

Consolidated Financial Statements
(Expressed in Canadian dollars)

AFTERMATH SILVER LTD.
(An Exploration Stage Company)

Year ended May 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Aftermath Silver Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Aftermath Silver Ltd. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has no operating revenue, has a history of losses and that if the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of Impairment Indicators of Mineral Properties and Deferred Acquisition Costs

As described in Note 5 and 6 to the consolidated financial statements, the carrying amount of the Company's Mineral Properties and Deferred Acquisition Costs was \$8,453,236 and \$17,262,917, respectively, as of May 31, 2023. As more fully described in Note 2 to the consolidated financial statements, management assesses Mineral Properties for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the Mineral Properties, including mineral concessions related to Deferred Acquisition Costs, is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the Mineral Properties, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to acquire, explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the Mineral Properties.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- evaluating management's assessment of impairment indicators.
- evaluating the intent for the Mineral Properties and Deferred Acquisition Costs through discussion and communication with management.
- reviewing the Company's recent expenditure activity.
- assessing compliance with agreements including vouching cash payments and share issuances.
- evaluating title to ensure mineral concessions underlying the Mineral Properties and Deferred Acquisition Costs are in good standing.

Classification and valuation of Minera Cachinal S.A. Disposal Group

As described in Note 4 to the consolidated financial statements, the carrying amount of the Minera Cachinal S.A. disposal group (the "Assets Held For Sale") was \$2,046,472 as at May 31, 2023. As more fully described in Note 2 to the consolidated financial statements, management classifies disposal groups as assets held for sale when the carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

The principal considerations for our determination that the classification and valuation of the Assets Held For Sale is a key audit matter are that there were estimates and judgments made by management when assessing whether or not the sale is considered highly probable, and whether the Assets Held For Sale carrying value exceeded its recoverable amount. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgements and estimates made by management in their assessment of the likelihood of sale of the Assets Held For Sale and estimation of the recoverable amount.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- reviewing the share purchase agreement and assessing the key terms and conditions of the sale.
- evaluating management's assessment of the likelihood of completion of the sale, including reviewing public disclosure documents of the purchaser.
- assessing management's estimate of the recoverable amount of the Assets Held For Sale.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

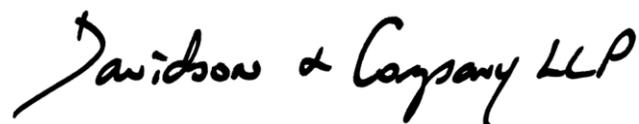
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael MacLaren.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 21, 2023

AFTERMATH SILVER LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	May 31, 2023	May 31, 2022
ASSETS		
Current assets:		
Cash	\$ 4,089,832	\$ 2,827,121
Receivables	28,749	28,904
Prepaid expenses and advances (note 10)	275,119	144,435
Assets held for sale (note 4)	2,046,472	-
	6,440,172	3,000,460
Restricted cash (note 5)	60,060	-
Mineral properties (note 5)	8,453,236	2,493,842
Deferred acquisition costs (note 6)	17,262,917	22,533,888
Equipment (note 7)	50,622	56,395
	\$ 32,267,007	\$ 28,084,585
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 453,929	\$ 522,703
Due to related parties (note 10)	35,848	32,282
Current portion of acquisition costs payable (note 6)	160,670	3,137,200
Promissory notes (note 8)	-	268,355
	650,447	3,960,540
Acquisition costs payable (note 6)	6,552,482	5,593,018
	7,202,929	9,553,558
Shareholders' equity:		
Share capital (note 9)	53,589,975	39,125,203
Reserves	6,510,352	5,942,829
Deficit	(35,036,249)	(26,537,005)
	25,064,078	18,531,027
	\$ 32,267,007	\$ 28,084,585

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"David Terry" Director

"Michael J. Williams" Director

See accompanying notes to the consolidated financial statements.

AFTERMATH SILVER LTD.

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

For the years ended	May 31, 2023	May 31, 2022
Expenses:		
Accounting and legal (note 10)	\$ 206,195	\$ 172,886
Accretion expense (notes 6, and 8)	1,132,533	1,155,730
Conference and exhibition	86,736	81,759
Consulting fees (note 10)	365,093	328,244
Corporate secretarial (note 10)	33,000	33,000
Depreciation (note 7)	16,803	6,452
Directors' fees (note 10)	90,000	88,750
Foreign exchange	645,938	638,268
Geological exploration (note 5)	680,321	273,953
Insurance	17,850	16,427
Investor relations	541,185	348,391
Listing and filing fees	109,025	66,417
Office and sundry (note 10)	158,194	125,052
Pre-acquisition exploration (notes 6 and 10)	2,835,736	4,262,581
Share-based payments (notes 9 and 10)	548,686	793,314
Travel and meals	166,735	131,213
Wages and salaries (note 10)	249,196	248,624
	(7,883,226)	(8,771,061)
Impairment to mineral properties (notes 4 and 5)	(451,958)	-
Modification of acquisition payable (note 6)	(164,060)	-
Loss and Comprehensive loss for the year	\$ (8,499,244)	\$ (8,771,061)
Loss per share – basic and diluted	\$ (0.05)	\$ (0.06)
Weighted average number of shares outstanding - basic and diluted	159,404,203	135,814,199

See accompanying notes to the Consolidated Financial Statements.

AFTERMATH SILVER LTD.

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

	<u>Share Capital</u>				
	Shares	Amount	Reserves	Deficit	Total
May 31, 2021	135,163,863	\$ 38,575,990	\$ 5,351,178	\$ (17,765,944)	\$ 26,161,224
Warrant exercised	802,500	96,300	-	-	96,300
Option exercised	750,000	452,913	(201,663)	-	251,250
Share-based payments	-	-	793,314	-	793,314
Loss for the year	-	-	-	(8,771,061)	(8,771,061)
May 31, 2022	136,716,363	39,125,203	5,942,829	(26,537,005)	18,531,027
Private Placements	57,371,133	12,391,930	-	-	12,391,930
Shares issued for mineral properties (note 5)	6,428,570	1,510,714	-	-	1,510,714
Warrants exercised	6,463,806	1,174,548	-	-	1,174,548
Shares issued as finders' fees	303,139	81,204	-	-	81,204
Share issuance costs – cash	-	(593,583)	-	-	(593,583)
Share issuance costs – shares	-	(81,204)	-	-	(81,204)
Share issuance costs – finders' warrants	-	(18,837)	18,837	-	-
Share-based payments	-	-	548,686	-	548,686
Loss for the year	-	-	-	(8,499,244)	(8,499,244)
May 31, 2023	207,283,011	\$ 53,589,975	\$ 6,510,352	\$ (35,036,249)	\$ 25,064,078

See accompanying notes to the Consolidated Financial Statements.

AFTERMATH SILVER LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the year ended	May 31, 2023	May 31, 2022
Cash flows from operating activities:		
Loss for the year	\$ (8,499,244)	\$ (8,771,061)
Items not affected by cash:		
Share-based payments	548,686	793,314
Modification of acquisition payable	164,060	-
Accretion expense	1,132,533	1,155,730
Depreciation	16,803	6,452
Impairment to mineral properties	451,958	-
Unrealized foreign exchange	681,195	506,571
Changes in non-cash working capital items:		
Receivables	(3,209)	(5,721)
Prepaid expenses and advances	(91,917)	(1,483)
Accounts payable and accrued liabilities	(84,491)	408,508
Due to related parties	3,566	18,605
Cash used in operating activities	(5,680,060)	(5,889,085)
Cash flows from investing activities		
Acquisition of mineral properties	(1,194,601)	-
Purchase of equipment	(11,030)	(62,847)
Additions to restricted cash	(60,060)	-
Payments made towards acquisition costs payable	(3,945,784)	(3,006,355)
Cash used in investing activities	(5,211,475)	(3,069,202)
Cash flows from financing activities		
Proceeds from private placements	12,391,930	-
Proceeds from warrant exercises	1,174,548	96,300
Proceeds from stock option exercises	-	251,250
Repayment of promissory notes	(817,425)	(300,000)
Share issuance costs	(593,583)	-
Cash provided by financing activities	\$ 12,155,470	\$ 47,550
Change in cash	1,263,935	(8,910,737)
Cash included in assets held for sale	(1,224)	-
Cash, beginning of the year	2,827,121	11,737,858
Cash, end of the year	\$ 4,089,832	\$ 2,827,121
Supplemental schedule of non-cash activities		
Fair value of shares issued for mineral properties	\$ 1,510,714	\$ -
Deferred acquisition costs reclassified to mineral properties	\$ 5,270,971	\$ -
Promissory note issued for mineral properties	\$ 500,000	\$ -
Fair value of finders' warrants issued	\$ 18,837	\$ -
Fair value of stock options reclassified to reserves on exercise	\$ -	\$ 201,663

See accompanying notes to the Consolidated Financial Statements.

AFTERMATH SILVER LTD.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended May 31, 2023 and 2022

1. Nature of operations and going concern:

Aftermath Silver Ltd. (“the Company” or “Aftermath”) was incorporated under the laws of British Columbia on January 27, 2011. Its principal business activity is the acquisition, exploration and development of mineral properties. The Company’s shares are currently traded on the TSX Venture Exchange (“TSX-V”) under the symbol AAG and on the OTCQB under the symbol AAGFF. The Company’s registered and records address is: Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

The Company is in the exploration stage and engages principally in the acquisition and exploration of mineral properties. The recoverability of the amounts shown for mineral properties is ultimately dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral properties, obtaining necessary financing to explore and develop the mineral properties, entering into agreements with others to explore and develop the mineral properties, and upon future profitable production or proceeds from disposition of the mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. The Company has no operating revenue and has a history of losses. As at May 31, 2023, the Company has a working capital balance of \$5,789,725. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business. The Company is currently evaluating various opportunities and seeking sources of financing. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations in the long term.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business.

AFTERMATH SILVER LTD.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended May 31, 2023 and 2022

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Unless otherwise stated, amounts are expressed in Canadian dollars.

(a) Basis of presentation (continued):

These consolidated financial statements were authorized for issue by the Board of Directors on September 21, 2023.

(b) Basis of consolidation:

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries Minera Cachinal S.A. ("Minera Cachinal), Aftermath Silver Peru S.A., Minera Aftermath Challacollo Limitada ("MMC"), and Minera ISP S. R.L. de C.V. Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

(c) Cash:

Cash consists of amounts held in bank accounts and highly liquid investments.

(d) Deferred costs:

Costs incurred in relation to transactions that are pending at the end of the reporting period are recognized as deferred costs until the closing of such transactions, or expensed if such transactions do not complete.

(e) Equipment:

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner available for use by the Company. Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

Depreciation is recognized in profit or loss using the declining balance method at the following rates over the assets useful life:

Computer and communications equipment	30%
Field equipment	20%
Office furniture	20%

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

AFTERMATH SILVER LTD.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended May 31, 2023 and 2022

2. Significant accounting policies (continued):

(f) Exploration and evaluation expenditures:

Exploration and evaluation expenditures are recognized in profit or loss. Costs incurred before the Company has obtained legal rights to explore areas of interest are also recognized in profit or loss. Expenditures incurred by the Company in connection with the development of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized. Acquisition costs of mineral properties, such as cash and share consideration and option payments, are capitalized on an individual prospect basis. Amounts received for the sale of mineral properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in income.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the mineral property. If a mineral property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

(g) Financial Instruments:

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company does not have any financial assets designated as FVTPL.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash, restricted cash, and receivables are recorded at amortized cost as they meet the required criteria.

AFTERMATH SILVER LTD.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended May 31, 2023 and 2022

2. Significant accounting policies (continued):

(g) Financial Instruments (continued):

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under the FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally owed, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, due to related parties, acquisition costs payable, and promissory notes.

Compound financial liabilities are bifurcated into their debt and equity components with the debt component being initially measured at the fair value of the debt determined by discounting the cash flows associated with the compound instrument at a market rate of interest for the instrument exclusive of the associated equity feature. The liability portion of a compound financial instruments are subsequently measured at amortized cost. The equity component is allocated the residual value being the difference between the face value of the compound instrument and the fair value of the debt and is recorded in equity reserve until such time as the convertible debt has been repaid or converted to common shares of the Company at which point it is reclassified from equity reserve to contributed surplus or share capital as applicable. Transaction costs incurred for the issuance of compound financial liabilities are allocated to the debt and equity component, as applicable, based on their initial relative fair values.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data

AFTERMATH SILVER LTD.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended May 31, 2023 and 2022

2. Significant accounting policies (continued):

(g) Financial Instruments (continued):

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

(h) Impairment of non-financial assets:

At the end of each reporting period the carrying amounts of the Company's long-lived assets, being mineral property interests and equipment, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(i) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at fair value, being the quoted share price at the time of issuance. When determining the fair value of equity units issued in private placements, the fair value of the common shares issued in private placements is determined to be the more easily measurable component and is valued at fair value, as determined by the closing price on the closing date. The balance, if any, is allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

AFTERMATH SILVER LTD.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended May 31, 2023 and 2022

2. Significant accounting policies (continued):

(j) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(k) Disposal groups held for sale and discontinued operations:

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from these requirements.

An impairment loss is recognized for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of a disposal group, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the disposal group is recognized at the date of derecognition.

Non-current assets, including those that are part of a disposal group, are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss. The sale of Minera Cachinal (note 4) does not represent a disposal of a line of business or area of operations and therefore not considered discontinued operations.

(l) Significant accounting estimates and judgments:

The preparation of financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported periods. The Company reviews its estimates and assumptions regularly; however, actual results could differ from those estimates. Significant judgments are used are as follows:

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2. Significant accounting policies (continued):

(l) Significant accounting estimates and judgments (continued):

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment based on historical experience. Significant judgments are used in the Company's assessment of its ability to continue as a going concern, which are described in Note 1, and recording deferred acquisition costs and acquisition costs payable pursuant to binding agreements.

Functional currency

The functional currency of an entity is assessed on a standalone basis to determine the economic substance of the currency in which each entity performs its operations and is described in note 2(m).

Acquisition of subsidiary entities

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. During the year ended May 31, 2023, the Company completed the acquisition of MMC (note 5) and determined that the transaction did not qualify as a business combination under IFRS 3, "Business Combinations."

Deferred Income tax

The determination of income tax is inherently complex and requires making certain judgments about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Mineral properties

The recognition of mineral properties requires judgments regarding future recoverability and carrying cost. The cost model is utilized and the value of the mineral properties is based on the acquisition expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Disposal of subsidiary

Judgment is required in the determination of whether the disposal group's operations represent discontinued operations per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The Company determined that discontinued operations was not appropriate (note 2(k)).

Significant accounting estimates are used as follows:

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2. Significant accounting policies (continued):

- (l) Significant accounting estimates and judgments (continued):

Share-based payments

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Shares issued in non-cash transactions

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

- (m) Foreign currency transactions:

The presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions of the Company denominated in other currencies are translated into the relevant functional currency using the exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date and the related foreign exchange gains or losses are recognized in profit or loss.

- (n) Loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year.

The computation of the diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of outstanding options and warrants and their equivalents assumes that the proceeds on exercise would be used to purchase common shares at the average market price during the year.

Since the Company has losses, the effect of outstanding warrants and stock options has not been included in this calculation as it would be anti-dilutive.

- (o) Income taxes:

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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2. Significant accounting policies (continued):

(o) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Share-based payments:

The Company has a stock option plan. The cost of stock options granted to employees and directors for services received is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in the share-based payment reserve in shareholders' equity.

Share based compensation arrangements in which the Company receives other goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

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3. New and revised standards and interpretations:

There are no IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Assets held for sale:

Minera Cachinal, Chile

During the year ended May 31, 2020, the Company acquired a 100% stake in the Cachinal De La Sierra silver-gold project (the "Cachinal property") located in Chile, through the acquisition of an 80% ownership in Minera Cachinal S.A. ("Minera Cachinal") from Halo Labs Inc. ("Halo") and the acquisition of the 20% in ownership from SSR Mining Inc. ("SSR"). The value attributed to the property was \$2,493,842.

On February 14, 2023, the Company entered into a definitive agreement with Honey Badger Silver Inc. ("Honey Badger") to sell its 100% interest in Minera Cachinal for 3,508,771 common shares of Honey Badger and \$652,000 cash on the closing of the transaction, and a promissory note, payable in cash or shares, as follows:

- a) \$200,000 on or before May 31, 2023 (not received);
- b) \$400,000 on or before March 31, 2024; and
- c) \$400,000 on or before September 30, 2024.

In connection with the acquisition Minera Cachinal, Honey Badger has agreed to grant the Company with a 1% net smelter returns royalty (with a complete buy-back option in favour of Honey Badger for C\$8,500,000) as well as a production payments royalty upon commencement of commercial production at Cachinal, payable, in cash or shares at Aftermath's option, of C\$0.50 per payable silver ounce produced at the Cachinal Project, until an aggregate of C\$2,500,000 has been paid, at which point the production payments royalty will terminate.

As at the date of these financial statements, the transaction has not yet closed and the Company retains its 100% interest in Minera Cachinal.

Management determined the assets of Minera Cachinal meet the definitions of assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." Consequently, the assets of Minera Cachinal were classified as a disposal group. As at May 31, 2023, Minera Cachinal did not hold any liabilities.

In accordance with IFRS 5, on the reclassification of disposal groups as assets held for sale and discontinued operations, the Company remeasured the net assets of Minera Cachinal to fair value less costs of disposal estimated based on the expected proceeds of disposition. During the year ended May 31, 2023, an impairment of \$451,958 was recognized against mineral properties within assets held for sale, which is included in profit or loss for the year.

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4. Assets held for sale (continued):

A breakdown of assets held for sale for the year ended May 31, 2023 is as follows:

	May 31, 2023
Assets held for Sale	
Cash	\$ 1,224
Accounts receivable	3,364
	<u>4,588</u>
 Mineral properties	 <u>2,041,884</u>
 Total assets held for sale	 <u>\$ 2,046,472</u>

5. Mineral Properties:

Challacollo Property Acquisition, Chile

On November 8, 2019, the Company entered into a share purchase agreement with Mandalay Resources Corp. ("Mandalay"), pursuant to which the Company will acquire Minera Mandalay Challacollo Limitada ("MMC"), which owns the Challacollo silver-gold project in Chile.

In consideration, the Company will pay Mandalay a total of \$7,500,000, consisting of \$1,000,000 in cash on or before July 31, 2020 (paid), \$1,000,000 in cash on or before December 30, 2020 (paid), a final payment of \$5,500,000 (of which up to \$2,750,000 may be paid in shares at Mandalay's option) on or before April 30, 2021, and a net smelter royalty ("NSR") of 3% capped at \$3,000,000. The Company elected, at an additional cost of \$500,000, to vary the final payment of \$5,500,000 such that \$3,000,000 (of which up to \$1,500,000 may be paid in shares at the Company's option) is due on or before April 30, 2021, and \$3,000,000 (of which up to \$1,500,000 may be paid in shares at the Company's option), including the aforementioned additional cost of \$500,000, was due on or before April 30, 2022. During the year ended May 31, 2021, the Company made this election and paid cash in the amount of \$1,500,000 and issued 2,054,794 common shares with a fair value of \$1,397,260. The cumulative share issuances pursuant to the agreement may not exceed 49% of the Company's issued and outstanding shares.

During the year ended May 31, 2023, the Company closed the Challacollo Property Acquisition and acquired a 100% interest in MMC, by paying \$1,000,000, issuing a \$500,000 promissory note (note 8), and issuing 6,122,448 common shares valued at \$1,438,775. The promissory note, which bore interest at 12% per annum and was due on or before December 31, 2022, was paid during the year. Subsequent to the acquisition, the Company changed the name of MMC to Minera Aftermath Challacollo Limitada.

The Company had agreed to pay a finder's fee of \$407,500 (paid \$282,500 as at May 31, 2022). During the year ended May 31, 2023, the Company entered a settlement agreement on the finder's fee whereby it paid \$75,000 in cash and issued 306,122 common shares valued at \$71,939 (note 9). During the year ended May 31, 2023, the Company incurred transaction costs of \$119,666. On close of the acquisition, the Company reclassified \$5,270,971 from deferred acquisition costs to mineral properties.

Prior to acquisition of MMC, all exploration costs related to the Challacollo project were included within pre-acquisition exploration costs (note 6).

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5. Mineral Properties (continued):

MMC is not considered to be a business under IFRS 3 *Business Combinations*; accordingly, the Challacollo Property Acquisition is accounted for as an asset acquisition.

Consideration:	
Cash	\$ 1,000,000
Fair value of common shares issued	1,438,775
Promissory note issued	500,000
Finder's fees	146,939
Transaction costs	119,666
Costs previously incurred and reclassified from deferred acquisition costs	<u>5,270,971</u>
	<u>8,476,351</u>
Net assets of MMC acquired:	
Cash and other current assets	65
Prepaid expenses and advances	38,767
Mineral Property	8,453,236
Accounts payable and accrued liabilities	<u>(15,717)</u>
Total net assets acquired	<u>\$ 8,476,351</u>

The Company incurred the following exploration expenditures on the Cachinal and Challacollo Mineral projects during the years ended May 31, 2023, and 2022:

Year ended May 31, 2023	Cachinal Project	Challacollo Project	Total
Analysis	\$ -	\$ 9,562	\$ 9,562
Field supplies and equipment	-	6,185	6,185
Field staff and benefits	-	6,120	6,120
General and administrative	44,577	26,072	70,649
Geological consulting	34,659	85,658	120,317
Legal fees	166,669	41,583	208,252
Maps and reports	-	3,423	3,423
Permits and licenses	59,912	125,121	185,033
Travel and meals	-	2,504	2,504
Value-added tax	-	68,276	68,276
	<u>\$ 305,817</u>	<u>\$ 374,504</u>	<u>\$ 680,321</u>

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5. Mineral Properties (continued):

Year ended May 31, 2022	Cachinal Project
Analysis	\$ 1,733
General and field office administration	80,052
Geological consulting	51,796
Legal fees	68,800
Maps and reports	2,062
Permits and licenses	69,510
	<u>\$ 273,953</u>

A continuity of mineral properties for the years ended May 31, 2023 and 2022 is as follows:

	Cachinal Project	Challacollo Project	Total
Balance, May 31, 2021 and 2022	\$ 2,493,842	\$ -	\$ 2,493,842
Acquisition of MMC	-	8,453,236	8,453,236
Impairment (note 4)	(451,958)	-	(451,958)
Reclassified to assets held for sale (note 4)	(2,041,884)	-	(2,041,884)
Balance, May 31, 2023	<u>\$ -</u>	<u>\$ 8,453,236</u>	<u>\$ 8,453,236</u>

During the year ended May 31, 2023, the Company made deposits of CLP 35,586,960 (\$60,060) to the Chilean Ministry of National as security for reclamation requirements.

6. Deferred acquisition costs, Investigation costs:

Berenguela Property Acquisition, Peru

On July 22, 2020, the Company entered into a binding Letter of Intent (the "LOI") with SSR to acquire 100% of the Berenguela silver-copper project located in Puno, Peru, through the purchase of 100% of SSR's shares in its Peruvian holding company, Sociedad Minera Berenguela S.A ("SMB"). On September 30, 2020, the acquisition agreement with SSR was signed.

The Company has agreed to pay US\$12,725,000 made in staged cash payments, 4,287,049 Aftermath Silver common shares, and a sliding scale net NSR on production, as follows:

- i. US\$1,000,000 deposit, to be paid withing 48 hours of signing the LOI (*paid – CAD \$1,341,670*);
- ii. US\$725,000 cash on the initial closing date (*paid – CAD \$953,375*) and 4,287,049 Aftermath common shares (*issued with value of \$4,029,826*);
- iii. US\$2,250,000 cash to be paid on November 30, 2021 (*paid – CAD\$2,862,585*);
- iv. US\$2,500,000 cash to be paid on November 30, 2023 (*paid - CAD\$3,403,900 - amended from November 30, 2022, as per discussion below*);
- v. US\$3,000,000 cash to be paid on May 15, 2025 (*amended from November 30, 2024, as per discussion below*);

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6. Deferred acquisition costs, Investigation costs (continued):

- vi. Completion of a Preliminary Feasibility Study (“PFS”) and filing on SEDAR of a NI 43-101 technical report summarizing the PFS by November 30, 2024;
- vii. US\$3,250,000 cash to be paid on November 30, 2026;
- viii. A sliding scale NSR on all mineral production from the Berenguela Project for the life of mine commencing at the declaration of commercial production, based on the following:
 - a. 1.0% NSR, on all mineral production when the Silver Market Price is up to and including US\$25/ounce; and
 - b. 1.25% NSR on all mineral production when the Silver Market Price is over US\$25/ounce and when the Copper Market Price is above \$2.00/lb.

During the year ended May 31, 2023, the Company entered into an agreement whereby the payment of US\$2,500,000 original due on November 30, 2022, was deferred by one year to November 30, 2023. In consideration for the deferral, the Company paid US\$400,000 (\$541,884). Upon entering into the amending agreement, the Company recognized an increase in acquisition costs payable of \$157,739.

On July 12, 2023, the Company entered into a further agreement whereby it made the US\$2,500,000 payment due on November 30, 2023 early in exchange for deferment of the November 30, 2024 payment of US\$3,000,000 to May 15, 2025. Upon entering into the amending agreement, the Company recognized an increase in acquisition costs payable of \$6,321.

On the initial closing date, the Company recognized a total of \$10,300,701 to deferred acquisition costs related to the present value of future US\$11,000,000 in payments plus US\$550,000 in future finders’ fees discounted using a rate of 12%.

A continuity of acquisition costs payable for the years ended May 31, 2023 and 2022, is as follows:

Acquisition costs payable	May 31, 2023	May 31, 2022
Acquisition costs payable, beginning of the year	\$ 8,730,218	\$ 10,134,667
Amendment to acquisition costs payable	164,060	-
Payments towards acquisition costs payable	(3,945,784)	(2,862,585)
Payments of finders’ fees	-	(143,770)
Accretion expense	1,083,463	1,095,335
Foreign exchange recognized	681,195	506,571
	6,713,152	8,730,218
Current portion of acquisition costs payable	(160,670)	(3,137,200)
Acquisition costs payable, end of the year	\$ 6,552,482	\$ 5,593,018

The Company has agreed to pay a finders’ fee of US\$659,478 over the term of the agreement of which US\$109,478 (\$144,347) has been paid to date, and issue 346,279 common shares (issued during the year ended May 31, 2021, with a value of \$415,535).

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6. Deferred acquisition costs, Investigation costs (continued):

Ownership in SMB will not transfer until such time the Company has completed its payments. Up until the point ownership transfers, all of the Company's exploration costs towards the Berenguela project are included in pre-acquisition exploration costs as they are not required pursuant to the acquisition agreement.

The Company incurred the following pre-acquisition exploration costs for the year ended May 31, 2023 and 2022:

Year ended May 31, 2023	Berenguela Project
Analysis	\$ 347,979
Field supplies and equipment	119,648
Field staff and benefits	1,146,988
General and administrative	111,071
Geological consulting	517,900
Legal fees	57,465
Maps and reports	38,417
Permits and licences	145,434
Travel and meals	194,830
Value-added tax	156,004
	\$ 2,835,736

Year ended May 31, 2022	Challacollo Project	Berenguela Project	Total
Analysis	\$ 127,572	\$ 118,371	\$ 245,943
Drilling	-	1,427,815	1,427,815
Field supplies and equipment	18,254	164,853	183,107
Field staff and benefits	-	510,907	510,907
General and administrative	8,058	27,335	35,393
Geological consulting	90,354	524,215	614,569
Legal fees	60,846	64,992	125,838
Maps and reports	1,031	49,559	50,590
Permits and licences	105,988	382,109	488,097
Travel and meals	2,819	197,271	200,090
Value-added tax	-	380,232	380,232
	\$ 414,922	\$ 3,847,659	\$ 4,262,581

Deferred acquisition costs incurred as at May 31, 2023 and May 31, 2022 are as follows:

	Challacollo Project	Berenguela Project	Total
Balance, May 31, 2021 and 2022	\$ 5,270,971	\$ 17,262,917	\$ 22,533,888
Reclassified to mineral properties	(5,270,971)	-	(5,270,971)
Balance, May 31, 2023	\$ -	\$ 17,262,917	\$ 17,262,917

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7. Equipment:

	Office Furniture	Computer & Comms Equipment	Field Equipment	Total
Cost				
Balance, May 31, 2021	\$ -	\$ -	\$ -	\$ -
Additions	5,552	28,063	29,232	62,847
Balance, May 31, 2022	5,552	28,063	29,232	62,847
Additions	10,245	785	-	11,030
Balance, May 31, 2023	15,797	28,848	29,232	73,877
Accumulated Depreciation				
Balance, May 31, 2021	-	-	-	-
Depreciation	232	3,546	2,674	6,452
Balance, May 31, 2022	232	3,546	2,674	6,452
Depreciation	2,774	8,124	5,905	16,803
Balance, May 31, 2023	3,006	11,670	8,579	23,255
Net Book Value				
May 31, 2022	\$ 5,320	\$ 24,517	\$ 26,558	\$ 56,395
May 31, 2023	\$ 12,791	\$ 17,178	\$ 20,653	\$ 50,622

8. Promissory notes

In connection with the acquisition of Minera Cachinal (Note 4), the Company issued a promissory note for \$600,000 payable as follows: \$50,000 on execution (paid), \$50,000 on the first-year anniversary (paid), \$300,000 on the two-year anniversary (paid), and \$300,000 (paid) on the three-year anniversary. The Company recognized a fair value acquisition payable of \$547,335 on the date of the acquisition using a discount rate of 12%.

In connection with the acquisition of MMC during the year ended May 31, 2023 (Note 4), the Company issued a promissory note for \$500,000 bearing interest at 12% and due on or before December 31, 2022. The Company recognized a fair value of \$500,000 using a discount rate of 12%. During the year ended May 31, 2023, the Company settled the note by paying \$517,425 inclusive of interest.

A continuity for promissory notes is as follows:

	May 31 2023	May 31, 2022
Promissory notes, beginning of year	\$ 268,355	\$ 507,960
Additions	500,000	-
Payments	(817,425)	(300,000)
Accretion expense	49,070	60,395
Current portion of promissory notes	-	268,355
	-	(268,355)
Promissory notes, end of year	\$ -	\$ -

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9. Share capital:

(a) Authorized share capital:

Unlimited number of voting common shares without par value.

(b) Issued share capital:

Share issuance for the year ended May 31, 2023:

- a) The Company issued 6,122,448 common shares with a fair value of \$1,438,775 on the closing of the Challacollo Property Acquisition (note 5);
- b) The Company issued 306,122 common shares with a fair value of \$71,939 as finders' fees in connection with the closing of the Challacollo Property Acquisition (note 5);
- c) The Company closed a non-brokered private placement by issuing 24,385,666 units at a price of \$0.17 per unit for gross proceeds of \$4,145,563. Each unit consists of one common share and one-half of a common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.27 for a period of two years. The Company paid or accrued finders' fees of \$77,135 and issued 245,739 finders' shares with a fair value of \$66,350. In connection with the private placement, the Company incurred additional closing costs of \$44,749; and
- d) The Company closed two tranches of a non-brokered private placement by issuing 32,985,467 units at a price of \$0.25 per unit for gross proceeds of \$8,246,367. Each unit consists of one common share and one-half of a common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.35 for a period of two years. The Company paid or accrued finders' fees of \$361,333, issued 57,400 finders' shares with a fair value of \$14,854, and granted 200,410 finders' warrants with the same terms as the unit warrants and a fair value of \$18,837. The finders' warrants were valued using the Black-Scholes valuation model with the following inputs: exercise price of \$0.35, life of two years, volatility of 81.83%, and discount rate of 3.54%. In connection with the private placement, the Company incurred additional closing costs of \$110,366.

Excluding option and warrant exercises, there were no share issuances for the year ended May 31, 2022.

(c) Warrants:

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2021	15,842,505	\$ 0.21
Exercised	(802,500)	0.12
Balance, May 31, 2022	15,040,005	0.22
Issued	28,885,975	0.32
Exercised	(6,463,806)	0.18
Expired	(655,000)	0.12
Balance, May 31, 2023	36,807,174	\$ 0.30

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9. Share capital (continued):

(c) Warrants (continued):

At May 31, 2023, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
7,921,199	\$0.25	November 14, 2023 ¹
12,192,832	\$0.27	November 21, 2024
12,970,133	\$0.35	May 3, 2025
3,723,010	\$0.35	May 15, 2023
36,807,174		

1. During the year ended May 31, 2023, the expiration date of these warrants was extended from November 14, 2022, to November 14, 2023.

(d) Stock options:

The Board of Directors may grant options to purchase shares from time to time, subject to the aggregate number of common shares of the Company issuable under all outstanding stock options of the Company not exceeding 10% of the issued and outstanding common shares of the Company at the time of the grant.

The options are exercisable over periods of up to ten years to buy shares of the Company at a price not less than the closing market price prevailing on the date the option is granted, less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the TSX-V.

Stock option transactions are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, May 31, 2021	11,112,500	\$ 0.56
Granted	1,150,000	0.65
Exercised	(750,000)	0.335
Balance, May 31, 2022	11,512,500	0.59
Granted	4,000,000	0.34
Expired / Cancelled	(362,500)	0.80
Balance, May 31, 2023	15,150,000	\$ 0.52
Exercisable, May 31, 2023	11,962,500	\$ 0.56

At May 31, 2023, stock options were outstanding enabling holders to acquire common shares as follows:

Number of Stock Options	Exercise Price	Expiry Date
4,900,000	\$0.335	December 11, 2024
5,100,000	\$0.80	October 9, 2025
700,000	\$0.65	June 16, 2026
450,000	\$0.65	October 27, 2026
3,250,000	\$0.35	December 5, 2027
750,000	\$0.30	March 16, 2028
15,150,000		

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9. Share capital (continued):

(e) Share-based payments:

During the year ended May 31, 2023, the Company granted a total of 4,000,000 (2022 – 1,150,000) stock options with a weighted average fair value of \$0.18 per option (2022 – \$0.65). For the year ended May 31, 2023, the Company recognized share-based payments expense of options granted and vesting of \$548,686 (2022 - \$793,314).

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted:

	May 31, 2023	May 31, 2022
Risk-free interest rate	3.50%	0.85%
Expected life of option	3.0 years	2.5 years
Expected annualized volatility	98.20%	112.14%
Dividend	-	-

10. Related party balances and transactions:

Key management personnel consist of directors and senior management including the Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

During the year ended May 31, 2023 and 2022, the Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	May 31, 2023	May 31, 2022
Accounting and legal	\$ 88,500	\$ 72,000
Consulting	213,751	203,950
Geological consulting fees included in pre-acquisition exploration	130,233	80,494
Corporate secretarial	33,000	33,000
Directors' fees	90,000	88,750
Share-based payments	397,646	509,965
Wages and salaries	240,000	240,000
	<u>\$ 1,193,130</u>	<u>\$ 1,228,159</u>

In addition, payments to companies with common directors and officers for rent, office, and administration totaled \$76,102 (2022 - \$75,889).

As at May 31, 2023, due to related parties included \$35,848 (2022 - \$32,282) due to key management personnel. As at May 31, 2023, \$22,960 (2022 - \$nil) in advances to related parties was included within prepaid expenses and advances.

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11. Financial instruments:

The carrying values of cash, receivables, restricted cash, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short terms to maturity. The promissory notes and acquisition costs payable was valued using a valuation technique.

(a) Financial instrument risk exposure and risk management:

Credit risk

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, restricted cash, and receivables. The carrying value of these instruments represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions. The Company's receivables related to GST receivable in Canada and VAT receivable in Peru. As the only amounts owing are from government agencies, the Company has determined the credit risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined in note 11(b) of these consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing financial assets as at May 31, 2023.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity.

The Company's main risks are associated with fluctuations in the US dollar ("US"), the Chilean peso ("CLP"), the Peruvian Sol ("PEN"), and the Mexican peso ("MXN"). The Company does not enter into any foreign exchange hedging contracts. As at May 31, 2023, the Company had foreign current assets totaling approximately CLP86,420,395 and PEN395,856 and amounts payable totaling approximately US\$4,959,112, CLP1,971,181, PEN506,616 and MXN263,984. The Company has determined that a 10% increase or decrease in these currencies against the Canadian dollar on these instruments, as at May 31, 2023, would result in a \$666,512 change to profit or loss for the year.

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11. Financial instruments (continued):

(b) Capital management:

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's exploration and evaluation of its resource properties and support any expansion plans. The capital of the Company consists of the items included in shareholders' equity.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its financial objectives. Notwithstanding the risks described in note 1 of the consolidated financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

12. Income taxes:

(a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	May 31, 2023	May 31, 2022
Statutory rate	27%	27%
Recovery of income taxes based on statutory tax rates	\$ (2,295,000)	\$ (2,368,000)
Changes in statutory, foreign tax, foreign exchange rates and other	427,000	179,000
Non-deductible and other items	262,000	178,000
Share issuance costs	(160,000)	(273,000)
Changes in unrecognized deductible temporary differences	1,766,000	2,284,000
Total income tax (recovery) expense	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

(b) Deferred tax assets have not been recognized as at May 31, 2023 and 2022 in respect of the following items:

	May 31, 2023	May 31, 2022
Exploration and evaluation assets	\$ 2,862,000	\$ 1,926,000
Property and equipment	41,000	26,000
Share issuance costs	259,000	207,000
Non-capital losses available for future periods	2,669,000	1,906,000
	5,831,000	4,065,000
Unrecognized deferred tax assets	(5,831,000)	(4,065,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

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12. Income taxes (continued):

	May 31, 2023	Expiry Date	May 31, 2021	Expiry Date
Temporary Differences				
Exploration and evaluation assets	\$ 7,546,000	No expiry date	\$ 6,756,000	No expiry date
Property and equipment	138,000	No expiry date	87,000	No expiry date
Share issuance costs	958,000	2024 to 2027	765,000	2023 to 2025
Non-capital losses available for future periods	12,185,000	2031 to 2042	6,991,000	2031 to 2041
Canada	11,404,000	2031 to 2042	6,391,000	2031 to 2041
Mexico	712,000	2024 to 2032	594,000	2022 to 2031
Peru	69,000	Indefinite	6,000	Indefinite

13. Segmented information:

The Company operates in one segment, the acquisition and exploration of mineral properties. Geographical information can be found in notes 4, 5, and 6. All of the Company's equipment is located in Peru.