CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Fabled Silver Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Fabled Silver Gold Corp. (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, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had working capital deficiency of $127,061 as at December 31, 2022 and that the Company's cash resources are not adequate to pay the Company's accounts payable and to meet its minimum commitments. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Impairment 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 $Nil as of December 31, 2022. As more fully described in Note 2 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal consideration for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter is that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the asset's 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.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments.
- Obtaining, on a test basis through government websites, confirmation of title, to ensure mineral rights underlying the E&E Assets are in good standing.

Impairment of value-added tax receivable ("VAT receivable")

As described in Note 7 to the consolidated financial statements, the Company recorded an impairment loss on VAT receivable of $1,092,870 in the statement of loss and comprehensive loss during the year ended December 31, 2022. The carrying amount of the Company's VAT receivable was $Nil as of December 31, 2022.

The principal consideration for our determination that the assessment of valuation of the VAT receivable is a key audit matter is that there was judgment made by management when assessing the timing of collection and collectability of the VAT receivable. We considered this a key audit matter due to the significance of the VAT receivable balance and the significant judgment made by management. This in turn resulted in significant audit effort and subjectivity in performing audit procedures to evaluate judgement made by management in determining the collectability of the VAT receivable.

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 recording VAT receivables.
- Evaluating management's assessment of collectability of VAT receivable through discussion with management and review of VAT returns filed.
- Reviewing reasonability of VAT receivable recorded and testing a sample of VAT recorded to relevant documents.
- Testing the disclosures made in the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

May 1, 2023

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(Expressed in Canadian Dollars)

As at	Note(s)	December 31, 2022 $	December 31, 2021 $
ASSETS			
Current assets			
Cash and cash equivalents	4	100,591	903,215
Amounts receivable		35,545	88,366
Loan receivable	5	-	554,353
Prepaid expenses		121,510	105,051
		257,646	**1,650,985**
Non-current assets			
Value-added tax receivable	7	-	957,335
Equipment	6	66,449	85,027
Exploration and evaluation assets	8	-	3,332,394
		66,449	**4,374,756**
TOTAL ASSETS		**324,095**	**6,025,741**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	141,513	220,408
Due to related parties	11	243,194	22,663
TOTAL LIABILITIES		**384,707**	**243,071**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	10	18,924,868	18,592,615
Foreign currency translation reserve		105,531	(92,926)
Reserves	10	977,904	547,888
Accumulated deficit		(20,068,915)	(13,264,907)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**(60,612)**	**5,782,670**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**324,095**	**6,025,741**

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These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Luc Pelchat Director **/s/ Peter Hawley Director**

(Expressed in Canadian Dollars)

		For the years ended	
	Note(s)	December 31, 2022 $	December 31, 2021 $
Expenses			
Consulting fees		60,841	40,106
Depreciation	6, 8	10,290	4,336
Exploration and evaluation costs	8	620,108	3,434,599
Foreign exchange gain		(3,547)	(62,860)
General and administrative expenses		29,769	58,269
Impairment of exploration and evaluation assets	8	3,661,652	-
Impairment of value-added tax receivable	7	1,092,870	-
Investor relations and promotion		462,191	751,703
Management and directors' fees	11	120,000	120,000
Professional fees	11	325,692	1,112,496
Property investigation costs		-	10,000
Recovery of impairment loss of exploration and evaluation assets	3	-	(2,204,913)
Regulatory and filing fees		89,244	208,557
Share-based payments	10, 11	311,216	519,433
Travel		23,682	20,021
Total expenses		**(6,804,008)**	**(4,011,747)**
Other income			
Gain on transfer of spin-out assets	3	-	2,598,707
Loss for the year		**(6,804,008)**	**(1,413,040)**
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss		-	-
Foreign currency translation differences for foreign operations		198,457	(101,648)
Total comprehensive loss		**(6,605,551)**	**(1,514,688)**
Basic and diluted loss per share for the year attributable to common shareholders ($ per common share)		**(0.16)**	**(0.04)**
Weighted average number of common shares outstanding - basic and diluted		**42,293,267**	**38,926,174**

(Expressed in Canadian Dollars)

	Note(s)	Share capital #	Share capital $	Foreign currency translation reserve $	Reserves $	Accumulated deficit $	TOTAL $
Balance as of December 31, 2021	1	**41,706,715**	**18,592,615**	**(92,926)**	**547,888**	**(13,264,907)**	**5,782,670**
Shares issued for cash - private placement	10	1,188,000	297,000	-	118,800	-	**415,800**
Share issue costs	10	-	(32,547)	-	-	-	**(32,547)**
Shares issued for services	10	194,615	67,800	-	-	-	**67,800**
Share-based payments	10	-	-	-	311,216	-	**311,216**
Loss and comprehensive loss		-	-	198,457	-	(6,804,008)	**(6,605,551)**
Balance as of December 31, 2022		**43,089,330**	**18,924,868**	**105,531**	**977,904**	**(20,068,915)**	**(60,612)**
Balance as of December 31, 2020	1	**28,010,381**	**13,750,054**	**8,722**	**628,758**	**(11,851,867)**	**2,535,667**
Shares issued for investor relations services	8, 10	137,801	84,750	-	-	-	**84,750**
Shares issued for cash - exercise of warrants	8	13,500,200	6,386,100	-	-	-	**6,386,100**
Shares issued for cash - exercise of stock options	8	58,333	24,167	-	-	-	**24,167**
Reclassification of grant-date fair value on exercise of warrants	8	-	413,089	-	(413,089)	-	**-**
Reclassification of grant-date fair value on exercise of stock options	8	-	19,790	-	(19,790)	-	**-**
Transfer of assets per Plan of Arrangement	3, 8	-	(2,085,335)	-	(167,424)	-	**(2,252,759)**
Share-based payments	8	-	-	-	519,433	-	**519,433**
Loss and comprehensive loss		-	-	(101,648)	-	(1,413,040)	**(1,514,688)**
Balance as of December 31, 2021		**41,706,715**	**18,592,615**	**(92,926)**	**547,888**	**(13,264,907)**	**5,782,670**

(Expressed in Canadian Dollars)

	Note(s)	For the years ended December 31, 2022 $	December 31, 2021 $
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(6,804,008)	(1,413,040)
Depreciation	6, 8	26,592	24,025
Gain on transfer of spin-out assets	3	-	(2,598,707)
Impairment of exploration and evaluation assets	8	3,661,652	-
Impairment of value-added tax receivable		1,092,870	-
Recovery of impairment loss of exploration and evaluation assets	8	-	(2,204,913)
Share-based payments	10	311,216	519,433
Shares issued for services	10	67,800	84,750
Net changes in non-cash working capital items:			
Amounts receivable		52,868	(62,446)
Prepaid expenses		(14,258)	(348,247)
Value-added tax receivable		(93,799)	(860,472)
Accounts payable and accrued liabilities		(108,880)	916,938
Due to related parties		212,511	205,351
Cash flow used in operating activities		**(1,595,436)**	**(5,737,328)**
INVESTING ACTIVITIES			
Acquisition costs on exploration and evaluation assets	8	(177,683)	(2,807,952)
Purchase of equipment	6	-	(107,490)
Cash flow provided by (used in) investing activities		**(177,683)**	**(2,915,442)**
FINANCING ACTIVITIES			
Cash transferred to Fabled Copper Corp. pursuant to the plan of arrangement	3	-	(557,295)
Proceeds on issuance of common shares, net of cash share issue costs	10	392,406	6,410,267
Repayment of note payable		-	(5,000)
Repayment of loan payable from Fabled Copper Corp.	3	554,353	2,255,875
Cash flow provided by financing activities		**946,759**	**8,103,847**
Effects of exchange rate changes on cash		23,736	(345,355)
Decrease in cash and cash equivalents		**(802,624)**	**(894,278)**
Cash and cash equivalents, beginning of year	4	**903,215**	**1,797,493**
Cash and cash equivalents, end of year	4	**100,591**	**903,215**
Supplemental cash flow information			
Share issue costs included in accounts payable and accrued liabilities and due to related parties		9,153	-
Cash paid for income taxes		-	-
Cash paid for interest		-	-

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Fabled Silver Gold Corp. (the "Company" or "Fabled Sliver") was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on December 15, 2014 and changed its name from Flying Monkey Capital Corp. to Fabled Copper Corp. on September 26, 2018 and from Fabled Copper Corp. to Fabled Silver Gold Corp. on October 19, 2020.

The Company is listed on the TSX Venture Exchange (the "Exchange") under the symbol "FCO", on the Frankfurt Stock Exchange under the symbol "7NQ" since December 18, 2020 and on the OTCQB under the symbol "FBSGF" since March 22, 2021. The Company is currently engaged in exploration of mineral properties.

The head office and the registered address of the Company are 480 – 1500 West Georgia Street, Vancouver, BC V6G 2Z6, Canada.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As of December 31, 2022, the Company had working capital deficiency of $127,061 (December 31, 2021 – working capital of $1,407,914), had not advanced its mineral properties to commercial production and is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon the successful exercise of its mineral property option agreements, results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating losses. The current cash resources are not adequate to pay the Company's accounts payable and to meet its minimum commitments as at the date the Board of Directors approved these consolidated financial statements, including planned corporate and administrative expenses, and other project implementation costs; accordingly, these material uncertainties may cast a significant doubt on the ability of the Company to continue operations as a going concern. These financial statements do not include any adjustments that might result from this uncertainty.

Share Consolidation

On January 26, 2023, the Company completed a consolidation of its common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares (the "Consolidation"). The exercise price and number of common shares issuable pursuant to the exercise of any outstanding convertible securities, including incentive stock options and warrants, were also adjusted in accordance with the Consolidation. The numbers of outstanding securities and other relevant information including but not limited to price per share, and exercise prices of convertible securities presented in these financial statements for both years ended December 31, 2022 and 2021 have been retroactively adjusted accordingly, unless otherwise specified.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (CONTINUED)

Arrangement

On May 18, 2021, the Board of Directors of the Company (the "Board") unanimously authorized Fabled Silver to proceed with a corporate restructuring by way of a statutory plan of arrangement ("Arrangement") under the Business Corporations Act ("BCBCA").

On September 17, 2021, the Company entered into an arrangement agreement (the "Arrangement Agreement") with its wholly owned subsidiary Fabled Copper Corp. ("Fabled Copper") with respect to the Arrangement.

The purpose of the Arrangement and the related transactions was to reorganize Fabled Silver into two separate publicly-traded companies:

- Fabled Silver, which is an exploration company focused in Mexico holding the Santa María Project; and
- Fabled Copper, which is an exploration company focused on British Columbia copper assets, which holds an option interest in the Muskwa Project and the Bronson Property.

Pursuant to the Arrangement, on the effective date of the Arrangement (a) holders of common shares in the Company ("Old Fabled Shares") exchanged each Old Fabled Share for one new common share of the Company ("Fabled Shares") and 1/5 of one Fabled Copper Share(*); (b) holders of common share purchase warrants of the Company ("Fabled Warrants")(*) became entitled to receive, upon exercise of a Fabled Warrant for the same aggregate consideration, one Fabled Share(*) and 1/5 of one Fabled Copper Share(*), in accordance with the terms of the agreements, plans or certificates representing such Fabled Warrants; and (c) the exercise price of all outstanding stock options of Fabled (the "Fabled Options") (*) were adjusted by amounts reflective of the relative fair market values of the Company and Fabled Copper, provided that the "In the Money Amount" of the Fabled Options immediately after the Arrangement did not exceed the "In the Money Amount" of the Fabled Options immediately before the Arrangement. "In the Money Amount" at a particular time with respect to a Fabled Option means the amount, if any, by which the fair market value of the underlying security exceeds the exercise price of the relevant option at such time.

The Arrangement was completed on December 21, 2021. See Note 3 for details.

(*) This information does not reflect the Consolidation.

Financial Reporting and Disclosure during Economic Uncertainty

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic; the Company has not been significantly impacted by the spread of COVID-19. However, the ongoing COVID-19 pandemic, inflationary pressures, rising interest rates, the global financial climate and the conflict in Ukraine are affecting current economic conditions and increasing economic uncertainty, which may impact the Company's operating performance, financial position and the Company's ability to raise funds at this time.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The consolidated financial statements of the Company for the year ended December 31, 2022 were approved by the Board of Directors on May 1, 2023.

Basis of preparation

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2022. In addition, these financial statements are presented in Canadian dollars (CAD).

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiaries of the Company:

- Fabled Copper Corp. (formerly Fabled Copper and Gold Corp.), a company incorporated under the laws of British Columbia for the period from January 1, 2021 to December 21, 2021 (Note 3);
- Fabled Holdings Ltd. a company incorporated under the laws of British Columbia; and
- Fabled Silver Gold Mexico Corp. a company incorporated under the laws of Mexico.

All subsidiaries have a reporting date of December 31.

- ***Subsidiaries***

  A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

- ***Acquisitions and disposals***

  The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

  Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant management judgment and estimates in applying accounting policies (continued)

The preparation of these financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- **Critical accounting estimates**

  Carrying value and recoverability of exploration and evaluation assets
  The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

  Share-based payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

  Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant management judgment and estimates in applying accounting policies (continued)

- **Critical accounting estimates (continued)**

Shares issued for service
The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration, specifically relating to shares issued for services and for exploration and evaluation properties. Shares are valued at the fair value the goods or services received, unless that fair value cannot be estimated reliably, then those shares are valued at the fair value of the equity instruments granted at the date the Company receives the good or service. When no market price is available, a valuation technique is used to determine what price the equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. In the case of the Company, the fair value of the shares issued was estimated with reference to the quoted price of the shares issued.

Value added taxes ("VAT")
VAT receivables are generated on the purchase of supplies and services by our companies operating in Canada and Mexico. Timing and collection of VAT receivables is uncertain as VAT refund procedures in certain jurisdictions require a significant amount of documentation and follow-up. We are exposed to liquidity risk, credit risk and currency risk with respect to our VAT recoverable balances if tax authorities are unwilling to make payments in a timely manner pursuant to our refund filings. As the timing of receipt of Mexican VAT is uncertain, the Company impaired the VAT during the year ended December 31, 2022.

- **Critical accounting judgments**

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determination of going concern (Note 1)
The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Determination of functional currency
In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", the functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operates. The functional currencies of the Company and its subsidiaries are as follows:

- Fabled Holdings Ltd.	CAD
- Fabled Silver Gold Corp.	CAD
- Fabled Silver Gold Mexico Corp SA de CV	Mexican Peso (MXN)

Determination of recovery of impairment loss on exploration and evaluation assets (Note 8)
In accordance with IAS 36 "Impairment of Assets", the Company assesses at the end of each reporting period to determine if there is any indication that an impairment loss recognized in prior periods for the exploration and evaluation assets is no longer exists or has been decreased. If any such indication exists, the Company remeasures the recoverable amount of the exploration and evaluation assets and recognizes a recovery of impairment loss on exploration and evaluation assets.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Foreign exchange

- **Translation of foreign transactions and balances into the functional currency**
  Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

- **Translation of the functional currency into the presentation currency**
  The results of foreign operations which have a different functional currency of the Company are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation's assets and liabilities to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand.

Financial instruments

- **Financial assets**

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

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

  Equity instruments that are held for trading (including all equity derivative instruments) 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 as at FVTOCI.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Financial instruments (continued)

- **Financial assets (continued)**

  Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. As of December 31, 2022 and 2021, the Company has no financial assets classified as FVTPL.

  Financial assets at FVTOCI – 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 arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. As of December 31, 2022 and 2021, the Company has no financial assets classified as FVOCI.

  Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. As of December 31, 2022 and 2021, the Company has classified its cash and cash equivalents, amounts receivable and loan receivable as amortized cost.

  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 loss allowance for the financial asset is measured 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 loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses.

  Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

  Derecognition of financial assets
  Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Financial instruments (continued)

- **Financial liabilities**

  Classification and measurement
  The Company classifies its financial liabilities into one of two categories as follows:

  Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

  Financial liabilities at amortized cost – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. As at December 31, 2022 and 2021, the Company has classified its accounts payable and accrued liabilities and due to related parties as other financial liabilities.

  Derecognition of financial liabilities
  A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

  When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of loss.

Refer to Note 13 for further disclosures.

Taxation
Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based payments expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based payments and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Loss per share

Basic loss per share is calculated by dividing the net loss for the year divided by the weighted average number of common shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

Exploration and evaluation

- **Exploration and evaluation assets**

  Exploration and evaluation assets include acquired mineral rights for mineral exploration properties held by the Company. The amount of consideration paid (in cash or share value) for mineral rights is capitalized. The amounts shown for exploration and evaluation assets represent costs of acquisition, incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be written off if the evaluation and exploration assets are abandoned or sold. Included in the cost of exploration and evaluation assets is the cost of any estimated decommissioning liability. The Company has classified exploration and evaluation assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon reserves.

  Ownership in exploration and evaluation assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the evaluation and exploration assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its exploration and evaluation assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of exploration and evaluation assets carrying values.

- **Exploration and evaluation costs**

  Exploration and evaluation costs, other than those described above, are expensed as incurred until such time as mineral reserves are proven or probable, permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves, receipt of permits to commence mining operations and obtaining necessary financing, exploration and evaluation costs are capitalized as deferred development expenditures included within equipment.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For exploration and evaluation assets, indicators of impairment include, but are not limited to, expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area.

Impairment losses of continuing operations are recognized in net loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but 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 (or CGU) in prior years.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

For the years presented the Company has no provisions for environmental rehabilitation.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

New accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2023. The Company has reviewed these updates and determined that none are applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2023 will have a significant impact on the Company's results of operations or financial position.

3. PLAN OF ARRANGEMENT

As discussed in Note 1, the Company completed the Arrangement on December 21, 2021. The carrying value of the net assets transferred to Fabled Copper, pursuant to the Arrangement consisted of the following assets and liabilities:

	$
Current assets	
Cash	557,295
GST receivable	25,369
Prepaid expenses	363,828
Non-current assets	
Exploration and evaluation assets	2,657,570
Current liabilities	
Accounts payable and accrued liabilities	(879,841)
Due to related party	(259,941)
Loan payable (1)	(2,810,228)
Carrying value of net assets	**(345,948)**
Fair value of net assets distributed	**2,252,759**
Gain on transfer of spin-out assets	**2,598,707**

(1) The amount is due to the Company pursuant to the loan agreement entered between the Company and Fabled Copper on December 21, 2021 (Note 5).

The fair value of the net assets distributed was determined based on:

- the price of a conventional unit subscription receipt ($0.05)(*) issued by Fabled Copper in respect of a private placement by Fabled Copper conducted in connection with the Arrangement, multiplied by the total number of Fabled Copper Shares being 41,706,701(*) that were distributed by Company pursuant to the Arrangement ($2,085,335); and
- the fair value of the one-fifth of the Fabled Copper Shares(*) ($167,424) that may be issued pursuant to the exercise of the Silver Warrants (Note 10).

(Expressed in Canadian Dollars)

3. PLAN OF ARRANGEMENT (CONTINUED)

The fair value of the net assets distributed resulted in a reduction of share capital and reserve amounting $2,085,335 and $167,424, respectively.

As a result of the Arrangement, the Company recognized a gain on transfer of spin-out assets of $2,598,707 in the statement of loss and comprehensive loss during the year ended December 31, 2021.

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(*) This information does not reflect the Consolidation.

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are broken down as follows:

	December 31, 2022 $	December 31, 2021 $
Cash	46,841	849,465
Cash equivalents	53,750	53,750
	100,591	**903,215**

5. LOAN RECEIVABLE

On December 21, 2021, the Company entered into a loan agreement with Fabled Copper for an amount of $2,810,228. The loan is non-interest bearing and payable on demand.

During the year ended December 31, 2022 and 2021, Fabled Copper made a repayment of $554,353 and $2,255,875, respectively.

As of December 31, 2022, the balance of the loan receivable was $nil (December 31, 2021 – $554,353).

6. EQUIPMENT

	Computer equipment $	Field equipment $	Office equipment $	Vehicles $	Total $
COST					
Additions	2,642	16,280	34,091	54,477	**107,490**
Effect of movements on exchange rates	-	(314)	485	916	**1,087**
As of December 31, 2021	**2,642**	**15,966**	**34,576**	**55,393**	**108,577**
ACCUMULATED DEPRECIATION					
Additions	(793)	(4,138)	(3,543)	(15,551)	**(24,025)**
Effect of movements on exchange rates	-	85	72	318	**475**
As of December 31, 2021	**(793)**	**(4,053)**	**(3,471)**	**(15,233)**	**(23,550)**
Net book value as of December 31, 2021	**1,849**	**11,913**	**31,105**	**40,160**	**85,027**

(Expressed in Canadian Dollars)

6. EQUIPMENT (CONTINUED)

	Computer equipment $	Field equipment $	Office equipment $	Vehicles $	Total $
COST					
As of December 31, 2021	2,642	15,966	34,576	55,393	**108,577**
Effect of movements on exchange rates	-	1,899	4,113	6,591	**12,603**
As of December 31, 2022	**2,642**	**17,865**	**38,689**	**61,984**	**121,180**
ACCUMULATED DEPRECIATION					
As of December 31, 2021	(793)	(4,053)	(3,471)	(15,233)	**(23,550)**
Addition	(552)	(3,729)	(9,738)	(12,573)	**(26,592)**
Effect of movements on exchange rates	-	(752)	(1,116)	(2,721)	**(4,589)**
As of December 31, 2022	**(1,345)**	**(8,534)**	**(14,325)**	**(30,527)**	**(54,731)**
Net book value as of December 31, 2022	**1,297**	**9,331**	**24,364**	**31,457**	**66,449**

During the year ended December 31, 2022, the Company charged $26,592 (December 31, 2021 – $24,025) in depreciation of which $16,302 was recognized as exploration and evaluation costs in the statements of loss (Note 8) (December 31, 2021 – $19,689).

7. VALUE-ADDED TAX RECEIVABLE

During the year ended December 31, 2022, the Company reassessed the timing of collection and the collectability of the value-added tax receivable and determined significant uncertainties existed; as a result, the Company impaired the carrying value of the value-added tax receivable to $nil and recorded the impairment of value-added tax receivable with an amount of $1,092,870 in the statement of loss and comprehensive loss during the year ended December 31, 2022 (December 31, 2021 - $nil).

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The Company is engaged in the business of exploration and development of mineral projects.

Santa María Property

The changes in exploration and evaluation assets regarding the Santa Maria Property during the years ended December 31, 2022 and 2021 are as follows:

	Santa María Mine $
Balance as of December 31, 2021	3,332,394
Acquisition costs	
- cash	177,683
Impairments	(3,661,652)
Effect of movements in exchange rates	151,575
Balance as of December 31, 2022	**-**

	Muskwa Project $	Santa María Mine $
Balance as of December 31, 2020	-	716,093
Acquisition costs		
- cash	450,000	2,355,295
Staking fees	2,657	-
Recovery of impairment loss of exploration and evaluation assets	2,204,913	-
Transfer of assets per Plan of Arrangement (Note 3)	(2,657,570)	-
Effect of movements in exchange rates	-	261,006
Balance as of December 31, 2021	**-**	**3,332,394**

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

During the year ended December 31, 2022, the Company incurred the following exploration and evaluation costs:

	Santa María Mine **$**
For the year ended December 31, 2022	
Depreciation	16,302
Drilling	206,596
Equipment rental	48,548
Field	135,474
Geological	(15,242)
Sample analysis	78,303
Salaries and wages	116,714
Technical studies	33,413
	620,108

During the year ended December 31, 2021, the Company incurred the following exploration and evaluation costs:

	Muskwa Project **$**	**Santa María Mine** **$**	**TOTAL** **$**
For the year ended December 31, 2021			
Depreciation	-	19,689	**19,689**
Drilling	-	1,669,487	**1,669,487**
Equipment rental	407,964	63,375	**471,339**
Field	92,261	303,149	**395,410**
Field technicians	8,000	-	**8,000**
Geological	352,711	(4,489)	**348,222**
Sample storage	21,231	579,766	**600,997**
Salaries and wages	-	37,040	**37,040**
BC mining exploration tax credit	(115,585)	-	**(115,585)**
	766,582	**2,668,017**	**3,434,599**

On December 4, 2020, the Company entered into an option agreement with Golden Minerals Company ("Golden Minerals"), which was amended on each of May 17, 2022 and December 19, 2022 ("Amended Option Agreement"). Pursuant to the Amended Option Agreement, the Company could have acquired a 100% interest in Santa María Project by making the following payments to Golden Minerals:

- December 4, 2020: US$500,000 cash (paid) and 100,000 common shares (issued with a fair value of $70,000)
- December 4, 2021: US$1,500,000 (paid)
- January 31, 2023: US$250,000
- March 31, 2023: US$250,000
- June 30, 2023: US$250,000
- September 30, 2023: US$250,000
- December 31, 2023: US$250,000
- March 31, 2024: US$250,000
- June 30, 2024: US$250,000
- September 30, 2024: US$250,000

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

In addition, the Company was also required to make the following option payments to the optionors of in Santa María Project:

- December 4, 2020: US$100,000 (paid)
- On February 4, 2021 US$120,000 (paid)
- On August 4, 2021 US$120,000 (paid)
- On February 4, 2022 US$140,000 (paid – $177,683)

Under the Amended Option Agreement the Company was obligated to grant Golden Minerals a 1% net smelter royalty with respect to the Santa María Project upon exercise of the option under the Amended Option Agreement and to assume from Golden Minerals the obligations in respect of an existing 2% net smelter royalty that exists over 3 of the 5 mineral claims that comprise the Santa María Project.

On February 21, 2023, the Company announced the termination of the Amended Option Agreement; as a result, the Company recognized an impairment of exploration and evaluation assets of $3,661,652 in the statement of loss and comprehensive loss during the year ended December 31, 2022.

Mecatona Property

On February 17, 2023, the Company entered into a binding letter of intent (the “Mecatona Agreement”) with an arm's length vendor, Kootenay Silver Inc. (TSXV: KTN) (“Kootenay” or the "Vendor") to acquire the Mecatona Property (the "Mecatona Property") located in Chihuahua, Mexico (the “Proposed Transaction”).

Pursuant to the Mecatona Agreement, in consideration for acquiring 100% of the Mecatona Property, the Company will have to issue to the Vendor, on closing of the Proposed Transaction, 2,000,000 common shares of the Company. The Company will also make a periodic payment of US$10,000 to the Vendor on January 13 and July 13, of each year (the “Periodic Payments”) and upon commencement of commercial production pay to the Vendor the greater of US$15,000 or a 2% net smelter royalty (“NSR”), each paid on a quarterly basis.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company’s accounts payable and accrued liabilities are broken down as follows:

	December 31, 2022	December 31, 2021
	$	$
Trade payables	87,688	149,723
Accrued liabilities	53,825	70,685
	141,513	**220,408**

10. SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital
At December 31, 2022, the Company had 43,089,330 (December 31, 2021 – 41,706,715) common shares issued and outstanding with a value of $18,924,868 (December 31, 2021 – $18,592,615).

During the year ended December 31, 2022

- The Company issued 194,615 common shares with fair value of $67,800 to Agora Internet Relations Corp. ("AGORA") pursuant to a consulting agreement entered during the year ended December 31, 2021.

- On July 20, 2022, the Company completed a non-brokered private placement of 1,188,000 units at a price of $0.35 for gross proceeds of $415,800. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of $0.60 at any time prior to July 20, 2024.

  For accounting purposes, the Company applied the residual method to allocate the proceeds to common shares and warrants; as a result, the Company allocated $118,800 to the warrants and recorded these amounts in reserves. The remaining balance of $297,000 was recorded as common shares.

  In connection with the private placement, the Company incurred share issuance costs of $32,547 of which $8,020 was paid to a private company owned by a former director of the Company (Note 11).

During the year ended December 31, 2021

- 12,044,200 warrants were exercised for proceeds of $6,022,100.

- 1,456,000 broker warrants (the "Broker Warrants") were exercised for proceeds of $364,000. Each Broker Warrant consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of $0.50 at any time prior to December 4, 2022.

  In addition, the Company reclassified the grant date fair value of the exercised Broker Warrants of $413,089 from reserve to share capital.

- 58,333 stock options were exercised for proceeds of $24,167. In addition, the Company reclassified the grant date fair value of the exercised stock options of $19,790 from stock options reserve to share capital.

- The Company issued 103,901 common shares with fair value of $67,800 to AGORA pursuant to a consulting agreement entered during the year ended December 31, 2020.

- The Company issued 33,900 common shares with fair value of $16,950 to AGORA pursuant to the 2021 Service Agreement.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (CONTINUED)

Warrants

The changes in warrants during December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, opening	7,811,800	0.50	19,856,000	0.50
Issued	1,188,000	0.60	1,456,000	0.50
Exercised	-	-	(13,500,200)	0.45
Expired	(7,811,800)	0.50	-	-
Balance, closing	**1,188,000**	**0.60**	**7,811,800**	**0.50**

During the year ended December 31, 2022, 7,811,800 warrants expired, unexercised.

The following summarizes information about warrants outstanding as of December 31, 2022:

Expiry date	Exercise price ($)	Warrants outstanding	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
July 20, 2024	0.60	1,188,000	118,800	1.55
		1,188,000	**118,800**	**1.55**
Weighted average exercise price ($)		**0.60**		

Stock options

The Company maintains a Stock Option Plan (the "Plan") under which it is authorized to grant stock options to executive officers, directors, employees, and consultants. Under the Plan, the number of options that may be issued is limited to no more than 10% of the Company's issued and outstanding shares immediately prior to the grant. The exercise price of each stock option shall equal the market price of the Company's shares, less any applicable discount, as calculated on the date of grant. Options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

Options to purchase common shares have been granted to directors, employees, consultants and advisors at exercise prices determined by reference to the market value of the Company's common shares on the date of the grant.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (CONTINUED)

Stock options (continued)

The changes in stock options during the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022		December 31, 2021	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, opening	2,259,081	0.49	1,070,746	0.50
Granted	-	-	1,370,000	0.55
Exercised	-	-	(58,333)	0.40
Expired	-	-	(100,000)	0.40
Cancelled	(120,000)	0.74	(23,332)	0.65
Repricing - cancelled	-	-	(2,259,080)	0.50
Repricing - re-issued	-	-	2,259,080	0.45
Balance, closing	**2,139,081**	**0.48**	**2,259,081**	**0.49**

During the year ended December 31, 2022

- 120,000 options were cancelled.

During the year ended December 31, 2021

- On January 6, 2021, the Company granted 40,000 options with an exercise price of $0.50 to its consultants. The options are exercisable for a period of ten years. 25% vest on the date of grant and 25% will vest every six-months thereafter.

- On February 5, 2021, the Company granted 70,000 options with an exercise price $1.10 to Mars Investor Relations Corp. pursuant to the investor relations agreement entered on September 1, 2020, as amended. The options are exercisable until September 1, 2022 and vest as to 25% on the date of grant and thereafter 25% every three months until fully vested.

- On October 28, 2021, the Company granted 1,260,000 options with an exercise price of $0.50 to its officers, directors and consultants. The options are exercisable for a period of ten years. 25% vest on the date of grant and 25% will vest every six-months thereafter.

- Pursuant to the terms of the Arrangement, the Company cancelled and exchanged the Silver Options for the Replacement Options. Except for the exercise price, the terms of the Replacement Options remain the same as the Silver Options. The revised exercise price of the Replacement Options is 90% of the exercise price of the Silver Options.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (CONTINUED)

Stock options (continued)

The estimated grant date fair value of the options granted during the years ended December 31, 2021 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of options granted	1,370,000
Risk-free interest rate	1.49%
Expected annual volatility	114%
Expected life (in years)	9.57
Expected dividend yield	0%
Grant date fair value per option ($)	1.00
Share price at grant date ($)	1.10

During the year ended December 31, 2022 and 2021, the Company recognized share-based payments expense of $311,216 and $519,433, respectively.

The following summarizes information about stock options outstanding and exercisable as at December 31, 2022:

Expiry date	Exercise price ($)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
June 12, 2025	1.35	37,414	37,414	-	2.45
November 21, 2028	0.45	111,667	111,667	35,528	5.90
November 21, 2028	0.68	120,000	120,000	37,373	5.90
December 18, 2030	0.36	580,000	580,000	198,816	7.97
January 6, 2031	0.45	40,000	40,000	16,440	8.02
October 28, 2031	0.45	1,250,000	955,000	578,102	8.83
		2,139,081	**1,844,081**	**866,259**	**8.15**
Weighted average exercise price ($)		**0.45**	**0.45**		

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel. Other related parties to the Company include companies in which key management has control or significant influence. Key management personnel receive remuneration from the Company summarized as follows:

- During the year ended December 31, 2022, the Company incurred $120,000 (December 31, 2021 – $120,000) in management fees related to the Company's President and Chief Executive Officer.

- During the year ended December 31, 2022, the Company incurred $127,750 (December 31, 2021 – $173,000) in professional fees from an accounting firm owned whose incorporated partner is the Chief Financial Officer of the Company.

- During the year ended December 31, 2022, the Company incurred $128,403 (December 31, 2021 – $514,023) in professional legal fees and $8,020 (December 31, 2021 – $nil) in share issuance costs from a private company owned by a former director of the Company.

- During the year ended December 31, 2022, the Company recognized $271,124 (December 31, 2021 – $318,360) in share-based payments related to options granted to the Company's officers and directors.

The balances due to the Company's directors and officer were $243,194 as at December 31, 2022 (December 31, 2021 – $22,663).

Unless otherwise noted, all related party balances are unsecured, non-interest bearing with no fixed terms of repayment.

12. SEGMENTED INFORMATION

The Company operates in one single reportable segment, being the acquisition and exploration of mineral resource properties.

During the years ended December 31, 2022 and 2021, no revenue was generated from the reportable segment.

The Company's non-current assets are as follow:

	December 31, 2022 $	Canada $	Mexico $
Non-current assets			
Equipment	66,449	1,297	65,152

	December 31, 2021 $	Canada $	Mexico $
Non-current assets			
Value-added tax receivable	957,335	-	957,335
Equipment	85,027	1,849	83,178
Exploration and evaluation assets	3,332,394	-	3,332,394

13. CAPITAL MANAGEMENT

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

There were no changes to the Company policy for capital management during the year ended December 31, 2022 and 2021.

The Company is dependent on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. Changes in the equity accounts of the Company are disclosed in the statements of changes in shareholders' equity. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. Any issuance of common shares requires approval of the Board of Directors.

The Company anticipates continuing to access equity markets to fund the acquisition and exploration of exploration and evaluation assets and to ensure the future growth of the business.

The Company is not subject to any externally imposed capital restrictions.

14. FINANCIAL INSTRUMENTS

Fair value
The carrying values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the relatively short period to maturity of those financial instruments.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3: Inputs that are not based on observable market data.

As at December 31, 2022 and 2021, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1, 2 and 3 in the fair value hierarchy above.

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS (CONTINUED)

Set out below are the Company's financial assets and financial liabilities by category:

	December 31, 2022 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash and cash equivalents	100,591	-	100,591	-
Amounts receivable	35,545	-	35,545	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(141,513)	-	(141,513)	-
Due to related parties	(243,194)	-	(243,194)	-

	December 31, 2021 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash and cash equivalents	903,215	-	903,215	-
Amounts receivable	88,366	-	88,366	-
Loan receivable	554,353	-	554,353	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(220,408)	-	(220,408)	-
Due to related parties	(22,663)	-	(22,663)	-

14. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

Credit risk
Credit risk is such that a counterparty to a financial instrument will not discharge its obligations resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk.

Company management evaluates credit risk on an ongoing basis including counterparty credit rating and activities related to other receivables and other counterparty concentrations as measured by amount and percentage.

The primary sources of credit risk for the Company arise from cash and cash equivalents and amounts receivable. The Company's maximum exposure to credit risk is minimal as cash and cash equivalents are deposited with reputable financial institutions. Amounts receivables are due from government agencies.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

At December 31, 2022, the Company had accounts payable and accrued liabilities and due to related party of $141,513 and $243,194, respectively. All of these amounts are current.

Market risk
The significant market risks to which the Company is exposed are interest rate risk, currency risk, other price risk, and commodity price risk.

- Interest rate risk
  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its note payable, loan payable and due to related party balances.

- Currency risk
  The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

  The Company's cash and cash equivalents, amounts receivable, loan receivable, accounts payable and accrued liabilities and due to related party are held in Canadian Dollars ("CA$" or "$"), US Dollars ("US$") European Dollar ("€") and Mexican Pesos ("Mex$"); therefore, US$, € and Mex$ accounts are subject to fluctuation against the Canadian dollar.

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Market risk (continued)

- Currency risk (continued)
  The Company had the following balances in foreign currency as at December 31, 2022:

	CA$	US$	€	Mex$
Cash and cash equivalents	58,434	24,354	-	132,250
Amounts receivable	35,059	-	-	7,000
Accounts payable and accrued liabilities	(71,029)	(33,439)	(13,050)	(90,764)
Due to related parties	(243,194)	-	-	-
	(220,730)	**(9,085)**	**(13,050)**	**48,486**
Rate to convert to $1.00 CA$	1.00	1.35	1.45	0.07
Equivalent to CA$	**(220,730)**	**(12,302)**	**(18,905)**	**3,366**

  Based on the above net exposures as at December 31, 2022, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and MXN would increase/decrease comprehensive loss by $2,800.

- Other price risk
  The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in the individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

15. INCOME TAXES

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

	2022 $	2021 $
Loss for the year	**(6,804,008)**	**(1,413,038)**
Expected income tax (recovery)	(1,837,000)	(382,000)
Change in statutory, foreign tax, foreign exchange rates and other	1,134,000	(3,000)
Permanent differences	95,000	(613,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(194,000)	64,000
Impact of spin-out	-	2,395,000
Change in unrecognized deductible temporary differences	802,000	(1,461,000)
Total income tax expense (recovery)	**-**	**-**

(Expressed in Canadian Dollars)

15. INCOME TAXES (CONTINUED)

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

	December 31, 2022 $	Expiry Range	December 31, 2021 $	Expiry Range
Temporary Differences				
Property and equipment	1,000	No expiry date	1,000	No expiry date
Share issue costs	330,00	2042 to 2044	494,000	2042 to 2044
Allowable capital losses	751,000	No expiry date	40,000	No expiry date
Non-capital losses available for future period	6,972,000	2030 to 2042	4,658,000	2030 to 2041
Canada	3,112,000	2034 to 2042	1,825,000	2034 to 2041
Mexico	3,860,000	2030 to 2032	2,833,000	2030 to 2031

Tax attributes are subject to review and potential adjustment by tax authorities.