



Consolidated Annual Financial Statements

For the years ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Silver One Resources Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Silver One Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity 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 December 31, 2022 and 2021, 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.

### **Key Audit Matters**

Key audit matters ("KAMs") are those matters that in the auditor's professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. The below KAMs will be included within our auditor's report that accompanies the consolidated financial statements.

The following KAMs required significant auditor attention in performing the audit:

#### *Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 8 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$27,323,109 as of December 31, 2022. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to 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 E&E Assets.



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:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and share issuances.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors to ensure good standing of agreements.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

### ***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.

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

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

March 15, 2023

**Silver One Resources Inc.**  
**Consolidated Statements of Financial Position**  
*(Expressed in Canadian dollars)*

	Note	December 31 2022	December 31 2021
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash		3,065,488	8,708,892
Short-term investments	5	266,174	261,512
Receivables and prepaid expenditures	6	1,355,345	915,230
Net investment in sublease	10	12,925	148,833
Marketable securities	7	445,787	1,478,232
		5,145,719	11,512,699
<b>Non-current</b>			
Mineral properties	8	27,323,109	19,793,175
Property and equipment		62,741	81,731
Reclamation deposit		20,645	79,988
Net investment in sublease	10	-	12,925
Long-term receivables	4	-	458,390
<b>Total Assets</b>		<b>32,552,214</b>	<b>31,938,908</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9	220,649	446,231
Deferred rent		720	9,363
Lease obligations	10	13,079	163,527
		234,448	619,121
<b>Non-current</b>			
Lease obligations	10	-	13,079
<b>Total Liabilities</b>		<b>234,448</b>	<b>632,200</b>
<b>Shareholders' Equity</b>			
Share capital	11(b)	46,659,300	44,315,713
Share-based payment reserve	11(c)	4,794,589	3,738,722
Accumulated other comprehensive income (loss)		1,047,325	(662,967)
Accumulated deficit		(20,183,448)	(16,084,760)
		32,317,766	31,306,708
<b>Total Liabilities and Shareholders' Equity</b>		<b>32,552,214</b>	<b>31,938,908</b>

Nature of operations and going concern – Note 1  
Commitment – Note 18  
Subsequent events – Notes 11(c),11(d), and 19

**APPROVED BY THE DIRECTORS**

“Claudia Tornquist” Director

“Barry Girling” Director

**Silver One Resources Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the years ended December 31, 2022 and 2021**  
*(Expressed in Canadian dollars)*

	Note	2022	2021
		\$	\$
<b>Expenses</b>			
Administrative and office		99,117	93,752
Consulting	14	225,174	214,690
Depreciation		31,775	39,600
Director fees	14	72,000	60,000
Exploration and evaluation		747	10,298
Filing and listing fees		68,684	90,289
Professional fees	14	143,164	187,735
Salaries and benefits	14	299,405	290,890
Share-based payments	11(c), 14	1,071,232	1,804,228
Shareholder communications		382,094	463,136
Travel and related costs		183,729	61,875
<b>Loss before other items</b>		<b>(2,577,121)</b>	<b>(3,316,493)</b>
Foreign exchange gain (loss)		50,328	(63,432)
Finance charge on leases	10	(7,621)	(20,738)
Income from sublease of office	10	7,289	18,313
Interest and other income		127,966	89,575
Impairment of mineral properties	8	(544,252)	-
Loss on marketable securities	7	(1,032,445)	(1,966,092)
Writedown of other receivables		(122,832)	(63,096)
Loss on sale of KCP Minerals Inc.	4	-	(215,349)
<b>Net loss for the year</b>		<b>(4,098,688)</b>	<b>(5,537,312)</b>
<b>Other comprehensive income (loss) for the year</b>			
Currency translation adjustment		1,710,292	(67,907)
<b>Comprehensive loss for the year</b>		<b>(2,388,396)</b>	<b>(5,605,219)</b>
<b>Loss per share</b>			
Basic and diluted		(0.02)	(0.03)
<b>Weighted average number of shares outstanding</b>			
Basic and diluted		214,500,939	205,713,881

**Silver One Resources Inc.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**  
*(Expressed in Canadian dollars)*

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Cash (used in) provided by:</b>		
<b>Operating activities</b>		
Net loss for the year	(4,098,688)	(5,537,312)
Depreciation	31,775	39,600
Share-based payments	1,071,232	1,804,228
Unrealized foreign exchange	(140,099)	90,804
Loss on marketable securities	1,032,445	1,966,092
Interest expense on long-term receivables	(72,102)	(75,267)
Loss on sale of KCP Minerals Inc.	-	215,349
Writedown of other receivables	122,832	63,096
Impairment of mineral properties	544,252	-
Changes in working capital items		
Receivables and prepaid expenditures	(32,455)	64,040
Net investment in sublease	148,833	150,818
Accounts payable and accrued liabilities	(190,336)	225,091
Deferred rent	(8,643)	(8,643)
	<b>(1,590,954)</b>	<b>(1,002,104)</b>
<b>Investing activities</b>		
Mineral property expenditures	(5,417,549)	(6,219,546)
Property and equipment expenditures	(8,223)	(49,144)
(Purchase) cash out of short-term investments	(4,662)	2,257,048
Value-added tax incurred	-	(239)
Proceeds from sale of marketable securities	-	234,259
Proceeds from sale of KCP Minerals Inc.	-	1,250,000
	<b>(5,430,434)</b>	<b>(2,527,622)</b>
<b>Financing activities</b>		
Repayment of lease obligation	(163,527)	(167,680)
Proceeds from exercise of warrants	1,371,722	896,141
Proceeds from exercise of options	44,000	266,749
	<b>1,252,195</b>	<b>995,210</b>
<b>Effect of foreign exchange on cash</b>	<b>125,789</b>	<b>843</b>
<b>Change in cash held in assets held for sale</b>	<b>-</b>	<b>(99,101)</b>
<b>Decrease in cash</b>	<b>(5,643,404)</b>	<b>(2,632,774)</b>
<b>Cash - beginning of year</b>	<b>8,708,892</b>	<b>11,341,666</b>
<b>Cash - end of year</b>	<b>3,065,488</b>	<b>8,708,892</b>

Supplemental cash flow information – Note 15

**Silver One Resources Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*(Expressed in Canadian dollars)*

	Number of common shares	Share capital	Share-based payment reserve	AOCI	Accumulated deficit	Total
		\$	\$	\$	\$	\$
<b>Balance, December 31, 2020</b>	201,331,641	42,111,498	2,195,819	(595,060)	(10,547,448)	33,164,809
Share-based payments	-	-	1,804,228	-	-	1,804,228
Shares issued on Silver Phoenix option agreement	1,000,000	780,000	-	-	-	780,000
Exercise of options	3,339,999	528,074	(261,325)	-	-	266,749
Exercise of warrants	2,936,956	896,141	-	-	-	896,141
Net loss for the year	-	-	-	-	(5,537,312)	(5,537,312)
Cumulative translation adjustment	-	-	-	(67,907)	-	(67,907)
<b>Balance, December 31, 2021</b>	208,608,596	44,315,713	3,738,722	(662,967)	(16,084,760)	31,306,708
Share-based payments	-	-	1,071,232	-	-	1,071,232
Shares issued on Silver Phoenix option agreement	2,500,000	912,500	-	-	-	912,500
Exercise of options	200,000	59,365	(15,365)	-	-	44,000
Exercise of warrants	6,408,611	1,371,722	-	-	-	1,371,722
Net loss for the year	-	-	-	-	(4,098,688)	(4,098,688)
Cumulative translation adjustment	-	-	-	1,710,292	-	1,710,292
<b>Balance, December 31, 2022</b>	217,717,207	46,659,300	4,794,589	1,047,325	(20,183,448)	32,317,766

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



**Silver One Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
*(Expressed in Canadian dollars)*

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**1. Nature of operations and going concern**

Silver One Resources Inc. (the “Company” or “Silver One”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on June 8, 2007.

The Company’s principal activities include the acquisition, exploration and development of mineral properties. The Company has an option agreement to acquire a 100% interest in the Candelaria silver project (the “Candelaria Project” or “Candelaria”) located in Nevada and has claims staked in eastern Nevada, including the Cherokee project (“Cherokee Project” or “Cherokee”). The Company also has an option agreement to acquire 100% interest in the Phoenix Silver property in Arizona (“Phoenix Silver Property” or “Phoenix Silver”).

On March 3, 2021, the Company completed the sale of its subsidiary, KCP Minerals Inc. (“KCP”), which through its 100% interest in Minera Terra Plata S.A. de C.V. holds the Company’s three Mexican silver exploration projects to Lodestar Battery Metals Corp. (“Lodestar”) (formerly Silverton Metals Corp.). See note 4.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. As at December 31, 2022, the Company had an accumulated deficit of \$20,183,448, and expects to incur further losses in the development of the business. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependant on its ability to obtain necessary financing to meet its corporate and deferred exploration expenditures and discharge its liabilities in the normal course of business. Although the Company has been successful in obtaining financing in the past, there can be no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The Company has adequate financial resources for the next twelve months with working capital of \$4,911,271.

Should the Company be unable to continue as a going concern, asset realization values may be substantially different from their carrying values. These consolidated financial statements do not give effect to adjustments that would be necessary to carrying values and the classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

Silver One is a public company listed on the TSX Venture Exchange (“TSX-V”) under the symbol “SVE”, on the OTCQX Marketplace under the symbol “SLVRF”, and on the Frankfurt Stock Exchange under the symbol “BRK1”.

The Company’s corporate office is located at Suite 200-550 Denman St, Vancouver, British Columbia, V6G 3H1.

**2. Basis of preparation**

**Statement of compliance and functional currency**

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended December 31, 2022.

These consolidated financial statements were approved by the Board of Directors and authorized for issuance on March 15, 2023.

**Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

**Silver One Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
*(Expressed in Canadian dollars)*

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**2. Basis of preparation (continued)**

**Statement of compliance and functional currency (continued)**

**Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company's Canadian entity. The functional currency of the Company's foreign subsidiaries is US dollars.

The functional currency of an entity is translated into the presentation currency using the period-end rates for assets and liabilities while the operations and cash flows are translated using average rates of exchange. Exchange adjustments arising when net assets and profit or loss are translated into the presentation currency are taken into a separate component of equity and reported in other comprehensive income (loss).

Transactions in currencies other than the functional currency of an entity are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

**Basis of consolidation**

The Company's subsidiary as at December 31, 2022 is as follows:

<b>Name</b>	<b>Place of Incorporation</b>	<b>Ownership Percentage</b>
Silver One Resources (USA) Inc.	USA	100%

The Company's former subsidiary, KCP Minerals Inc., was consolidated up to the date of disposition of March 3, 2021. All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

**3. Accounting policies**

These consolidated financial statements have been prepared using the following accounting policies:

**Financial assets and liabilities**

**a) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**Silver One Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
*(Expressed in Canadian dollars)*

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**3. Accounting policies (continued)**

**Financial assets and liabilities (continued)**

**b) Measurement**

***Financial assets at FVTOCI***

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

***Financial assets and liabilities at amortized cost***

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

***Financial assets and liabilities at FVTPL***

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

**c) Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**d) Derecognition**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

**Silver One Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
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*(Expressed in Canadian dollars)*

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**3. Accounting policies (continued)**

**Property and 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 the manner intended by the Company. Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

Depreciation is recognized in profit or loss and is provided on a straight-line basis over 5 years for office furniture and equipment, over the life of the lease for right-of-use assets, and 5 years for leasehold improvements. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**Mineral properties**

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as mineral concession taxes, option payments, wages and salaries, surveying, geological consulting and laboratory, field supplies, travel and administration. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they are incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'.

**Impairment of non-financial assets**

Non-financial assets, including mineral properties are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down to its recoverable amount. An impairment loss is charged to profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units" or "CGU"s). These are typically the individual properties or projects.

**Reclamation provision**

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset. These costs are depreciated on a basis consistent with the depreciation, depletion, and amortization of the underlying assets.

**Silver One Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
*(Expressed in Canadian dollars)*

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**3. Accounting policies (continued)**

**Reclamation provision (continued)**

The obligation is accreted over time for the change in its present value, with this accretion charge recognized as a finance expense in the consolidated statements of loss and comprehensive loss. Additional environment disturbances or changes in reclamation costs will be recognized as additions to the corresponding assets and reclamation provision in the year in which they occur. The Company has no material restoration, reclamation or environmental obligation as the disturbance to date is minimal.

**Leases**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

When the Company subleases a right-of-use asset, the Company classifies the sublease as an operating lease if the head lease is a short-term lease. Otherwise, the sublease is classified as a finance lease. When the sublease is classified as a finance lease, the lessor derecognizes the right-of-use asset pertaining to the head lease that it transfers to the sublessee, at the commencement date, but continues to account for the original lease liability. The sublessor recognizes a net investment in sublease and evaluates it for impairment and may use the discount rate in the head lease to measure the net investment in sublease. The Company recognizes finance income on the net investment in sublease, and also records income relating to variable lease payments not included in the measurement of the net investment in the lease.

**Share-based payments**

Common shares issued for non-monetary consideration are recorded at the fair value of the goods or services received. When the value of goods or services received in exchange for share-based payments cannot be reliably estimated, the value is measured by reference to the trading price of the Company's shares on the TSX-V on the date of the agreement to issue the shares. If market prices are not available, fair value is measured by use of a valuation model. The Company has a stock option plan (Note 11(c)), whereby stock options are granted in accordance with the policies of regulatory authorities.

The Company records a compensation cost attributable to all share purchase options granted at fair value at the grant date using the Black-Scholes valuation model and the fair value of all share purchase options are expensed over their vesting period with a corresponding increase to share-based payment reserve. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in share-based payment reserve, is recorded as an increase to share capital.

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**3. Accounting policies (continued)**

**Share capital**

The Company's common shares, share warrants and options are classified as equity instruments. Incremental costs directly related to the issue of new shares or options are shown in equity as a deduction from the proceeds. For equity offerings of units consisting of a common share and warrant, when both instruments are classified as equity, the Company does not bifurcate the proceeds between the common share and the other equity instruments.

**Income taxes**

Income taxes comprises both current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current income taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

The Company accounts for potential future net tax assets which are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, no net asset is recognized. No potential income tax assets of the Company have been recognized.

**Loss per share**

Basic loss per share is calculated by dividing the net loss for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. Basic and diluted loss per share are the same for the periods presented. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

**Segment reporting**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management, collectively the chief operating decision maker, in assessing performance and in determining the allocation of resources.

**Critical judgments in applying accounting policies**

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies with the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

**a) Functional currency**

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgments to determine the primary economic environment of an entity and this is re-evaluated for each new entity following an acquisition, or if events and conditions change.

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**3. Accounting policies (continued)**

**Critical judgments in applying accounting policies (continued)**

**b) Impairment of mineral properties**

Expenditures on mineral properties are capitalized. The Company makes estimates and applies judgment about future events and circumstances in determining whether the carrying amount of a mineral property exceeds its recoverable amount. The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties. Management reviews the carrying values of its mineral properties on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, capitalized costs related to relinquished property rights are written off in the period of relinquishment. Capitalized costs in respect of the Company's mineral properties may not be recoverable and there is a risk that these costs may be written down in future periods.

**c) Determining amount and timing of rehabilitation costs**

Management must determine if estimates of the future costs the Company will incur to complete the rehabilitation work is required to comply with existing laws, regulations and agreements in place at each exploration site. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of rehabilitation work required by the Company. Management determined at the date of the consolidated statements of financial position that no material rehabilitation provisions were required under IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*.

**d) Going concern**

In preparing these consolidated financial statements on a going concern basis, as is disclosed in Note 1 of these consolidated financial statements, management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

**Key sources of estimation uncertainty**

The preparation of consolidated financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

**a) Deferred income taxes**

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

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**3. Accounting policies (continued)**

**Key sources of estimation uncertainty (continued)**

**b) Share-based payments**

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to the consolidated statements of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility, expected life of the option, risk free interest rates, and forfeiture rates. Changes in these input assumptions can significantly affect the fair value estimate.

**c) Impairment of mineral properties**

The Company applies significant estimates when performing impairment tests on mineral properties. Should these estimates prove to be incorrect, this could result in material differences in the Company's impairment testing and conclusions reached therein.

**Accounting standards issued but not yet effective**

As at December 31, 2022, there are no accounting pronouncements with future effective dates that are applicable or are expected to have a material impact on the Company's consolidated financial statements.

**4. Sale of KCP Minerals Inc.**

On March 3, 2021, the Company completed the sale of its subsidiary, KCP Minerals Inc. ("KCP"), which through its 100% interest in Minera Terra Plata S.A. de C.V. held the Company's three Mexican silver exploration projects to Lodestar Battery Metals Corp. ("Lodestar") (formerly Silverton Metals Corp.) (the "KCP Purchase Agreement").

Under the terms of the KCP Purchase Agreement, the Company transferred to Lodestar its 100% interest in KCP and, in consideration, Lodestar will pay in cash and shares as follows: (a) \$1,250,000 in cash upon closing (received); (b) issue 4,375,000 common shares of Lodestar to the Company (issued); (c) pay \$750,000 in cash 18 months after closing; and (d) pay \$500,000 in cash 24 months after closing (as at the date of filing both of these amounts were in arrears, but the Company expects to receive). The common shares received are subject to an escrow release schedule where 10% of shares will be released on April 6, 2021 and 15% will be every 6 months thereafter for a period of 36 months.

In connection with the KCP Purchase Agreement, Lodestar granted the Company a 1.5% NSR on each of the Mexican silver properties. At the option of Lodestar, Lodestar may repurchase two-thirds of each NSR (1%) with a payment equal to US\$500,000 for each of the Mexican silver properties.

The major classes of assets and liabilities of KCP classified as held for sale as at December 31, 2020 was as follows:

	<b>December 31 2020</b>
	<b>\$</b>
Cash	7,551
VAT receivable	60,051
Prepaid expenditures and other	14,163
Mineral properties	6,039,388
Accounts payable	(4,969)
<b>Total assets held for sale</b>	<b>6,116,184</b>

These assets and related liabilities were measured at carrying amounts, which was the lower of their carrying amount and estimated fair value less costs to sell at December 31, 2020.



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**4. Sale of KCP Minerals Inc. (continued)**

The loss on the disposal of KCP at March 3, 2021 was as follows:

	\$
Total assets held for sale at December 31, 2020	6,116,184
Change in assets held for sale	(54,148)
Net assets of KCP at March 3, 2021	6,062,036
Consideration received	(5,846,687)
<b>Loss on sale of KCP</b>	<b>215,349</b>

The consideration consisted of the following:

	\$
Cash received on sale	1,250,000
Shares received (4,375,000 shares at \$0.80/share)	3,500,000
Cash to be received 18 months from sale	750,000
Cash to be received 24 months from sale	500,000
Total consideration	6,000,000
Discount of long-term consideration receivable	(153,313)
<b>Total consideration</b>	<b>5,846,687</b>

The \$750,000 to be received 18 months from the date of sale and the \$500,000 to be received 24 months from the date of sale were recorded as long-term receivables. The amount was discounted to its present value using a borrowing rate of 8% and at December 31, 2022 was \$1,244,056 (December 31, 2021 - \$1,171,954). As at December 31, 2022, the entire amount was included in current assets (December 31, 2021 - \$713,564 in current assets and \$458,390 in long-term assets).

**5. Short-term investments**

Short-term investments of \$266,174 (December 31, 2021 - \$261,512) include highly liquid money market funds and redeemable GIC investments in an active market with original maturities of one year or less.

**6. Receivables and prepaid expenditures**

	December 31 2022	December 31 2021
	\$	\$
GST receivable	6,091	8,495
Other receivables <sup>1</sup>	14,123	105,261
Short-term receivable from sale of KCP (Note 4)	1,244,056	713,564
Prepaid expenditures <sup>2</sup>	91,075	87,910
	<b>1,355,345</b>	<b>915,230</b>

<sup>1</sup> Other receivables includes amounts due from subleasing the Company's office space.

<sup>2</sup> Prepaid expenditures primarily include amounts in connection with insurance, investor relations conferences and marketing activities.

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**7. Marketable securities**

	<b>December 31 2022</b>	<b>December 31 2021</b>
	\$	\$
Beginning balance	1,478,232	178,583
Additions	-	3,500,000
Disposals	-	(234,259)
Realized gain on marketable securities	-	213,738
Unrealized loss on marketable securities	(1,032,445)	(2,179,830)
	<b>445,787</b>	<b>1,478,232</b>

During the year ended December 31, 2020, 814,331 shares of Hello Pal International were received as a shares-for-debt payment of \$48,860 on receivables outstanding.

During the year ended December 31, 2021, 300,000 shares of Hello Pal International were sold for a realized gain of \$213,738.

On March 3, 2021, the Company completed the sale of its subsidiary KCP to Lodestar. As part of the consideration, the Company received 4,375,000 common shares of Lodestar at a value of \$3,500,000. See Note 4.

# Silver One Resources Inc.

## Notes to the Consolidated Financial Statements

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### 8. Mineral properties

	Balance December 31 2022 \$	Additions December 31 2022 \$	Balance December 31 2021 \$	Additions December 31 2021 \$	Balance December 31 2020 \$
<b>Candelaria</b>					
Option payments – shares	3,831,678	-	3,831,678	-	3,831,678
Acquisition costs – shares	384,572	-	384,572	-	384,572
Acquisition costs – cash	115,150	-	115,150	-	115,150
Consulting fees	3,325,317	1,108,255	2,217,062	780,013	1,437,049
Drilling	7,332,365	2,398,168	4,934,197	2,289,500	2,644,697
Field supplies and other costs	445,602	178,151	267,451	104,605	162,846
Laboratory and analysis fees	1,713,281	579,910	1,133,371	632,720	500,651
Land payments	1,426,234	409,936	1,016,298	199,139	817,159
Staking and survey costs	211,474	83,751	127,723	3,683	124,040
Travel and accommodation	902,590	333,032	569,558	322,720	246,838
Currency translation	1,050,906	1,265,630	(214,724)	(3,167)	(211,557)
	20,739,169	6,356,833	14,382,336	4,329,213	10,053,123
<b>Phoenix Silver</b>					
Acquisition costs - cash	487,609	-	487,609	-	487,609
Acquisition costs - shares	2,082,500	912,500	1,170,000	780,000	390,000
Consulting fees	443,830	31,356	412,474	69,675	342,799
Field supplies and other costs	6,429	4,669	1,760	95	1,665
Laboratory and analysis fees	11,021	-	11,021	985	10,036
Land payments	303,121	80,868	222,253	132,733	89,520
Staking and survey costs	99,864	-	99,864	51,584	48,280
Travel and accommodation	11,800	776	11,024	2,963	8,061
Currency translation	172,730	231,083	(58,353)	(1,320)	(57,033)
	3,618,904	1,261,252	2,357,652	1,036,715	1,320,937
<b>Cherokee</b>					
Consulting fees	760,772	28,729	732,043	169,130	562,913
Drilling	439,312	-	439,312	439,312	-
Field supplies and other costs	72,577	4,367	68,210	49,057	19,153
Laboratory and analysis fees	133,917	-	133,917	36,538	97,379
Land payments	1,104,716	138,352	966,364	145,089	821,275
Staking and survey costs	125,450	-	125,450	71	125,379
Travel and accommodation	185,408	1,487	183,921	37,111	146,810
Currency translation	142,884	184,608	(41,724)	(1,493)	(40,231)
	2,965,036	357,543	2,607,493	874,815	1,732,678
<b>Eastern Nevada</b>					
Consulting fees	221,614	20,538	201,076	32,246	168,830
Field supplies and other costs	6,469	389	6,080	131	5,949
Laboratory and analysis fees	7,161	-	7,161	-	7,161
Land payments	246,129	44,377	201,752	42,827	158,925
Staking and survey costs	8,970	-	8,970	-	8,970
Travel and accommodation	27,849	-	27,849	-	27,849
Currency translation	26,060	33,254	(7,194)	(898)	(6,296)
Impairment	(544,252)	(544,252)	-	-	-
	-	(445,694)	445,694	74,306	371,388
<b>Total</b>	<b>27,323,109</b>	<b>7,529,935</b>	<b>19,793,175</b>	<b>6,315,049</b>	<b>13,478,126</b>

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**8. Mineral properties (continued)**

**Candelaria Option Agreement**

On January 16, 2017, the Company entered into an option agreement (the "Option Agreement") with a subsidiary of SSR Mining Inc. ("SSR"), to acquire a 100% interest in the Candelaria silver project (the "Candelaria Project or "Candelaria") located in Nevada, USA.

In order to exercise the option, the Company is required to:

- issue US\$1,000,000 in shares to SSR on the date that the parties satisfy the conditions to the Agreement, including obtaining final approval of the TSX-V (the "Effective Date") (paid);
- issue an additional US\$1,000,000 in shares on each of the three anniversaries of the Effective Date (first and second year anniversary payments paid); and
- assume the US\$2,000,000 reclamation bond on the property immediately prior to exercise of the option. A bi-annual reassessment of the reclamation bond completed in September 2022 now estimates the bond at US\$2,491,757.

Upon satisfying the terms set forth above, the Company will have earned a 100% interest in the property subject to a 3% net smelter returns royalty payable to Teck Resources USA on production from a certain claims group of the property and a charge of \$0.01 per ton payable for waste rock dumped on certain claims.

The Company issued 1,332,900 common shares at a fair value price of \$1.00 per share to satisfy the initial option payment of US\$1,000,000, the Company issued 2,828,636 common shares at a fair value of \$0.44 per share in order to satisfy the first anniversary payment of US\$1,000,000, and the Company issued 5,827,338 common shares at a fair value of \$0.215 to satisfy the second anniversary payment of US\$1,000,000.

On July 25, 2019, the Company amended the Candelaria Option Agreement ("Amended Agreement"). The Amended Agreement deferred the assumption of the bond obligation by the Company until January 2023. On December 31, 2022, the Amended Agreement was further amended to extend the assumption of the bond obligation by Silver One by an additional sixty days. Failure to assume the bond could put the Company in default of the Amended Agreement.

On April 14, 2020, the Company further amended the Candelaria Option (the "Amended Candelaria Option Agreement"). The Company agreed with each of SSR and Maverix Metals Inc. ("Maverix") whereby the Company will reduce its payment obligation with SSR and, in consideration of which, assume a future production payment due to Maverix.

Under the Amended Candelaria Option Agreement:

- The Company agreed to assume the obligation to pay Maverix US\$1,000,000 upon Candelaria achieving commercial production (the "Production Payment");
- In consideration of the Company assuming the Production Payment, SSR agreed to relinquish the third anniversary option payment of US\$1,000,000 in shares of Silver One and instead agreed to receive US\$100,000 in units of Silver One (issued);
- In consideration of Maverix agreeing to the Company's assumption of the Production Payment, Maverix received US\$100,000 in units of Silver One (issued); and
- Maverix agreed to amend the Production Payment so that the Company may satisfy it with US\$500,000 cash and \$500,000 in shares of the Company on the first anniversary after commencement of commercial production at Candelaria.

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**8. Mineral properties (continued)**

**Additional Candelaria claims acquired**

In March 2018, the Company entered into an agreement to acquire 10 non-patented mineral claims located along the eastern structural projection of the Candelaria mineralized system. These claims are located immediately east of the former producing Mount Diablo open pit. Silver One has acquired these claims for the consideration of US\$10,000 plus the issuance of 38,235 common shares at a fair value of \$0.34 per share (total of US\$10,000).

In November 2019, the Company acquired an additional three patented claims, located within the company's claims. Consideration for these patents consisted of US\$75,000 cash (paid) and US\$5,000 in shares (issued), subject to a 2% NSR that can be purchased for US\$50,000 plus US\$5,000 in Silver One's shares issued at market price on the date of the issuance.

**Phoenix Silver Acquisition**

On February 4, 2020, the Company entered into an agreement (the "Phoenix Silver Agreement") with Granite-Solid LLC (the "Optionor") whereby the Company has the option to acquire a 100% interest in the Phoenix Silver Property. The Phoenix Silver Property consists of 86 unpatented lode claims and 2 unpatented placer claims, located in Gila County, Arizona.

The Company may exercise the option by making the following cash payments and share issuances:

- paying the Optionor US\$350,000 within five days of TSX-V acceptance of the Phoenix Silver Agreement (the "Effective Date") (paid); and
- issuing the Optionor: (i) 500,000 shares on the date that is six (6) months from the Effective Date (issued); (ii) 1,000,000 shares on the date that is twelve months from the Effective Date (issued); (iii) 2,500,000 shares on the date that is twenty-four months from the Effective Date (issued); (iv) 3,000,000 shares on the date that is thirty-six months from the Effective Date (issued subsequent to year end – see note 19); and (v) 3,000,000 shares on the date that is forty-eight months from the Effective Date.

The Phoenix Silver Agreement is subject to a five-mile area of interest. Further, after two years of the Effective Date, Silver One has the right to require the Optionor to include other unpatented placer claims under this Phoenix Silver Agreement for no additional consideration.

The Phoenix Silver Property is subject to an underlying 2% Net Smelter Royalty ("NSR") to the original prospectors of the project. Each 1% NSR may be purchased for US\$500,000 resulting in a total of US\$1,000,000 for the entire underlying NSR.

**Signing of lease/purchase agreement on five patented claims at the Cherokee Project in eastern Nevada**

In July 2018, the Company entered into a lease/purchase agreement with Castleton Park LLC ("Castleton") of Sparks, Nevada to acquire five patented claims at its Cherokee Project. These patents lie within the Company's Cherokee claim holdings in Lincoln County located in eastern Nevada.

The terms of the Lease/Purchase Agreement include three payments over a 2-year lease, consisting of a payment for US\$23,125 upon execution of the agreement (paid), US\$34,688 on the first anniversary (paid) and US\$24,687 on the second anniversary (paid). This provides Silver One with a 100% interest in all patented claims. Castleton will also receive a payment of US\$100,000 for every 7.5 million silver equivalent ounces of mineral resources calculated on the property, subject to a maximum of US\$1,000,000.

**Impairment of Eastern Nevada**

During the year ended December 31, 2022, the Company booked an impairment on the Eastern Nevada property as it focuses its attention on the Candelaria, Phoenix Silver and Cherokee projects.

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**9. Accounts payable and accrued liabilities**

	December 31 2022	December 31 2021
	\$	\$
Accounts payable	179,905	413,731
Accrued liabilities	40,744	32,500
	220,649	446,231

Accounts payable include amounts owing for consulting, exploration, and general corporate expenditures. Accrued liabilities include an accrual of audit fees and other administrative expenses.

**10. Lease obligations**

The Company entered into office leases on February 2018 and June 2020. The terms and the outstanding balances as at December 31, 2022 and 2021 are as follows:

	December 31 2022	December 31 2021
	\$	\$
Right-of-use asset from office lease repayable in monthly instalments between \$10,676 and \$14,878, an interest rate of 7.71% per annum and an end date of January 2023.	13,079	163,735
Right-of-use asset from office lease repayable in monthly instalments of \$2,500, an interest rate of 7.72% per annum and an end date of May 2022.	-	12,871
Total lease obligations	13,079	176,606
Less: current portion	(13,079)	(163,527)
Non-current portion	-	13,079

The following is a schedule of the Company's future minimum lease payments related to the office lease obligations:

	\$
2023	13,169
Total minimum lease payments	13,169
Less: imputed interest	(90)
Total present value of minimum lease payments	13,079
Less: Current portion	(13,079)
Non-current portion	-

**Sublease of office space**

The Company entered into a new agreement to sublease one of its office spaces beginning on December 1, 2020 through January 31, 2023 for approximately \$157,000 per annum including the base rent, property tax and operating expenses. The right-of-use asset related to the office was derecognized and a net investment in sublease was set up.

The Company also subleases part of their office space on a month-to-month basis to other companies. The total lease income from the subleasing of the office for the year ended December 31, 2022 was \$7,289 (2021 - \$18,313).

During the year ended December 31, 2022, the Company recorded \$7,621 (2021 - \$20,738) of interest expense related to the leases.

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**10. Lease obligations (continued)**

As at December 31, 2022 and 2021 the net investment in sublease was made up of the following:

	<b>December 31 2022</b>	<b>December 31 2021</b>
<b>Net investment in sublease</b>	<b>\$</b>	<b>\$</b>
Short-term	12,925	148,833
Long-term	-	12,925
<b>Total receivables</b>	<b>12,925</b>	<b>161,758</b>

**11. Share capital**

**a) Authorized:** Unlimited common shares without par value.

**b) Shares issued**

Common shares: 217,717,207 (December 31, 2021 – 208,608,596).

During the year ended December 31, 2022, the Company:

- Issued 2,500,000 common shares valued at \$912,500 pursuant to the Phoenix Silver Agreement (see Note 8);
- Issued 200,000 common shares for the exercise of options in the amount of \$44,000. A value of \$15,365 was transferred from the share-based payment reserve to share capital as a result; and
- Issued 6,408,611 common shares for the exercise of warrants in the amount of \$1,371,722.

During the year ended December 31, 2021, the Company:

- Issued 1,000,000 common shares valued at \$780,000 pursuant to the Phoenix Silver Agreement (see Note 8);
- Issued 3,339,999 common shares for the exercise of options in the amount of \$266,749. A value of \$261,325 was transferred from the share-based payment reserve to share capital as a result; and
- Issued 2,936,956 common shares for the exercise of warrants in the amount of \$896,141.

**c) Options**

The Company has adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors.

The vesting provisions of all options are the following: 25% - 6 months from the grant date, 35% - 1 year from the grant date, and 40% - 1.5 years from the grant date.

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**11. Share capital (continued)**

**c) Options (continued)**

The Company's share options outstanding as at December 31, 2022 and December 31, 2021 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price \$
<b>Balance as at December 31, 2020</b>	10,793,499	0.35
Granted – January 28, 2021	100,000	0.65
Granted – March 9, 2021	100,000	0.67
Granted – April 23, 2021	50,000	0.75
Granted – June 6, 2021	2,950,000	0.75
Exercised	(3,339,999)	0.08
Expired	(360,000)	0.33
<b>Balance as at December 31, 2021</b>	10,293,500	0.56
Granted – January 20, 2022	100,000	0.45
Granted – April 26, 2022	300,000	0.45
Granted – August 25, 2022	2,590,000	0.33
Exercised	(200,000)	0.22
Expired	(975,000)	0.55
<b>Balance as at December 31, 2022</b>	12,108,500	0.52

The total share-based payment expense recorded during the year ended December 31, 2022 was \$1,071,232 (2021: \$1,804,228).

The following table summarizes information about the share options as at December 31, 2022:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable	Expiry date
\$0.45	150,000	0.02	150,000	January 8, 2023
\$0.40	1,085,500	0.38	1,085,500	May 17, 2023
\$0.26	2,048,000	1.55	2,048,000	July 19, 2024
\$0.30	60,000	1.79	60,000	October 15, 2024
\$0.70	2,575,000	2.75	2,575,000	September 28, 2025
\$0.65	100,000	3.08	100,000	January 28, 2026
\$0.67	100,000	3.19	100,000	March 9, 2026
\$0.75	50,000	3.31	50,000	April 23, 2026
\$0.75	2,950,000	3.43	1,770,000	June 6, 2026
\$0.45	100,000	4.06	25,000	January 20, 2027
\$0.45	300,000	4.32	75,000	April 26, 2027
\$0.33	2,590,000	4.65	-	August 25, 2027

Subsequent to year end, 150,000 options expired unexercised.



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**11. Share capital (continued)**

**c) Options (continued)**

The fair value of options recognized in the period has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the options:

Issue date	Expected Option life (years)	Risk free interest rate	Dividend yield	Expected volatility <sup>1</sup>	Weighted average fair value
January 28, 2021	5.00	0.33%	nil	94%	\$0.46
March 9, 2021	5.00	0.69%	nil	95%	\$0.48
April 23, 2021	5.00	0.76%	nil	94%	\$0.52
June 6, 2021	5.00	0.74%	nil	102%	\$0.53
January 20, 2022	5.00	1.59%	nil	87%	\$0.29
April 26, 2022	5.00	2.92%	nil	87%	\$0.27
August 25, 2022	5.00	3.32%	nil	88%	\$0.22

Note 1: The volatility used is the Company's own share volatility for a period equal to the life of the options.

**d) Warrants**

The Company's warrants outstanding as at December 31, 2022 and 2021 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price
		\$
<b>Balance as at December 31, 2020</b>	37,239,396	0.38
Exercised	(2,936,956)	0.31
<b>Balance as at December 31, 2021</b>	34,302,440	0.39
Exercised	(6,408,611)	0.20
Expired	(8,730,000)	0.20
<b>Balance as at December 31, 2022</b>	19,163,829	0.53

The balance of warrants outstanding as at December 31, 2022 is as follows:

Expiry Date	Exercise Price \$	Remaining Life (Years)	Warrants Outstanding
January 13, 2023	0.40	0.04	4,576,000
January 17, 2023	0.40	0.05	3,835,000
April 14, 2023	0.40	0.28	435,500
July 14, 2023	0.65	0.53	10,317,329

Subsequent to year end, the life of the 4,576,000 warrants expiring January 13, 2023 was extended to January 13, 2024 and the life of the 3,835,000 warrants expiring January 17, 2023 was extended to January 17, 2024.

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**12. Segment information**

The Company operates in a single reportable operating segment, being the acquisition, exploration and retention of mineral property assets. Geographic segment information of the Company's non-current assets as at December 31, 2022 and 2021 is as follows:

<b>Non-current assets</b>	<b>December 31 2022</b>	<b>December 31 2021</b>
	\$	\$
Canada	218	1,197,401
USA	27,406,277	19,942,372
<b>Total</b>	<b>27,406,495</b>	<b>21,139,773</b>

**13. Income taxes**

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<b>2022</b>	<b>2021</b>
	\$	\$
Loss for the year before income tax recovery	(4,098,688)	(5,537,312)
Average statutory rate	27.00%	27.00%
Recovery of income taxes based on statutory rates	(1,107,000)	(1,495,000)
Increase (decrease) in income tax recovery resulting from:		
Change in statutory, foreign tax rate, foreign exchange rates and other	32,000	(1,000)
Sale of KCP	-	1,819,000
True-up of opening temporary differences	(17,000)	25,000
Other non-deductible expenses	499,000	582,000
Change in non-recognized deferred tax assets	593,000	(930,000)
<b>Income tax recovery</b>	<b>-</b>	<b>-</b>

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at December 31, 2022 and 2021, the Company has not recognized the benefit of the following deductible temporary differences:

	<b>December 31 2022</b>	<b>December 31 2021</b>
	\$	\$
Deferred tax assets		
Losses carried forward	2,826,000	2,299,000
Allowable capital losses	178,000	188,000
Mineral properties	7,000	7,000
Marketable securities	421,000	282,000
Long-term receivable	-	21,000
Equipment	3,000	1,000
Undeducted financing costs and other	39,000	66,000
Unrecognized deferred tax assets	(3,474,000)	(2,864,000)
<b>Total deferred tax assets</b>	<b>-</b>	<b>-</b>

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As at December 31, 2022, the Company has estimated non-capital losses for Canadian income tax purposes of \$10,064,000 (2021 - \$8,572,000) that may be carried forward to reduce taxable income derived in future years. The Canadian non-capital losses expire from 2026-2042 (2021 - 2026-2041).

As at December 31, 2022, the Company's United States subsidiary had approximately \$5,920,000 (2021 - \$4,177,000) in losses that do not expire.

**14. Related party transactions**

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. The Company incurred the following charges during the years ended December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Consulting fees	210,015	210,031
Director fees	72,000	60,000
Professional fees	64,344	52,931
Salaries and benefits	282,211	290,890
Share-based payments	507,918	899,771

Consulting fees include amounts paid to Raul Diaz, a director of the Company, for geological consulting services. Included in the amounts above is \$146,610 in consulting fees for the year ended December 31, 2022 that was capitalized to mineral properties (2021 - \$146,441).

Director fees were paid to the directors of the Company.

Professional fees include amounts paid to Malaspina Consultants Inc., a company in which the CFO, Carmen Amezcua, was an associate as well as to Amezcua Management Inc., a company of which the CFO is President.

Salaries and benefits include amounts paid to Greg Crowe, President and Chief Executive Officer of the Company.

Share-based payments include options granted to officers and directors.

During the year ended December 31, 2022, the Company received lease income from a related company with common directors in the amount of \$3,633 (2021 - \$2,920).

As at December 31, 2022, directors, officers or their related companies were owed \$3,675 (December 31, 2021 - \$43,946) in respect of services. The amounts due to related parties are included in accounts payable. As at December 31, 2021, the Company was owed \$122,832 from a company with a common director. During the current fiscal year, this balance was written down to \$nil.

Key management includes directors and executive officers of the Company. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

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**15. Supplemental cash flow information**

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements. The following transactions were excluded from the consolidated statement of cash flows:

During the year ended December 31, 2022:

- The issuance of 2,500,000 common shares valued at \$912,500 pursuant to the Phoenix Silver Agreement (see Note 8); and
- Movement of \$35,246 in mineral property exploration expenditures in accounts payable and accrued liabilities.

During the year ended December 31, 2021:

- The issuance of 1,000,000 common shares valued at \$780,000 pursuant to the Phoenix Silver Agreement (see Note 9(a)); and-
- Movement of \$677,246 in mineral property exploration expenditures in accounts payable and accrued liabilities.

The Company paid or accrued \$nil for income taxes during the year ended December 31, 2022 (2021 - \$nil).

**16. Financial instruments**

**Classification of financial instruments**

The Company's financial instruments consist of cash, short-term investments, receivables and prepaid expenditures, net investment in sublease, marketable securities, accounts payable and accrued liabilities and lease obligations. The Company classifies its cash, short-term investments, receivables and prepaid expenditures and net investment in sublease as financial assets at amortized cost. The Company classifies its accounts payable and accrued liabilities and lease obligations as financial liabilities at amortized cost. The Company classifies its marketable securities as FVTPL.

The classification of the financial instruments as well as their carrying values as at December 31, 2022 and 2021 is shown in the table below.

<b>At December 31, 2022</b>	<b>FVTPL</b> <b>(Financial Assets)</b>	<b>Amortized cost</b> <b>(Financial Assets)</b>	<b>Amortized cost</b> <b>(Financial Liabilities)</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash	-	3,065,488	-	3,065,488
Short-term investments	-	266,174	-	266,174
Receivables and prepaid expenditures	-	1,355,345	-	1,355,345
Net investment in sublease	-	12,925	-	12,925
Marketable securities	445,787	-	-	445,787
<b>Total financial assets</b>	<b>445,787</b>	<b>4,699,932</b>	<b>-</b>	<b>5,145,719</b>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	-	-	220,649	220,649
Lease obligations	-	-	13,079	13,079
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>233,728</b>	<b>233,728</b>

Note that the fair values approximate the carrying values due to their short-term nature.

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**16. Financial Instruments (continued)**

**Classification of financial instruments (continued)**

<b>At December 31, 2021</b>	<b>FVTPL</b> <b>(Financial Assets)</b>	<b>Amortized cost</b> <b>(Financial Assets)</b>	<b>Amortized cost</b> <b>(Financial Liabilities)</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash	-	8,708,892	-	8,708,892
Short-term investments	-	261,512	-	261,512
Receivables and prepaid expenditures	-	915,230	-	915,230
Net investment in sublease	-	148,833	-	148,833
Marketable securities	1,478,232	-	-	1,478,232
<b>Total financial assets</b>	<b>1,478,232</b>	<b>10,034,467</b>	<b>-</b>	<b>11,512,699</b>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	-	-	446,231	446,231
Lease obligations	-	-	176,606	176,606
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>622,837</b>	<b>622,837</b>

Note that the fair values approximate the carrying values due to their short-term nature.

**Fair value**

Financial instrument disclosures establish a fair value hierarchy that requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. This section describes three input levels that may be used to measure fair value:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide information on an ongoing basis.

Level 2 – quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of cash, short-term investments, receivables and prepaid expenditures, and accounts payable and accrued liabilities approximates their carrying values. Marketable securities are measured at fair value using level 1 inputs. The carrying value of the Company's net investment in sublease and lease obligations are measured as the present value of the discounted future cash flows.

**Financial instruments risk management**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

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**16. Financial Instruments (continued)**

**Financial instruments risk management (continued)**

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Discussions of risks associated with financial assets and liabilities are detailed below:

**a) Foreign currency risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the US and a portion of the Company's expenses are incurred in Canadian dollars ("CAD") and US dollars ("USD"). A significant change in the currency exchange rates between the Canadian and US dollar, could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2022, the Company is exposed to currency risk on the following financial assets and liabilities denominated in USD. The sensitivity of the Company's net earnings due to changes in the exchange rate between the USD against the Canadian dollar is included in the table below in Canadian dollar equivalents:

	USD amount	Total
	\$	\$
Cash	597,653	597,653
Accounts payable and accrued liabilities	(139,431)	(139,431)
<b>Net exposure</b>	<b>458,222</b>	<b>458,222</b>
<b>Effect of +/- 10% change in currency</b>	<b>45,822</b>	

**b) 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 risk that the Company will realize a cash loss is limited as the Company's liabilities are non-interest bearing. The Company considers this risk to be immaterial.

**c) Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions as well as accounts receivables from the Company's sublease of the office space. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company considers credit risk with respect to its cash to be immaterial as cash is mainly held through large Canadian financial institutions.

**d) Liquidity risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. Accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

**17. Management of capital**

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 exploration of and retention of its mineral properties. In the management of capital, the Company includes its components of shareholders' equity.

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**17. Management of capital (continued)**

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements.

The Company does not have a source of revenue. As such, the Company is dependent on external financing to fund its activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management policies on an ongoing basis. There were no changes in the Company's approach to capital management since December 31, 2022.

**18. Commitment**

The President, CEO and director has a long-term employment agreement with the Company. The agreement has a termination clause whereby he is entitled to the equivalent of sixteen times his then current monthly salary plus two additional months for each year of working. As at December 31, 2022, this equated to \$598,000 (December 31, 2021 - \$552,000).

**19. Subsequent events**

On February 22, 2023, the Company issued 3,000,000 common shares in accordance with the Phoenix Silver Agreement to satisfy the fourth payment due on the thirty-six month anniversary of the Effective Date.