds of $7,400,000 (the “Brokered Private Placement”). The Brokered Private

Placement was completed by a syndicate of underwriters (the "Agents"). As a result of closing of the Qualifying Transaction, each Subscription Receipt automatically converted, on March 2, 2021, into one common share of Silverton (each a “Silverton Share”) and one Silverton common share purchase warrant (each a “Silverton Warrant”). Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of $1.15 per share until March 2, 2024.

In connection with the closing of the Brokered Private Placement, the Agents received a cash commission equal to 6% of the gross proceeds from the Brokered Private Placement. In addition, the Agents received non-transferable common share purchase warrants equal to 6% of the number of Subscription Receipts issued under the Brokered Private Placement (each a “Broker Warrant”). Upon completion of the Qualifying Transaction, each Broker Warrant is exercisable into one Silverton Share at an exercise price of $0.80 for a period of 24 months from the escrow release date. In addition, the Company incurred cash finders’ fees of $647,213, other cash issuance costs of $85,271 and issued 555,000 finders’ warrants with a fair value of $288,696. The fair value of the finders’ warrants was estimated using the Black-Scholes option-pricing model. Weighted average assumptions used in the pricing model were as follows: share price - $0.80; exercise price $0.80; expected life – 2 years; risk-free rate – 0.24%; expected volatility - 132%; expected forfeitures – nil; and expected dividends – nil. The significant estimated assumptions are the expected life which is based on the contractual maturity of the warrants and the expected volatility which is based on a comparable public company’s historical volatility. Share price is the share price on date of issuance.

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

**d) Stock options**

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

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

(Unaudited - Expressed in Canadian Dollars)

The balance of options outstanding and related information for the six months ended June 30, 2022 and 2021 are as follows:

| | Number of options | Weighted average exercise price (per share) | Weighted average remaining life (years) |
|---|---|---|---|
| Balance December 31, 2020 | - | - | - |
| Balance December 31, 2021 | 2,450,000 | $1.00 | 4.17 |
| Cancelled | (500,000) | ($1.00) | - |
| Granted | 880,000 | $0.14 | - |
| Balance June 30, 2022 | 2,830,000 | $0.73 | 4.07 |
| Unvested | - | - | - |
| **Exercisable, June 30, 2022** | **2,830,000** | **$0.73** | **4.07** |

The balance of options outstanding as at June 30, 2022, was as follows:

| Expiry date | Exercise price | Remaining life (years) | Options Outstanding | Unvested | Exercisable |
|---|---|---|---|---|---|
| March 2, 2026 | $1.00 | 3.67 | 1,950,000 | - | 1,950,000 |
| June 13, 2027 | $0.14 | 4.96 | 880,000 | | 880,000 |
| | | | **2,830,000** | **-** | **2,830,000** |

**e) Share Purchase Warrants**

The balance of warrants outstanding and related information for the six months ended June 30, 2022, are as follows:

| | Number of warrants | Weighted average exercise price (per share) | Weighted average remaining life (years) |
|---|---|---|---|
| Balance December 31, 2021 | 12,129,000 | $1.13 | 2.12 |
| Issued | - | - | - |
| Balance June 30, 2022 | 12,129,000 | $1.13 | 1.63 |
| **Exercisable, June 30, 2022** | **12,129,000** | **$1.13** | **1.63** |

The balance of warrants outstanding as at June 30, 2022 was as follows:

| Expiry date | Exercise price | Remaining life (years) | Warrants Outstanding | Exercisable |
|---|---|---|---|---|
| March 2, 2023 | $0.80 | 0.67 | 555,000 | 555,000 |
| March 2, 2024 | $1.15 | 1.67 | 11,574,000 | 11,574,000 |
| | | | **12,129,000** | **12,129,000** |

(Unaudited - Expressed in Canadian Dollars)

### f) Escrowed shares

The total shares held in escrow at September 30, 2020 was 130,000, all of which were contingently returnable to treasury. Upon completion of the Qualifying Transaction (see Note 4), the 130,000 escrow shares were no longer contingently returnable to treasury, but instead are to be released on a time basis with 10% released upon closing of the Qualifying Transaction and a further 15% to be released each subsequent six months thereafter. During the six months ended June 30, 2022, 19,500 and 671,250 shares, respectively, were released from escrow. The 130,000 shares are now included in the calculation of the weighted average number of shares outstanding during the year ended December 31, 2021. The escrowed shares were excluded from the calculation of the weighted average number of shares outstanding during the year ended December 31, 2020. In addition, as part of the closing of the Qualifying Transaction 4,475,000 shares were placed in a time release escrow with 10% released upon closing of the Qualifying Transaction and a further 15% to be released each subsequent six months thereafter. The full number of these additional escrowed shares are included in the calculation of the weighted average number of shares outstanding during the year ended December 31, 2021.

## 8. Capital Management

The Company defines its capital as its shareholders' equity which as at June 30, 2022, totaled $9,565,499 (December 31, 2021 –$10,128,124). The Company manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets.

The Company's capital management objectives, policies and processes have remained unchanged since the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's processes for managing its capital during the six months ended June 30, 2022.

## 9. Related Party Transactions

Key management comprises the directors, officers and consulting geologist of the Company. Compensation paid or accrued to key management or companies controlled by key management personnel during the three and six months ended June 30, 2022 and 2021 are as follows:

| | **Three months ended** | | **Six months ended** | |
|---|---|---|---|---|
| | **June 30, 2022** | June 30, 2021 | **June 30, 2022** | June 30, 2021 |
| | **$** | $ | **$** | $ |
| Professional fees | **18,055** | 10,433 | **28,271** | 19,833 |
| Management, consulting and advisory | **184,359** | 65,452 | **257,886** | 87,330 |
| Share-based compensation | **102,099** | - | **102,099** | 1,306,056 |
| | **304,513** | 75,885 | **388,256** | 1,413,219 |

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

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

(Unaudited - Expressed in Canadian Dollars)

During the three and six months ended June 30, 2022, the Company incurred professional fees of $10,682 and $21,598 (2021 – $6,910 and $13,663) for the provision of non-CFO accounting and advisory support services charged by a company controlled by the former Chief Financial Officer of the Company.

On June 1, 2020 the Company entered into an office rental agreement with a company with a common director. The rental agreement is on a monthly recurring basis for a monthly charge of $1,500, subject to a 5% increase as of June 1, 2021, and may be terminated by either party on 30 days' notice to the other party. As at June 30, 2022, a balance owing to a company with a common director of $1,823 (December 31, 2021 - $nil) is included in accounts payable and accrued liabilities. All transactions with related parties have occurred in the normal course of operations.

Included in accounts payable and accrued liabilities at June 30, 2022 are amounts due to related parties of $26,613 (December 31, 2021 - $10,634) owing to a company controlled by the former CFO for the provision of CFO, and non-CFO accounting and advisory support services and amounts due to key management and former directors and officers– other than the former CFO – for management and consulting fees. These amounts are non-interest bearing and due on normal commercial terms.

## 10. Supplemental cash flow information

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

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. As at, and during the three and six months ended June 30, 2022 and 2021, the following transactions were excluded from the condensed interim consolidated statements of cash flows:

| | **June 30, 2022** | June 30, 2021 |
|---|---|---|
| | **$** | $ |
| **Non-cash investing and financing transactions** | | |
| Share-based compensation included in exploration and evaluation assets | - | 247,093 |
| Change in exploration and evaluation assets included in accounts payable and accrued liabilities | (15,421) | 526,351 |
| Change in exploration and evaluation assets arising from deferred acquisition costs | - | 114,669 |
| Change in exploration and evaluation assets arising from unwind of discount on deferred cash consideration | 79,490 | - |
| Change in exploration and evaluation assets arising from foreign exchange translation | 128,181 | (136,292) |
| Amounts arising from acquisition of Minera Terra: | | |
| - Prepaids and other assets | - | (70,527) |
| - Accounts payable and accrued liabilities | - | 7,085 |
| - Deferred cash consideration payable | - | 1,250,000 |
| - Shares issued as consideration | - | 3,500,000 |
| Deferred share issuance costs and share issuance costs included in accounts payable and accrued liabilities | - | 28,358 |

## 11. Financial instruments

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

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

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, deferred purchase consideration and other payables; the fair values of which, other than deferred purchase consideration, approximates their carrying values due to the short-term nature of these instruments. The fair value of the deferred purchased consideration is estimated to be $1,187,076 at June 30, 2022 (December 31, 2021 - $1,107,586), using a discount rate of 15%.

### Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in paying its financial liabilities. The Company manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. Accounts payable are due under normal commercial terms, typically within 30 days. As at June 30, 2022, the Company had cash of $2,723,593 to settle liabilities of $2,114,998 due within 12 months. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer to Notes 1 for more information regarding the Company's liquidity risk.

### Interest rate risk

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

### Credit risk

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

### Foreign currency risk

The Company conducts its business in Canada and Mexico. A large number of Minera Terra's exploration expenditures, and its funding provided by the Company, are primarily incurred in US dollars. Accordingly, the Company's cash profile and exploration expenditures are exposed to changes in the Canadian dollar/US dollar exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in currencies which are not the functional currency of the economic environment in which the Company or its subsidiaries operate. Based on this exposure as at June 30, 2022 a 5% change in exchange rates could give rise to a change in the net loss by approximately $18,578 (December 31, 2021 - $64,203). The Company does not employ the use of any hedging or other derivative instruments in the management of its foreign currency risk.

The Canadian dollar equivalent of financial assets and financial liabilities denominated in other currencies at June 30, 2022 and December 31, 2021 are shown below.

(Unaudited - Expressed in Canadian Dollars)

| **June 30, 2022** | **USD** | **MXN** | **Total** |
|---|---|---|---|
| ***CAD Equivalent*** | **$** | **$** | **$** |
| *Financial Assets* | | | |
| Canada | 338,566 | - | 338,566 |
| Mexico | 2,940 | 33,921 | 36,861 |
| | 341,506 | 33,921 | 375,427 |
| *Financial Liabilities* | | | |
| Canada | - | - | - |
| Mexico | - | (936) | (936) |
| | - | (936) | (936) |
| **Net foreign currency exposure** | **341,506** | **32,985** | **374,491** |

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

## 12. Segmented Information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at June 30, 2022 and December 31, 2021 is as follows:

| **Identifiable assets** | **June 30, 2022** | December 31, 2021 |
|---|---|---|
| | **$** | $ |
| *Current* | | |
| Canada | 2,784,128 | 4,181,572 |
| Mexico | 356,955 | 264,449 |
| **Total current assets** | **3,141,083** | 4,446,021 |
| *Non-Current* | | |
| Canada | 465,825 | 435,552 |
| Mexico | 8,073,589 | 7,235,816 |
| **Total non-current assets** | **8,539,414** | 7,671,368 |
| **Total assets** | **11,680,497** | 12,117,389 |

(Unaudited - Expressed in Canadian Dollars)

| **Identifiable liabilities** | **June 30, 2022** | December 31, 2021 |
|---|---|---|
| | **$** | $ |
| Canada | 1,296,013 | 1,149,339 |
| Mexico | 818,985 | 839,926 |
| **Total liabilities** | **2,114,998** | 1,989,265 |

Geographic segmentation of the Company's net earnings (loss) for the three and six months ended June 30, 2022 and 2021 is as follows:

| | **Three Months Ended** | | **Six months ended** | |
|---|---|---|---|---|
| | **June 30, 2022** | June 30, 2021 | **June 30, 2022** | June 30, 2021 |
| | **$** | $ | **$** | $ |
| Canada | (432,229) | (609,032) | (792,976) | (2,296,477) |
| Mexico | (15,933) | (41,843) | 8,459 | (35,868) |
| **Net earnings (loss)** | **(448,162)** | (650,875) | **(784,517)** | (2,332,345) |

## 13. Subsequent Event

On July 19, 2022, the Company entered into a letter of intent to acquire all of the issued and outstanding shares of The Wholesome Organic Limited (the "WOL"). WOL owns the Peny Property (the "Property"), comprised of fifteen mineral claims.

Under the terms of the Letter of Intent, the Company has agreed to acquire all of the issued and outstanding shares of WOL and, in consideration of which the Company will issue to the WOL shareholders 13,000,000 common shares (the "Consideration Shares") at a deemed price of $0.095 per share for a total consideration of $1,235,000. The closing of the acquisition is subject to the parties completing due diligence, entering into a definitive agreement and acceptance by the TSX Venture Exchange.