

Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian dollars)

AFTERMATH SILVER LTD.

(An Exploration Stage Company)

Three months ended August 31, 2021 and 2020

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

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

AFTERMATH SILVER LTD.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

As at	August 31, 2021	May 31, 2021
ASSETS		
Current assets:		
Cash	\$ 11,215,073	\$ 11,737,858
Receivables	41,833	23,183
Prepaid expenses and advances (note 8)	104,744	142,952
	11,361,650	11,903,993
Mineral property (note 4)	2,493,842	2,493,842
Deferred acquisition costs (note 5)	22,533,888	22,533,888
	\$ 36,389,380	\$ 36,931,723
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 129,635	\$ 114,195
Due to related parties (note 8)	13,861	13,677
Current portion of acquisition costs payable (note 5)	2,816,559	2,694,874
Current portion of promissory note (note 4)	275,555	267,856
	3,235,610	3,090,602
Acquisition costs payable (note 5)	8,080,127	7,439,793
Promissory note (note 4)	247,125	240,104
	11,562,862	10,770,499
Shareholders' equity:		
Share capital (note 7)	38,623,990	38,575,990
Reserves	5,802,071	5,351,178
Deficit	(19,599,543)	(17,765,944)
	24,826,518	26,161,224
	\$ 36,389,380	\$ 36,931,723

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 condensed consolidated interim financial statements.

AFTERMATH SILVER LTD.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

For the three months ended	August 31, 2021	August 31, 2020
Expenses:		
Accounting and legal (note 8)	\$ 65,608	\$ 26,754
Accretion expense (notes 4, 5, and 6)	315,012	14,439
Conference and exhibition	-	5,980
Consulting fees (note 8)	117,046	87,930
Corporate secretarial (note 8)	8,250	6,000
Directors' fees (note 8)	21,250	9,000
Foreign exchange (recovery)	452,736	761
Geological exploration (note 4)	55,823	85,147
Insurance	4,000	3,625
Investor relations	74,869	163,535
Listing and filing fees	15,617	27,511
Office and sundry (note 8)	22,114	21,759
Pre-acquisition exploration (note 5)	163,235	133,735
Share-based payments (notes 7 and 8)	450,893	328,778
Travel and meals	6,424	-
Wages and salaries (note 8)	60,722	-
Loss and Comprehensive loss for the period	\$ (1,833,599)	\$ (914,954)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	135,563,863	93,206,858

See accompanying notes to condensed consolidated interim financial statements.

AFTERMATH SILVER LTD.

Condensed consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian dollars)

	Share Capital		Subscriptions received in advance	Reserves	Deficit	Total
	Shares	Amount				
May 31, 2020	91,179,419	\$ 14,657,966	\$ -	\$ 2,040,235	\$ (10,866,736)	\$ 5,831,465
Warrant exercised	6,133,306	945,959	-	(90,909)	-	855,050
Share issuance costs – cash	-	(2,277)	-	-	-	(2,277)
Subscriptions received in advance	-	-	283,600	-	-	283,600
Share-based payments	-	-	-	328,778	-	328,778
Loss for the period	-	-	-	-	(914,954)	(914,954)
August 31, 2020	97,312,725	15,601,648	283,600	2,278,104	(11,781,690)	6,381,662
Private placement shares issued	26,362,442	17,135,588	-	-	-	17,135,588
Finders' share issued	290,360	188,734	-	-	-	188,734
Warrants exercised	4,172,714	580,078	-	-	-	580,078
Stock options exercised	337,500	234,979	-	(104,479)	-	130,500
Share issuance costs - cash	-	(818,924)	-	-	-	(818,924)
Share issuance costs – finders' shares	-	(188,734)	-	-	-	(188,734)
Shares issued for deferred acquisition costs	6,688,122	5,842,621	-	-	-	5,842,621
Subscription received in advance	-	-	(283,600)	-	-	(283,600)
Share-based payments	-	-	-	3,177,553	-	3,177,553
Loss for the period	-	-	-	-	(5,984,254)	(5,984,254)
May 31, 2021	135,163,863	38,575,990	-	5,351,178	(17,765,944)	26,161,224
Warrants exercised	400,000	48,000	-	-	-	48,000
Share-based payments	-	-	-	450,893	-	450,893
Loss for the period	-	-	-	-	(1,833,599)	(1,833,599)
August 31, 2021	135,563,863	\$ 38,623,990	\$ -	\$ 5,802,071	\$ (19,599,543)	\$ 24,826,518

See accompanying notes to condensed consolidated interim financial statements.

AFTERMATH SILVER LTD.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

For the three months ended	August 31, 2021	August 31, 2020
Cash flows from operating activities:		
Loss for the period	\$ (1,833,599)	\$ (914,954)
Items not affected by cash:		
Share-based payments	450,893	328,778
Accretion expense	315,012	14,439
Unrealized foreign exchange	461,727	-
Changes in non-cash working capital items:		
Receivables	(18,650)	23,263
Prepaid expenses and advances	38,208	58,442
Accounts payable and accrued liabilities	15,440	78,021
Due to related parties	184	(896)
Cash used in operating activities	(570,785)	(412,907)
Cash flows from investing activities		
Deferred costs for mineral property acquisition	-	(1,356,882)
Cash used in investing activities	-	(1,356,882)
Cash flows from financing activities		
Proceeds from warrant exercises	48,000	855,050
Share subscriptions received in advance	-	283,600
Share issuance costs	-	(22,317)
Cash provided by financing activities	\$ 48,000	\$ 1,116,333
Change in cash	(522,785)	(653,456)
Cash, beginning of the period	11,737,858	2,965,675
Cash, end of the period	\$ 11,215,073	\$ 2,312,219
Supplemental schedule of non-cash activities		
Share issue costs in accounts payable	\$ -	\$ 20,040
Fair value of finder's warrants reclassified to reserves on exercise	\$ -	\$ 90,909

See accompanying notes to condensed consolidated interim financial statements.

AFTERMATH SILVER LTD.

Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - expressed in Canadian dollars)

Three months ended August 31, 2021 and 2020

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 condensed consolidated interim 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 August 31, 2021, the Company has a net working capital of \$8,126,040. Management has forecasted that the Company’s current working capital will be sufficient to execute its planned expenditures for the coming year. These condensed consolidated interim financial statements do not reflect adjustments, which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable 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.

2. Basis of Preparation:

(a) Basis of presentation:

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board and Interpretations issued by the IFRS Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied are the same as those applied in the Company’s annual consolidated financial statements for the year ended May 31, 2021.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on October 27, 2021.

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Notes to Condensed Consolidated Interim Financial Statements
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3. 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:

Valuation of convertible debentures

The equity portion of the convertible debenture is calculated using a discounted cash flow method which requires management to make an estimate on an appropriate discount rate.

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.

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.

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, 2020, the Company completed the acquisition of Minera Cachinal (note 4) 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.

Significant accounting estimates are used as follows:

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3. 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.

4. Mineral Property:

On October 30, 2019, the Company entered into an agreement for the acquisition ("Minera Cachinal Acquisition") of an 80% ownership 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"). In consideration for 80% ownership of Minera Cachinal, the Company will pay Halo a total of \$1,575,000 as a convertible note (note 6), consisting of \$250,000 due on October 30, 2019 (paid), \$250,000 due on or before April 30, 2020 (paid), \$525,000 due on or before October 30, 2020, and \$550,000 due on or before April 30, 2021, and assume certain debts. During the year ended May 31, 2020, the convertible note was amended and was settled by the issuance of 4,000,000 common shares. As at May 31, 2020, the Company had also incurred \$95,170 in transaction costs, of which \$21,079 had been deferred at May 31, 2019.

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

Consideration:	
Convertible note	\$ 1,575,000
Transaction costs	197,670
	<hr/> 1,772,670
Net assets of Minera Cachinal acquired:	
Cash and other current assets	189
Mineral Property	2,493,842
Accounts payable and accrued liabilities	(63,967)
Due to investors	(214,226)
Non-controlling interest	(443,168)
	<hr/> 1,772,670
Total net assets acquired	<hr/> 1,772,670

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4. Mineral Property (continued):

On May 25, 2020, the Company entered into an agreement with the non-controlling interest (“NCI”) holder, SSR Mining Inc. (“SSR”), whereby it would acquire the remaining 20% stake by paying \$100,000 (paid) and issuing 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, and \$300,000 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%. As at August 31, 2021, \$275,555 (May 31, 2021 - \$267,856) has been presented as current and \$247,125 (May 31, 2021 - \$240,104) as a long-term liability. The Company recorded accretion of \$14,720 for the period ended August 31, 2021 (2020 - \$14,439). \$137,861 in amounts previously recorded as due to investors within Minera Cachinal were forgiven as a result of the transaction, and accordingly, the Company recognized \$137,861 within gain on settlement of accounts payable recognized on the statement of loss and comprehensive loss for the year ended May 31, 2020. The Company had a reclassification to reserves of \$124,260 determined by the difference between the consideration paid less the value of the NCI on the acquisition date. The allocation of consideration has been calculated as follows:

Acquisition payable	\$	547,335
NCI – initial balance		(443,168)
Loss attributable to NCI for period from October 29, 2019 to May 25, 2020		20,093
Reclassified to reserves on elimination of NCI	\$	124,260

The Company incurred the following exploration expenditures on the Cachinal Mineral project during the periods ended August 31, 2021 and 2020:

Period ended	August 31, 2021	August 31, 2020
Analysis	\$ 1,733	\$ -
Drilling	-	-
Field supplies and equipment	-	-
General and field office administration	19,083	14,952
Geological consulting	10,879	37,226
Legal fees	12,275	26,497
Maps and reports	-	6,472
Permits and licenses	11,853	-
	\$ 55,823	\$ 85,147

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5. Deferred acquisition costs, Investigation costs:

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 may elect, 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, is 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.

Ownership in MMC will not transfer until such time the Company has completed its payments. If the Company fails to make its payments under the agreement, Mandalay will retain 100% ownership of MMC.

The Company has agreed to pay a finder's fee of \$407,500 (paid \$282,500). As at May 31, 2020, the Company has also incurred \$91,211 in transaction costs, of which \$24,182 had been deferred at May 31, 2019.

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 within 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;
- iv. US\$2,500,000 cash to be paid on November 30, 2022;
- v. US\$3,000,000 cash to be paid on November 30, 2024;
- 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;

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Notes to Condensed Consolidated Interim Financial Statements
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5. Deferred acquisition costs, Investigation costs (continued):

- 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:
- 1.0% NSR, on all mineral production when the Silver Market Price is up to and including US\$25/ounce; and
 - 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.

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 period ended August 31, 2021 is as follows:

	August 31, 2021	May 31, 2021
Acquisition costs payable		
Acquisition costs payable, beginning of the period	\$ 10,134,667	\$ -
Recognized on initial closing date	-	10,300,701
Accretion expense	300,292	581,534
Foreign exchange recognized	461,727	(747,568)
	10,896,686	10,134,667
Current portion of acquisition costs payable	(2,816,559)	(2,694,874)
Acquisition costs payable, end of the period	\$ 8,080,127	\$ 7,439,793

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) was paid during the year ended May 31, 2021, and issue 346,279 common shares (issued during the year ended May 31, 2021, with a value of \$415,535). The remaining US\$550,000 was discounted and recognized within acquisition costs payable.

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 Challacollo and Berenguela projects 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 period ended August 31, 2021 and 2020:

Period ended August 31, 2021	Challacollo Project	Berenguela Project	Total
Analysis	\$ -	\$ 20,291	\$ 20,291
Field supplies and equipment	-	181	181
General and administrative	-	6,734	6,734
Geological consulting	13,780	109,297	123,077
Legal fees	1,001	8,830	9,831
Travel and meals	-	3,121	3,121
	\$ 14,781	\$ 148,454	\$ 163,235

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

Period ended August 31, 2020	Challacollo Project	Berenguela Project	Total
Analysis	\$ -	\$ -	\$ -
General and administrative	-	-	-
Geological consulting	52,517	79,663	132,180
Legal	1,555	-	1,555
Maps and reports	-	-	-
Permits and licenses	-	-	-
	\$ 54,072	\$ 79,663	\$ 133,735

Deferred acquisition costs incurred as at August 31, 2021 and May 31, 2021 are as follows:

	Challacollo Project	Berenguela Project	Total
Balance, May 31, 2020	1,173,711	-	1,173,711
Cash payments	2,500,000	2,295,045	4,795,045
Shares issued as deferred acquisition costs	1,397,260	4,029,826	5,427,086
Acquisition cost payable	-	10,300,701	10,300,701
Transaction costs	-	77,463	77,463
Finders' fees – cash	200,000	144,347	344,347
Finders' fees – common shares	-	415,535	415,535
Balance, May 31, 2021 and August 31, 2021	\$ 5,270,971	\$ 17,262,917	\$ 22,533,888

6. Convertible note:

During fiscal 2020, the Company completed the Minera Cachinal Acquisition (note 4). In connection with the closing of the transaction, Halo had the right to convert any remaining unpaid purchase price of \$1,075,000 into common shares of the Company at a price of \$0.20 per share. The convertible debenture did not bear any interest. The conversion feature was valued at \$149,280, using a discount rate of 12% which is the borrowing rate achievable by the Company for non-convertible instruments. The Company also recognized a deferred tax liability of \$40,306 in connection with the equity conversion feature.

During the year ended May 31, 2020, the Company entered into an agreement with Halo whereby the remaining principal was reduced to \$800,000 and was settled by the issuance of 4,000,000 common shares. On settlement, the equity component of the convertible debt of \$108,974 net of tax, was reclassified to Reserves.

	May 31, 2020
Convertible note	
Convertible note, beginning of the period	\$ -
Issuance of convertible note	1,075,000
Conversion feature	(149,280)
Accretion expense	61,209
Gain on extinguishment of convertible note	(186,929)
Settlement of convertible note	(800,000)
Convertible note, end of the period	\$ -

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7. Share capital:

(a) Authorized share capital:

Unlimited number of voting common shares without par value.

(b) Issued share capital:

There were no share issuances for the period ended August 31, 2021.

Share issuances for the year ended May 31, 2021 were as follows:

- a) On September 14, 2020, the Company closed a non-brokered private placement by issuing 26,362,442 shares for gross proceeds of \$17,135,588. In connection with the offering, the Company paid an aggregate of \$776,796 in finders' fees and issued 290,360 finders' shares valued at \$188,734. In connection with the closing, the Company incurred other transaction costs of \$44,205.
- b) On November 23, 2020, the Company issued an aggregate of 4,287,049 common shares with a value of \$4,029,826 to SSR pursuant to the Berenguela agreement (Note 5).
- c) On January 14, 2021, the Company issued an aggregate of 346,279 common shares with a value of \$415,535 to a finder pursuant to a finders' fee agreement on the Berenguela project (Note 5).
- d) On April 30, 2021, the Company issued an aggregate of 2,054,794 common shares with a value of \$1,397,260 to MMC pursuant to the Challacollo agreement (Note 5).

(c) Warrants:

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2020	26,148,525	\$ 0.18
Exercised	(10,306,020)	0.14
Balance, May 31, 2021	15,842,505	0.21
Exercised	(400,000)	0.12
Balance, August 31, 2021	15,442,505	\$ 0.21

At August 31, 2021, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
4,447,906	\$0.12	October 30, 2022
7,921,199	\$0.25	November 14, 2022
<u>3,073,400</u>	<u>\$0.25</u>	<u>May 7, 2023</u>
15,442,505		

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7. Share capital (continued):

(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 Venture Exchange.

	Number of Stock Options	Weighted Average Exercise Price
Balance, May 31, 2020	5,950,000	\$ 0.335
Granted	5,500,000	0.80
Exercised	(337,500)	0.39
Balance, May 31, 2021	11,112,500	0.56
Granted	700,000	0.65
Balance, August 31, 2021	11,812,500	\$ 0.57
Exercisable, August 31, 2021	9,737,500	\$ 0.53

At August 31, 2021, stock options were outstanding enabling holders to acquire common shares as follows:

Number of Stock Options	Exercise Price	Expiry Date
5,650,000	\$0.335	December 11, 2024
5,462,500	\$0.80	October 9, 2025
700,000	\$0.65	June 16, 2025
11,812,500		

(e) Share-based payments:

During the period ended August 31, 2021, the Company granted a total of 700,000 (year ended May 31, 2021 – 5,500,000) stock options with a weighted average fair value of \$0.35 per option (year ended May 31, 2021 – \$0.64). For the period ended August 31, 2021, the Company recognized share-based payments expense of options granted and vesting of \$450,893 (2020 - \$328,778).

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

	August 31, 2021	May 31, 2021
Risk-free interest rate	0.54%	0.33%
Expected life of option	2.5 years	2.5 years
Expected annualized volatility	114.47%	124.75%
Dividend	-	-

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8. 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 period ended August 31, 2021 and 2020, the Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	August 31, 2021	August 31, 2020
Accounting and legal	\$ 18,000	\$ 10,500
Consulting	48,719	60,000
Corporate secretarial	8,250	6,000
Directors fees	21,250	9,000
Share-based payments	328,772	106,153
Wages and salaries	60,000	-
	<u>\$ 484,991</u>	<u>\$ 191,653</u>

In addition, payments to companies with common directors and officers for rent, office, and administration totaled \$18,716 (2020 - \$10,745).

As at August 31, 2021, due to related parties included \$13,861 (May 31, 2021 - \$13,677) due to key management personnel. As at August 31, 2021, the Company has recorded \$22,991 (May 31, 2021 - \$29,839) in prepaid expenses and advances to related parties.

9. Financial instruments:

The Company's cash is classified at level one of the fair value hierarchy. The carrying values of receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short terms to maturity. The promissory note and acquisition 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 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. There is minimal credit risk with respect to GST receivable as this amount is recoverable from Canadian governmental agencies. At August 31, 2021, the Company's exposure to credit risk is 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 9(b) of these condensed consolidated interim financial statements.

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9. Financial instruments:

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 August 31, 2021.

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 August 31, 2021, the Company had foreign current assets totaling approximately CLP9,217,220 and PEN862,698 and amounts payable totaling approximately US\$8,646,771, CLP3,770,070, PEN15,798 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 August 31, 2021, would result in a \$1,065,217 change to profit or loss for the period.

(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 condensed consolidated interim 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.

10. Segmented information:

The Company operates in one segment being the acquisition and exploration of mineral properties. Geographical information can be found in notes 4 and 5.