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# **ABRASILVER RESOURCE CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2023 and 2022**

**(Expressed in Canadian Dollars)**

**(UNAUDITED)**

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# ABRASILVER RESOURCE CORP.

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

As at	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 8,669,288	\$ 13,823,197
Term deposits (*)	2,000,000	2,000,000
Receivables	305,357	296,438
Prepaid expenses	44,711	97,767
Total current assets	11,019,356	16,217,402
Equipment and right-of-use asset	7,111	11,406
Mineral property interests (note 6)	23,437,049	22,901,710
<b>Total Assets</b>	<b>\$ 34,463,516</b>	<b>\$ 39,130,518</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 796,601	\$ 910,981
Lease liabilities	7,921	12,528
Total current liabilities	804,522	923,509
Non-Current liabilities		
Consideration payable (notes 8 and 14)	6,833,483	6,607,366
<b>Total Liabilities</b>	<b>7,638,005</b>	<b>7,530,875</b>
<b>Shareholders' Equity</b>		
Share capital (note 9(b))	84,828,308	83,534,280
Reserves (notes 9 (c),(d) and (e))	7,332,252	7,273,915
Shares to be issued	97,500	-
Accumulated other comprehensive income (loss)	1,419,542	1,430,237
Accumulated deficit	(66,852,091)	(60,638,789)
Total shareholders' equity	26,825,511	31,599,643
<b>Total Liabilities and Equity</b>	<b>\$ 34,463,516</b>	<b>\$ 39,130,518</b>

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

Nature of operations and going concern (note 1)

Commitments (note 13)

Subsequent events (note 15)

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

Approved by the Board of Directors:

Director: (s) "Flora Wood"

Director: (s) "Robert Bruggeman"

# ABRASILVER RESOURCE CORP.

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

Three months ended March 31,	2023	2022 (Restated, note 14)
<b>Administrative expenses</b>		
Consulting fees (note 10)	\$ 169,153	\$ 124,122
Insurance	28,982	15,569
Investor relations	69,833	42,007
Depreciation, office and administration	520,588	298,891
Professional fees (note 10)	127,365	110,501
Salaries, benefits and director fees (note 10)	171,688	182,442
Share-based payments (notes 9 and 10)	410,484	470,529
Transfer agent and filing fees	94,792	35,278
<b>Total administrative expenses</b>	<b>1,592,885</b>	<b>1,279,339</b>
<b>Evaluation and exploration expenses (note 7)</b>	<b>7,785,529</b>	<b>4,974,607</b>
Other (income) expenses		
Gain on sale of marketable securities (note 11)	(3,285,957)	(2,523,893)
Other income	(97,404)	(3,511)
Accretion of consideration payable and lease liabilities (note 8)	231,638	207,657
Foreign exchange loss (gain)	(13,389)	59,073
Loss on net monetary position	-	105,766
<b>Total other income</b>	<b>(3,165,112)</b>	<b>(2,154,908)</b>
<b>Net loss for the period</b>	<b>6,213,302</b>	<b>4,099,038</b>
Other comprehensive (income) loss:		
Impact of hyperinflation	-	(3,363,875)
Foreign currency translation adjustment	10,695	2,104,719
<b>Total comprehensive loss for the period</b>	<b>\$ 6,223,997</b>	<b>\$ 2,839,882</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
<b>Weighted average number of shares outstanding</b>	<b>526,218,604</b>	<b>476,514,023</b>

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

# ABRASILVER RESOURCE CORP.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Shares to be issued	Share-based payment reserve	Warrant reserve	Accumulated Other Comprehensive Income (loss) (Restated, note 14)	Accumulated Deficit (Restated, note 14)	Total
	Number	Amount						
Balance, December 31, 2021 (restated, note 14)	475,020,162	\$ 66,139,947	\$ -	\$ 3,354,460	\$ 6,230,628	\$ (4,611,642)	\$ (39,734,557)	\$ 31,378,836
Shares issued and to be issued from exercise of warrants	5,313,334	1,714,034	190,500	-	(455,359)	-	-	1,449,175
Share-based payments	-	-	-	470,529	-	-	-	470,529
Impact of hyperinflation	-	-	-	-	-	3,363,875	-	3,363,875
Foreign currency translation adjustment	-	-	-	-	-	(2,104,719)	-	(2,104,719)
Net loss for the year	-	-	-	-	-	-	(4,099,038)	(4,099,038)
Balance, March 31, 2022 (Restated)	480,333,496	\$ 67,853,981	\$ 190,500	\$ 3,824,989	\$ 5,775,269	\$ (3,352,486)	\$ (43,833,595)	\$ 30,458,658
Balance, December 31, 2022	524,720,635	\$ 83,534,280	\$ -	\$ 4,615,716	\$ 2,658,199	\$ 1,430,237	\$ (60,638,789)	\$ 31,599,643
Shares issued from exercise of warrants	4,095,500	832,902	97,500	-	(96,876)	-	-	833,526
Vesting of RSU	383,333	143,750	-	(143,750)	-	-	-	-
Shares issued from exercise of stock options	1,251,875	317,376	-	(111,521)	-	-	-	205,855
Share-based payments	-	-	-	410,484	-	-	-	410,484
Foreign currency translation adjustment	-	-	-	-	-	(10,695)	-	(10,695)
Net loss for the period	-	-	-	-	-	-	(6,213,302)	(6,213,302)
Balance, March 31, 2023	530,451,343	\$ 84,828,308	\$ 97,500	\$ 4,770,929	\$ 2,561,323	\$ 1,419,542	\$ (66,852,091)	\$ 26,825,511

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

# ABRASILVER RESOURCE CORP.

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

Three months ended March 31,	2023	2022 (Restated, note 14)
<b>Operating Activities</b>		
Net loss for the period	\$ (6,213,302)	\$ (4,099,038)
Items not affecting cash:		
Loss on net monetary position	-	105,766
Hyperinflation adjustment included in expenses	-	160,080
Accretion of consideration payable and lease liabilities	231,638	207,657
Foreign exchange loss (gain)	(5,246)	104,454
Share-based payments	410,484	470,529
Gain on sale of marketable securities	(3,285,957)	(2,523,893)
Depreciation	4,285	4,090
Changes in non-cash operating working capital:		
Receivables	(8,919)	50,513
Accounts payable and accrued liabilities	53,056	(141,560)
Prepaid expenses	(114,380)	28,198
<b>Cash (used in) operating activities</b>	<b>(8,928,341)</b>	<b>(5,633,204)</b>
<b>Investing Activities</b>		
Additions to mineral interests	(553,653)	(245,621)
Disposal from sale of marketable securities	7,922,477	5,950,101
Purchase of marketable securities	(4,636,520)	(3,494,800)
<b>Cash provided by investing activities</b>	<b>2,732,304</b>	<b>2,209,680</b>
<b>Financing Activities</b>		
Proceeds from exercise of warrants	833,526	1,449,175
Proceeds from exercise of stock options	205,855	-
Repayment of lease liabilities	(4,869)	(4,647)
<b>Cash provided by financing activities</b>	<b>1,034,512</b>	<b>1,444,528</b>
<b>Foreign exchange effect on cash and cash equivalents</b>	<b>7,616</b>	<b>(111,573)</b>
<b>Change in cash and cash equivalents during the period</b>	<b>(5,153,909)</b>	<b>(2,090,569)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>13,823,197</b>	<b>19,016,003</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 8,669,288</b>	<b>\$ 16,925,434</b>
<b>Cash and cash equivalents are comprised of:</b>		
Cash	\$ 2,634,640	\$ 1,666,296
Cash equivalents	6,034,648	15,259,138
	<b>\$ 8,669,288</b>	<b>\$ 16,925,434</b>
<b>Non-cash investing and financing activities</b>		
Shares issued for settlement of RSU	\$ 143,750	\$ -

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

# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 1. Nature of operations and going concern

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

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2023, the Company has working capital of \$10,214,834 (December 31, 2022 – \$15,293,893) and has an accumulated deficit of \$66,852,091. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. As at March 31, 2023, the Company has not achieved profitable operations and had \$10,214,853 working capital and therefore has sufficient resources to sustain operations for the next 12 months, although the Company will need additional funding to achieve its long-term business objectives. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

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

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

### 2. Basis of preparation

#### Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2022 other than as discussed below.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2023.

# ABRASILVER RESOURCE CORP.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

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## 3. Change in accounting policy

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

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023. The adoption of this amendment did not have a significant impact on the unaudited condensed interim consolidated financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates. These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. These amendments are effective for reporting periods beginning on or after January 1, 2023. The adoption of this amendment did not have a significant impact on the unaudited condensed interim consolidated financial statements.

## 4. Financial instruments

### (a) Fair value estimation

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

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

The Company's marketable securities are valued using level 1 fair value hierarchy. At March 31, 2023, the carrying value was \$nil. The carrying values of other financial instruments maturing in the short term approximates their fair values.

### (b) Financial risks

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

# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

### 4. Financial instruments (continued)

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

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

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

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

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

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

At March 31, 2023, the Company had a cash and cash equivalents balance of \$8,669,288 to settle current liabilities of \$804,522.

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

The Company has the following contractual cash flow requirements as at March 31, 2023:

	Years ended December 31,		
	2023	2024	2025
Consideration payable (US\$7,000,000)	\$ -	\$ -	\$ 9,480,000
Lease liabilities	8,120	-	-
Accounts payable and accrued liabilities	796,601	-	-
<b>Total commitments</b>	<b>\$ 804,721</b>	<b>\$ -</b>	<b>\$ 9,480,000</b>

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

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

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

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



# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

### 4. Financial instruments (continued)

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

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

###### Interest rate risk

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

###### Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at March 31, 2023 are as follows:

<b>Cost</b>	<b>Argentine peso</b>	<b>Chilean peso</b>	<b>US\$</b>	<b>C\$ equivalent</b>
Cash	55,876,996	198,375,371	139,980	846,002
Accounts payable and accrued liabilities	94,565,782	253,575	57,620	692,530
Lease liabilities	-	-	5,853	7,921
Consideration payable	-	-	5,049,496	6,833,483

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$669,000 decrease or increase in the Company's total comprehensive income or loss.

As at March 31, 2023, US dollar amounts have been translated at a rate of C\$1.3533 per US dollar; Argentine peso amounts have been translated at C\$0.0065 per Argentine peso and Chilean peso amounts have been translated at C\$0.0017 per Chilean peso.

### 5. Capital management

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

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

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

# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 6. Mineral property interests

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

#### (a) Diablillos project

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

Cash consideration payable to SSRM consists of the following:

1. US\$300,000 on closing; this amount to be increased by an amount equal to the US dollar equivalent of the amount of Argentine pesos deposited in entity purchased by the Company (paid);
2. US\$300,000 on or before February 15, 2017 (as amended) (paid);
3. US\$500,000 on 180th day after closing (paid);
4. US\$50,000 on or before January 12, 2018 (as amended) (paid);
5. \$ 200,000 to be paid at the closing date of the Arrangement with Aethon (paid);
6. US\$5,000,000 to be paid on the earlier of (paid):
  - o the date on which a Diablillos Feasibility Study in respect of all or any part of the Diablillos Concessions has been obtained;
  - o July 31, 2023; and
  - o 90 days after demand by SSRM for payment if (a) AbraSilver's market capitalization exceeds \$100,000,000 for 20 consecutive trading days (on the primary stock exchange on which such entity's shares are traded) or (b) after November 1, 2020, the spot price of silver (based on the London Bullion Market Association (LBMA) Silver Price as published by the LBMA on its website (or should that quotation cease, another similar quotation acceptable to the parties acting reasonably) (the "Benchmark") exceeds \$25 per ounce for 20 consecutive trading days on the Benchmark;
7. US\$7,000,000 to be paid on the earlier of (notes 8 and 14):
  - o the date on which Commercial Production occurs in respect of all or any part of the Diablillos Concessions (not reached yet); and
  - o July 31, 2025.

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

# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 6. Mineral property interests (continued)

#### (a) Diablillos project (continued)

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

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

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

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

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

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

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

The unpaid cash consideration is secured against a stock pledge and trust agreement in favor of the seller of the equity interest of Cerro Bayo. Any unpaid cash consideration will become a liability of the Company only if the Company does not terminate the Diablillos SPA when the payments are due. As such, the amounts not due as of December 31, 2022 and March 31, 2023 have not been recognized as a liability. The Company has disclosed the unpaid cash consideration as commitments in note 13.

# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 6. Mineral property interests (continued)

#### (b) La Coipita Project

On January 31, 2020, AbraSilver entered into an option agreement, through its wholly owned subsidiary, AbraPlata Argentina SA, to acquire a 100% interest in the La Coipita project ("La Coipita") located in San Juan province, Argentina by paying a total of US\$4,265,000 in staged payments over 60 months (US\$765,000 paid to March 31, 2023) to the optionors ("Project Owners").

Cash consideration payable per the letter agreement were as follows:

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

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

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

On August 9, 2021, AbraSilver entered into an option agreement, through its wholly owned subsidiary, AbraPlata Argentina SA, to acquire a 100% interest in the Yaretas project ("Yaretas") located in San Juan province, Argentina by paying a total of US\$3,025,000 in staged payments over 60 months (US\$125,000 paid to March 31, 2023) to the optionors ("Yaretas Project Owners").

Cash consideration payable per the letter agreement were as follows:

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

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

# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

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### 6. Mineral property interests (continued)

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

	Diablillos Argentina	La Coipita Project	Total
December 31, 2021 (restated, note 14)	\$ 17,578,271	\$ 366,293	\$ 17,944,564
Additions, cash	157,238	365,710	522,948
Hyperinflationary adjustment	8,893,602	334,079	9,227,681
Foreign exchange translation	(4,625,308)	(168,175)	(4,793,483)
December 31, 2022	22,003,803	897,907	22,901,710
Additions, cash	-	553,653	553,653
Foreign exchange translation	(17,871)	(443)	(18,314)
March 31, 2023	\$ 21,985,932	\$ 1,451,117	\$ 23,437,049

### 7. Evaluation and exploration expenses

Three months ended March 31,	2023	2022
<b>Diablillos</b>		
Camp costs	\$ 458,893	\$ 305,262
Drilling	3,953,878	1,815,573
Legal and regulatory fee	21,283	13,155
Engineering	135,995	38,233
Geology and lab	690,089	122,137
Personnel costs	478,900	267,125
Travel and transport	118,001	92,409
Administration	24,816	6,236
Impact of hyperinflation	-	188,566
	\$ 5,881,855	\$ 2,848,696
<b>La Coipita</b>		
Professional and access fees	\$ 717,244	\$ 600,301
Drilling	457,687	777,462
Camp costs	578,056	469,056
Travel and administration	142,923	122,299
Geology	3,249	28,257
Impact of hyperinflation	-	128,536
	\$ 1,899,159	\$ 2,125,911

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## 7. Evaluation and exploration expenses (continued)

### Arcas project

Legal and regulatory fee	\$ 4,515	\$ -
	\$ 4,515	\$ -
<b>Total evaluation and exploration expenses</b>	<b>\$ 7,785,529</b>	<b>\$ 4,974,607</b>

## 8. Consideration payable

	<b>As at March 31, 2022</b>	<b>As at December 31, 2022</b>
Opening balance	\$ 6,607,366	\$ 5,361,636
Accretion	231,363	827,915
Foreign exchange	(5,246)	417,815
Ending balance	\$ 6,833,483	\$ 6,607,366

The consideration payable represents the remaining payment in the amount of US\$7,000,000 as per the Diablillos SPA, which is to be paid on the earlier of the date on which commercial production occurs in respect of all or any part of the Diablillos Concessions and July 31, 2025. The payment obligation is discounted and accreted at a discount rate of 15% per annum, with an estimated payment date of July 31, 2025, see note 6 (a).

## 9. Share capital

### a) Authorized

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

# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

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### 9. Share capital (continued)

#### b) Issued share capital

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

#### c) Stock options

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

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

On February 17, 2023, the Company granted 5,725,000 options to Directors, Officers and Consultants. The exercise price is \$0.37 and the options will expire on February 17, 2028. The options will vest as follow: 25% six months from the date grant and 25% every six months thereafter. The fair value of the stock options was determined to be \$1,431,033 using the Black-Scholes option pricing model with the following assumptions: 5 years expected life; share price at the grant date of \$0.315; 113% volatility; risk free interest rate of 3.45%; and a dividend yield of 0%.

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

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

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

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### 9. Share capital (continued)

#### c) Stock options (continued)

During the three months ended March 31, 2023, the Company recorded \$310,248 (three months ended March 31, 2022 - \$298,248) in share-based expense related to the stock options.

The movement in the Company's share options for the periods ended March 31, 2023 and 2022 are as follows:

	Number of stock options outstanding	Weighted average exercise price
Balance, December 31, 2021	21,495,000	\$ 0.17
Granted	3,700,000	0.38
Balance, March 31, 2022	25,195,000	\$ 0.20
Balance, December 31, 2022	24,345,000	\$ 0.19
Exercised	(1,251,875)	0.16
Granted	5,725,000	0.37
Expired	(50,000)	0.20
Balance, March 31, 2023	28,768,125	\$ 0.23

The weighted average trading price of the Company's shares on the dates of the exercises of stock options was \$0.28 for the three months ended March 31, 2023.

Stock options outstanding as at March 31, 2023:

Expiry date	Options outstanding	Exercise price (\$)	Remaining contractual life (years)	Options exercisable
April 26, 2023	4,208,750	0.14	0.07	4,208,750
June 1, 2023	600,000	0.17	0.17	600,000
October 12, 2023	200,000	0.30	0.53	200,000
March 1, 2024	700,000	0.065	0.92	700,000
June 24, 2024	601,875	0.14	1.24	601,875
January 8, 2025	8,925,000	0.065	1.78	8,925,000
January 25, 2026	3,157,500	0.39	2.82	3,157,500
October 22, 2026	750,000	0.53	3.56	375,000
February 11, 2027	3,700,000	0.38	3.87	1,850,000
May 2, 2025	200,000	0.45	2.09	150,000
February 17, 2028	5,725,000	0.37	4.89	-
	28,768,125	0.23	2.51	20,768,125



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## 9. Share capital (continued)

### d) Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2021	122,141,031	\$ 0.24
Exercised	(5,313,334)	0.24
Balance, March 31, 2022	116,827,697	\$ 0.24
Balance, December 31, 2022	59,073,820	\$ 0.27
Exercised	(4,095,500)	0.18
Balance, March 31, 2023	54,978,320	\$ 0.28

Warrants outstanding as at March 31, 2023:

Expiry date	Warrants outstanding	Exercise price (\$)	Remaining contractual life (years)
April 26, 2023	20,097,745	0.27	0.07
May 14, 2023	14,100,000	0.15	0.12
April 8, 2024	4,090,000	0.10	1.02
April 18, 2024	1,650,000	0.10	1.05
June 6, 2024	1,527,075	0.37	1.19
December 6, 2024	13,513,500	0.50	1.69
	54,978,320	0.28	0.61

On December 6, 2022 in connection with the private placement (note 9(b)) the Company issued 13,513,500 warrants exercisable at \$0.50 for a period of two years.

On December 6, 2022 in connection with the private placement (note 9(b)) the Company issued 1,527,075 broker warrants exercisable at \$0.37 for a period of 1.5 years. Upon exercise of the broker warrants, holder is entitled to one common share and one-half purchase warrants with each warrants exercisable at \$0.50 for a period of 1.5 years.

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### 9. Share capital (continued)

#### (e) RSU

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

RSU movements are as follows:

Balance, December 31, 2021	3,210,000
Granted	1,150,000
Balance, March 31, 2022	4,360,000
Balance, December 31, 2022	2,755,004
Vested and settled	(383,333)
Balance, March 31, 2023	2,371,671

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

During the three months ended March 31, 2022, the Company issued 383,333 shares in settlement upon vesting of 383,333 RSUs.

For the three months ended March 31, 2023, the Company recorded \$100,236 (three months ended March 31, 2022 - \$172,281) as a stock-based compensation expense relating to the RSUs.

# ABRASILVER RESOURCE CORP.

## Notes to Condensed Interim Consolidated Financial Statements

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### 10. Related party transactions

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

Three months ended March 31,	2023	2022
Salaries, benefits and director fees	\$ 153,571	\$ 145,000
Consulting fees	5,000	7,500
Professional fees	44,212	41,367
Share-based payments	219,085	252,767
	<u>\$ 421,868</u>	<u>\$ 446,634</u>

As at March 31, 2023, \$nil (December 31, 2022 – \$136,755) was payable to directors, officers and companies in which directors and officers are shareholders or partners of the Company. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

### 11. Use of marketable securities

From time to time, the Company may acquire and transfer marketable securities to facilitate intragroup funding transfers between the Canadian parent and its Argentine operating subsidiaries. The Company does not acquire marketable securities or engage in these transactions for speculative purposes. In this regard, under this strategy, the Company generally uses marketable securities of large and well established companies, with high trading volumes and low volatility. Nonetheless, as the process to acquire, transfer and ultimately sell the marketable securities occurs over several days, some fluctuations are unavoidable. As the marketable securities are acquired with the intention of a near term sale, they are considered financial instruments that are held for trading, all changes in the fair value of the instruments, between acquisition and disposition, are recognized through profit or loss. The subsequent disposition of these marketable securities in exchange for Argentine pesos gave rise to a gain as the amount received in Argentine peso exceeds the amount of Argentine peso the Company would have received from a direct foreign currency exchange. As a result of having utilized this mechanism for intragroup funding for the three months ended March 31, 2023, the Company realized a gain of \$3,285,957 (three months ended March 31, 2022 - \$2,523,893) from the favorable foreign currency impact. The gain on sale of marketable securities for the three months ended March 31, 2022 has been adjusted to correct for the application of hyperinflation. This adjustment resulted in an increase of \$195,714 to the gain on sale of marketable securities and a corresponding decrease to the impact of hyperinflation within the consolidated statement of loss and comprehensive loss (note 14).

### 12. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the three months ended March 31, 2023, the Company has four (three months ended March 31, 2022 – three) operating segments.

# ABRASILVER RESOURCE CORP.

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### 12. Segmented information (continued)

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

The segmental report is as follows:

As at March 31, 2023	US	Argentina	Chile	Canada	Total
Current assets	\$ 45,571	\$ 368,925	\$ 449,779	\$10,155,081	\$ 11,019,356
Equipment and right-of-use asset	-	7,102	9	-	7,111
Mineral property interest	-	23,437,049	-	-	23,437,049
Total assets	\$ 45,571	\$ 23,813,076	\$ 449,788	\$10,155,081	\$ 34,463,516
Total liabilities	\$ -	\$ 272,169	\$ 434	\$ 7,365,402	\$ 7,638,005

Three Months ended March 31, 2023

	US	Argentina	Chile	Canada	Total
Gain on sale of marketable securities	\$ -	\$ (3,285,957)	\$ -	\$ -	\$ (3,285,957)
Net (loss) income for the three months ended March 31, 2023	\$(185,983)	\$ (4,548,811)	\$ 1,906	\$(1,480,414)	\$ (6,213,302)

Three months ended March 31, 2022

	Argentina	Chile	Canada	Total
Gain on sale of marketable securities	\$ (2,523,893)	\$ -	\$ -	\$ (2,523,893)
Net (loss) income for the three months ended March 31, 2022 (restated, note 14)	\$ (5,150,317)	\$ (17,245)	\$ 1,068,524	\$ (4,099,038)

### 13. Commitments

As at March 31, 2023, the Company has mineral interest commitments at its Diablillos and La Coipita projects in the form of option payments, although as at the current date the Company had the commitments shown in the table below, some of these commitments could be reduced, deferred or eliminated pending the outcome of the strategic review. The Company also has operating expenses in Buenos Aires, Santiago de Chile and Toronto.

The Company has the following commitments:

	2023	Years ended December 31,		
		2024	2025	2026
Diablillos	\$ 1,353,300	\$ -	\$ 1,583,361	\$ -
La Coipita	270,660	1,894,620	4,465,890	2,029,950
Total mineral interest commitments	1,623,960	1,894,620	6,049,251	2,029,950
Minimum office rental payments in Argentina	13,002	-	-	-
Total commitments	\$ 1,636,962	\$ 1,894,620	\$ 6,049,251	\$ 2,029,950

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### 14. Restatements

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

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

Condensed interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2022:

	As previously stated	Adjustment	Restated
Accretion of accrued liability	-	206,979	206,979
Foreign exchange loss	(45,381)	104,454	59,073
Gain on sale of marketable securities (note 11)	(2,328,179)	(195,714)	(2,523,893)
Net loss for the period	3,983,319	115,719	4,099,038
Other comprehensive (income) loss:			
Impact of hyperinflation	(3,223,400)	(140,475)	(3,363,875)
Foreign currency translation adjustment	1,947,322	157,397	2,104,719
Total comprehensive loss for the period	2,707,241	132,641	2,839,882

Condensed interim consolidated statement of cash flow for the three months ended March 31, 2022:

	As previously stated	Adjustment	Restated
Operating activities			
Net loss for the period	(3,983,319)	(115,719)	(4,099,038)
Items not affecting cash:			
Loss on net monetary position	(105,766)	211,532	105,766
Accretion of accrued liability	-	206,979	206,979
Foreign exchange loss	-	104,454	104,454
Gain on disposal of marketable securities	(2,328,179)	(195,714)	(2,523,893)
Hyperinflation adjustment included in expenses	-	160,080	160,080
Cash (used in) operating activities	(6,004,816)	371,612	(5,633,204)
Investing activities:			
Disposal of marketable securities	5,662,638	287,463	5,950,101
Purchase of marketable securities	(3,334,459)	(160,341)	(3,494,800)
Cash provided by investing activities	2,082,558	127,122	2,209,680
Foreign exchange effect on cash	387,161	(498,734)	(111,573)
Change in cash and cash equivalents	(2,090,569)	-	(2,090,569)

# ABRASILVER RESOURCE CORP.

Notes to Condensed Interim Consolidated Financial Statements

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## 15. Subsequent events

- Subsequent to March 31, 2023, two directors and two officers exercised a total 4,208,750 stock options at \$0.136 expiring on April 26, 2023.
- Subsequent to March 31, 2023, 29,057,272 warrants with a weighted average strike price of \$0.21 were exercised for total proceeds of \$6,213,878.
- On April 6, 2023, a consultant exercised 50,000 stock options at \$ 0.17 expiring on June 1, 2023.
- On April 26, 2023, 4,890,474 warrants at \$0.272 expired unexercised.
- On May 14, 2023, 250,000 warrants at \$0.15 expired unexercised.
- On May 16, 2023, a director exercised 200,000 stock options at \$ 0.17 expiring on June 1, 2023.
- On May 23,2023, a consultant exercised 50,000 stock options at \$ 0.17 expiring on June 1, 2023.
- On May 24,2023, a consultant exercised 200,000 stock options at \$ 0.17 expiring on June 1, 2023.