Consolidated Annual Financial Statements

For the years ended December 31, 2020 and 2019
(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, 2020 and 2019, and the consolidated statements of comprehensive loss, cash flows, and changes in 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, 2020 and 2019, 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 audits 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 audits is sufficient and appropriate to provide a basis for our opinion.

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.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 21, 2021

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

	Note	December 31 2020	December 31 2019
		$	$
Assets			
Current			
Cash		11,341,666	445,384
Short-term investments	**5**	2,518,560	2,600,000
Receivables and prepaid expenditures	**6**	327,995	253,955
Net investment in sublease	**11**	150,818	-
Marketable securities		178,583	-
Assets held for sale	**4**	6,116,184	-
		20,633,806	3,299,339
Non-current			
Net investment in sublease	**11**	161,758	-
Property and equipment	**7**	72,199	468,631
Mineral properties	**8**	13,478,126	14,373,356
Reclamation deposit		80,329	42,181
Value-added tax receivable	**9**	-	62,642
Total Assets		**34,426,218**	**18,246,149**
Liabilities			
Current			
Accounts payable and accrued liabilities	**10**	899,117	461,144
Shares to be issued		-	44,000
Deferred rent		18,006	26,649
Lease obligations	**11**	167,680	115,290
		1,084,803	647,083
Non-current			
Lease obligations	**11**	176,606	311,063
Total Liabilities		1,261,409	958,146
Shareholders' Equity			
Share capital	**12(b)**	42,111,498	24,262,551
Share-based payment reserve	**12(c)**	2,195,819	1,593,426
Accumulated other comprehensive income		(595,060)	(89,599)
Accumulated deficit		(10,547,448)	(8,478,375)
		33,164,809	17,288,003
Total Liabilities and Shareholders' Equity		**34,426,218**	**18,246,149**

Nature of operations and going concern – Note 1
Subsequent events – Notes 4 and 21

APPROVED BY THE DIRECTORS

"Claudia Tornquist" Director *"Barry Girling"* Director

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

Silver One Resources Inc.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Note	2020	2019
		$	$
Expenses			
Administrative and office		89,649	59,242
Consulting	**15**	171,156	168,222
Depreciation	**7**	156,415	144,960
Exploration and evaluation		3,130	5,082
Filing and listing fees		78,046	55,366
Professional fees	**15**	161,273	152,917
Salaries and benefits	**15**	290,245	256,791
Share-based payments	**12(c),15**	625,114	323,300
Shareholder communications		441,171	389,258
Travel and related costs		51,510	155,048
Loss before other items		(2,067,709)	(1,710,186)
Foreign exchange (loss) gain		(309,715)	3,585
Finance charge on leases		(31,146)	(37,283)
Loss on equipment disposal	**7**	(25,114)	-
Gain on sublease		34,824	-
Gain on marketable securities		156,445	-
Income from sublease of office		92,524	101,558
Interest and other income		80,818	28,003
Net loss for the year		(2,069,073)	(1,614,323)
Other comprehensive loss for the year			
Currency translation adjustment		(505,461)	(624,853)
Comprehensive loss for the year		(2,574,534)	(2,239,176)
Loss per share			
Basic and diluted		(0.01)	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		183,868,483	126,915,707

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

Silver One Resources Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

	2020	2019
	$	$
Cash (used in) provided by:		
Operating activities		
Net loss for the year	(2,069,073)	(1,614,323)
Depreciation	156,415	144,960
Share-based payments	625,114	323,300
Unrealized foreign exchange	531,741	(2,931)
Gain on marketable securities	(156,445)	-
Loss on equipment disposal	25,114	-
Gain on sublease	(34,824)	-
Changes in working capital items		
Receivables and prepaid expenditures	(137,063)	(58,793)
Accounts payable and accrued liabilities	(36,446)	344,431
Deferred rent	(8,643)	(8,643)
	(1,104,109)	(871,999)
Investing activities		
Cash out (purchase) of short-term investments	47,550	(1,900,000)
Mineral property expenditures	(4,425,240)	(2,402,552)
Property and equipment expenditures	(6,197)	(36,315)
Reclamation deposit	(41,071)	-
Value-added tax incurred	(1,324)	(31,123)
Proceeds from sale of marketable securities	26,722	-
	(4,399,559)	(4,369,990)
Financing activities		
Repayment of lease obligation	(139,194)	(114,977)
Issuance of shares pursuant to private placement	14,661,000	5,307,250
Cash share issuance costs	(268,214)	(144,508)
Shares to be issued	-	44,000
Proceeds from exercise of warrants	2,430,992	236,020
Proceeds from exercise of options	196,820	30,874
	16,881,404	5,358,659
Effect of foreign exchange on cash	(473,903)	-
Increase in cash	10,903,833	116,670
Cash held in assets held for sale	(7,551)	-
Cash - beginning of year	445,384	328,714
Cash - end of year	11,341,666	445,384

Supplemental cash flow information – Note 16

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

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

	Note	Number of common shares	Share capital	Share-based payment reserve	AOCI	Accumulated deficit	Total
			$	$	$	$	$
Balance, December 31, 2018		97,217,249	17,240,479	1,257,184	535,254	(6,847,913)	12,185,004
IFRS 16 transition adjustment on January 1, 2019	19	-	-	-	-	(16,139)	(16,139)
Balance, January 1, 2019 (restated)		97,217,249	17,240,479	1,257,184	535,254	(6,864,052)	12,168,865
Shares issued on the Candelaria option agreement	78a)	5,827,338	1,252,878	-	-	-	1,252,878
Shares issued from private placement	12(b)	44,182,334	5,626,750	-	-	-	5,626,750
Less: Share issue costs		-	(215,723)	44,215	-	-	(171,508)
Shares issued for Net Smelter Agreement	8(b)	250,000	60,000	-	-	-	60,000
Share-based payments	12(c),15	-	-	323,300	-	-	323,300
Exercise of options	12(c)	617,499	61,566	(30,692)	-	-	30,874
Exercise of warrants	12(d)	1,180,102	236,601	(581)	-	-	236,020
Net loss for the year		-	-	-	-	(1,614,323)	(1,614,323)
Cumulative translation adjustment		-	-	-	(624,853)	-	(624,853)
Balance, December 31, 2019		149,274,522	24,262,551	1,593,426	(89,599)	(8,478,375)	17,288,003
Shares issued from private placement	12(b)	41,931,111	14,705,000	-	-	-	14,705,000
Less: Share issue costs		-	(330,992)	62,778	-	-	(268,214)
Share-based payments	12(c),15	-	-	625,114	-	-	625,114
Shares issued on the Candelaria option agreement	8(a)	871,000	278,720	84,572	-	-	363,292
Shares issued on Silver Phoenix option agreement	8(a)	500,000	390,000	-	-	-	390,000
Shares issued on mineral properties	8(a)	26,050	8,336	-	-	-	8,336
Exercise of options	12(c)	1,171,498	339,890	(143,070)	-	-	196,820
Exercise of warrants	12(d)	7,557,460	2,457,993	(27,001)	-	-	2,430,992
Net loss for the year		-	-	-	-	(2,069,073)	(2,069,073)
Cumulative translation adjustment		-	-	-	(505,461)	-	(505,461)
Balance, December 31, 2020		201,331,641	42,111,498	2,195,819	(595,060)	(10,547,448)	33,164,809

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

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").

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, 2020, the Company had an accumulated deficit of $10,547,448, 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. The Company anticipates it has sufficient working capital to maintain its activities for the upcoming year. 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.

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

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, 2020.

These consolidated financial statements were approved by the Board of Directors and authorized for issuance on April 21, 2021.

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.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company's Canadian entities. The functional currency of the Company's foreign subsidiaries is US dollars. The currency translation adjustment resulting from the translation of the foreign subsidiaries' US dollar functional currency to the Company's Canadian dollar presentation currency is charged to other comprehensive income or

2. Basis of preparation (continued)

Functional and presentation currency (continued)

loss, and included in accumulated other comprehensive income or loss within the shareholders' equity section of the statement of financial position.

On translation of the entities whose functional currency is other than the Canadian dollar, transactions are translated at the exchange rates approximating those in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Basis of consolidation

The Company's principal subsidiaries are as follows:

Name	Place of Incorporation	Ownership Percentage
KCP Minerals Inc.	Canada	100%
Silver One Resources (USA) Inc.	USA	100%
Minera Terra Plata, S.A. de C.V.	Mexico	100%
1089349 BC Ltd.	Canada	100%

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.

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).

3. Accounting policies (continued)

Financial assets and liabilities (continued)

c) Measurement (continued)

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).

d) 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.

e) 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.

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 3 years for office equipment and computer hardware, 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.

3. Accounting policies (continued)

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.

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.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur. The Company has no material restoration, rehabilitation or environmental obligation as the disturbance to date is minimal.

3. Accounting policies (continued)

Assets held for sale

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts through a sale of the assets. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Company must be committed to a plan to sell the assets, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Company measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying assets as held for sale, the Company presents the assets and the associated liabilities as a single amount on the Consolidated Statement of Financial Position. Comparative period balances are not restated. Assets held for sale are not depreciated, depleted, or amortized.

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.

3. Accounting policies (continued)

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 12(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.

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.

3. Accounting policies (continued)

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 each of 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.

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) Classification as assets held for sale

Judgment is required in determining whether an asset meets the criteria for classification as "assets held for sale" in the consolidated statement of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each period and reclassifies such assets to or from this financial position category as appropriate. In addition, there is a requirement to periodically evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell.

d) 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 statement of financial position that no material rehabilitation provisions were required under IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*.

e) 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.

3. Accounting policies (continued)

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.

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 statement 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.

(Expressed in Canadian dollars)

4. Assets held for sale

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. ("MTP") holds the Company's three Mexican silver exploration projects to Silverton Metals Corp. ("Silverton", formerly Plymouth Reality Capital Corp.) (the "KCP Purchase Agreement").

Under the terms of the KCP Purchase Agreement, the Company transferred to Silverton its 100% interest in KCP and, in consideration, Silverton will pay in cash and shares as follows: (a) $1,250,000 in cash upon closing (received subsequent to year end); (b) issue 4,375,000 common shares of Silverton to the Company (issued subsequent to year end); (c) pay $750,000 in cash 18 months after closing; and (d) pay $500,000 in cash 24 months after closing. The common shares received are subject to an escrow release schedule where 10% of shares will be released on April 6, 2021 and 15% every 6 months for a period of 36 months.

In connection with the KCP Purchase Agreement, Silverton granted the Company a 1.5% NSR on each of the Mexican silver properties. At the option of Silverton, Silverton may repurchase two-thirds of the 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 are as follows:

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

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.

5. Short-term investments

Short-term investments of $2,518,560 (December 31, 2019 - $2,600,000) include highly liquid, redeemable GIC investments in an active market with original maturities of one year or less.

6. Receivables and prepaid expenditures

	December 31 2020	**December 31 2019**
	$	**$**
GST receivable	12,575	18,622
Other receivables[1]	224,617	160,142
Prepaid expenditures	90,803	75,191
	327,995	253,955

[1] Other receivables includes amounts due from the subleasing the Company's office space. Prepaid expenditures primarily include amounts in connection with insurance, investor relations conferences and marketing activities.

(Expressed in Canadian dollars)

7. Property and equipment

	Building[1]	Leasehold Improvements	Office Furniture and Equipment	Total
	$	$	$	$
Cost				
Balance at December 31, 2018	-	53,351	20,501	73,852
IFRS 16 transition adjustment (Note 19)	525,191	-	-	525,191
Additions	-	-	36,315	36,315
Foreign exchange	-	-	(656)	(656)
Balance at December 31, 2019	525,191	53,351	56,160	634,702
Additions	57,127	-	6,197	63,324
Disposals	(525,191)	(53,351)	(12,767)	(591,309)
Foreign exchange	-	-	10	10
Balance at December 31, 2020	57,127	-	49,600	106,727
Accumulated depreciation				
Balance at December 31, 2018	-	(11,628)	(9,483)	(21,111)
Depreciation	(128,618)	(10,670)	(5,672)	(144,960)
Balance at December 31, 2019	(128,618)	(22,298)	(15,155)	(166,071)
Depreciation	(135,482)	(9,781)	(11,153)	(156,416)
Disposals	247,438	32,079	8,442	287,959
Balance at December 31, 2020	(16,662)	-	(17,866)	(34,528)
Net – December 31, 2019	**396,573**	**31,053**	**41,005**	**468,631**
Net – December 31, 2020	**40,465**	**-**	**31,734**	**72,199**

[1]The amount disclosed above under building relates solely to right-of-use assets from the office rental leases. In December 2020, the original office lease was subleased to a third party and the lease asset was derecognized resulting in a loss on equipment disposal of $25,114.

(Expressed in Canadian dollars)

8. Mineral properties

a) US properties

	Balance December 31 2020	Additions December 31 2020	Balance December 31 2019	Additions December 31 2019	Transfers[1] December 31 2019	Balance December 31 2018
	$	$	$	$	$	$
Candelaria						
Option payments - shares	3,831,678	-	3,831,678	1,252,878	-	2,578,800
Acquisition costs - shares	384,572	371,628	12,944	-	-	12,944
Acquisition costs - cash	115,150	102,062	13,088	-	-	13,088
Consulting fees	1,437,049	732,118	704,931	339,209	-	365,722
Drilling	2,644,697	1,834,014	810,683	581,772	-	228,911
Field supplies and other costs	162,846	58,194	104,652	43,737	-	60,915
Laboratory and analysis fees	500,651	155,943	344,708	97,491	-	247,217
Land payments	817,159	215,151	602,008	212,901	-	389,107
Staking and survey costs	124,040	1,937	122,103	21,324	-	100,779
Travel and accommodation fees	246,838	120,848	125,990	36,855	-	89,135
Currency translation adjustment	(211,557)	(283,876)	72,319	(265,890)	-	338,209
	10,053,123	3,308,019	6,745,104	2,320,277	-	4,424,827
Cherokee						
Consulting fees	562,913	185,394	377,519	245,722	131,797	-
Field supplies and other costs	19,153	4,480	14,673	11,103	3,570	-
Laboratory and analysis fees	97,379	80,661	16,718	11,192	5,526	-
Land payments	821,275	186,152	635,123	210,983	424,140	-
Staking and survey costs	125,379	-	125,379	-	125,379	-
Travel and accommodation fees	146,810	59,645	87,165	65,928	21,237	-
Currency translation adjustment	(40,231)	(47,166)	6,935	(45,697)	52,632	-
	1,732,678	469,166	1,263,512	499,231	764,281	-
Eastern Nevada						
Consulting fees	168,830	32,192	136,638	38,055	(131,797)	230,380
Field supplies and other costs	5,949	1,352	4,597	1,533	(3,570)	6,634
Laboratory and analysis fees	7,161		2,482	-	(5,526)	8,008
Land payments	158,925	45,278	113,647	46,663	(424,140)	491,124
Staking and survey costs	8,970	-	8,970	-	(125,379)	134,349
Travel and accommodation fees	27,849	2,737	25,112	6,035	(21,237)	40,314
Currency translation adjustment	(6,296)	(9,778)	3,482	(12,015)	(52,632)	68,129
	371,388	76,460	294,928	80,271	(764,281)	978,938
Phoenix Silver						
Acquisition costs - cash	487,609	487,609	-	-	-	-
Acquisition costs - shares	390,000	390,000	-	-	-	-
Consulting fees	342,799	342,799	-	-	-	-
Field supplies and other costs	1,665	1,665	-	-	-	-
Laboratory and analysis fees	10,036	10,036	-	-	-	-
Land payments	89,520	89,520	-	-	-	-
Staking and survey costs	48,280	48,280	-	-	-	-
Travel and accommodation fees	8,061	8,061	-	-	-	-
Currency translation adjustment	(57,033)	(57,033)	-	-	-	-
Total	1,320,937	1,320,937	-	-	-	-
USA total	**13,478,126**	**5,174,582**	**8,303,544**	**2,899,779**	**-**	**5,403,765**

[1]The transfers above relate to the separation of Eastern Nevada costs into both Eastern Nevada and Cherokee. This was completed in order to more accurately disclose the area in which the costs were incurred.

8. Mineral properties (continued)

a) US 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 USD $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 USD $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 USD $2,000,000 reclamation bond on the property immediately prior to exercise of the option.

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 USD $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 USD $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 USD $1,000,000.

On July 25, 2019, the Company amended the Candelaria Option Agreement (“Amended Agreement”). The Amended Agreement deferred the assumption of the USD $2,200,000 bond obligation by the Company until January 2023.

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.

Each unit was comprised of one share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one additional share at a price of $0.40 per share for a period of three years from the date of issue.

8. Mineral properties (continued)

a) US 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 USD $10,000 plus the issuance of 38,235 common shares at a fair value of $0.34 per share (total of USD $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 USD $75,000 cash (paid) and USD $5,000 in shares (issued), subject to a 2% NSR that can be purchased for USD $50,000 plus USD $ 5,000 in Silver One's shares issued at market price on the date of the issuance.

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 Castelton Park LLC ("Castelton") 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 USD $23,125 upon execution of the agreement (paid), USD $34,688 on the first anniversary (paid) and USD $24,687 on the second anniversary (paid). This provides Silver One with a 100% interest in all patented claims. Castelton will also receive a payment of USD $100,000 for every 7.5 million silver equivalent ounces of mineral resources calculated on the property, subject to a maximum of USD $1,000,000.

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 USD $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 at a value of $390,000); (ii) 1,000,000 shares on the date that is twelve months from the Effective Date (issued subsequent to year end); (iii) 2,500,000 shares on the date that is twenty-four months from the Effective Date; (iv) 3,000,000 shares on the date that is thirty-six months from the Effective Date; 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.

(Expressed in Canadian dollars)

8. Mineral properties (continued)

b) Mexican properties

	Balance December 31 2020	Additions December 31 2020	Balance December 31 2019	Additions December 31 2019	Balance December 31 2018
	$	$	$	$	$
Peñasco Quemado					
Acquisition costs	3,194,966	-	3,194,966	-	3,194,966
Consulting fees	121,890	-	121,890	42,051	79,839
Drilling	151,520	-	151,520	151,520	-
Field supplies and other costs	27,162	2,126	25,036	16,130	8,906
Laboratory and analysis fees	22,459	873	21,586	6,608	14,978
Land payments	350,274	83,863	266,411	85,841	180,570
Royalty payments	37,692	-	37,692	37,692	-
Geophysics	112,416	-	112,416	-	112,416
Travel and accommodation fees	33,828	-	33,828	7,323	26,505
Currency translation adjustment	(143,823)	(81,188)	(62,635)	(187,240)	124,605
Transferred to assets held for sale	(3,908,384)	(3,908,384)	-	-	-
	-	3,902,710	3,902,710	159,925	3,742,785
La Frazada					
Acquisition costs	2,086,202	-	2,086,202	-	2,086,202
Consulting fees	27,865	156	27,709	7,457	20,252
Laboratory and analysis fees	8,150	-	8,150	-	8,150
Land payments	23,292	6,696	16,596	6,857	9,739
Royalty payments	22,156	-	22,156	22,156	-
Travel and accommodation	7,140	-	7,140	966	6,174
Field supplies and other costs	3,473	-	3,473	33	3,440
Currency translation adjustment	(82,563)	(42,344)	(40,219)	(106,269)	66,050
Transferred to assets held for sale	(2,095,715)	(2,095,715)	-	-	-
	-	(2,131,207)	2,131,207	(68,800)	2,200,007
Pluton					
Acquisition costs	1,091,245	-	1,091,245	-	1,091,245
Consulting fees	2,517	-	2,517	350	2,167
Land payments	65,290	-	65,290	-	65,290
Royalty payments	361	-	361	361	-
Warehouse and storage costs	4,029	107	3,922	1,136	2,786
Impairment	(1,069,799)	-	(1,069,799)	-	(1,069,799)
Currency translation adjustment	(58,354)	(713)	(57,641)	(1,755)	(55,886)
Transferred to assets held for sale	(35,289)	(35,289)	-	-	-
	-	(35,895)	35,895	92	35,803
Mexico total	**-**	**(6,069,812)**	**6,069,812**	**91,217**	**5,978,595**

Restructure of net smelter return agreements on Mexican properties
On December 17, 2018, The Company entered into agreements with First Mining Gold Corp. (“First Mining”) regarding the restructuring of the Net Smelter Return (“NSR”) agreements associated with the Peñasco Quemado, La Frazada and Pluton properties that were acquired from First Mining in 2016. The original NSR agreements granted to First Mining were a 2.5% NSR on each property, with a buyback of up to 1.5% for USD $ 1,000,000 per property. The new NSR agreements grant a 1.5% NSR per property with a buyback of 1% for USD $500,000.

(Expressed in Canadian dollars)

8. Mineral properties (continued)

b) Mexican properties (continued)

Restructure of net smelter return agreements on Mexican properties (continued)
On January 16, 2019, Silver One issued 250,000 common shares at a value of $60,000 as consideration for this reduction of the NSR agreements.

Sale of Mexican properties
Subsequent to year end, the Company completed the sale of its subsidiary KCP, which holds the Company's three Mexican silver exploration projects to Silverton. See Notes 4 and 21.

9. Value-added tax receivable

The Company, through its Mexican subsidiary, MTP, pays value-added tax on the purchases of goods and services at a rate of 16%. The amount paid or payable is recoverable and MTP has been successful in applying for and receiving refunds in the past from the local tax authorities. The value-added tax receivable has been recorded as a non-current asset.

10. Accounts payable and accrued liabilities

	December 31 2020	December 31 2019
	$	$
Accounts payable	866,617	428,644
Accrued liabilities	32,500	32,500
	899,117	461,144

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

11. Lease obligation

The Company entered into office leases on February 2018 and June 2020. The terms and the outstanding balances as at December 31, 2020 and December 31, 2019 are as follows:

	December 31 2020	December 31 2019
	$	$
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.	302,756	426,353
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.	41,530	-
Total lease obligation	344,286	426,353
Less: current portion	(167,680)	(115,290)
Non-current portion	176,606	311,063

(Expressed in Canadian dollars)

11. Lease obligation (continued)

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

	$
2021	188,418
2022	171,148
2023	13,169
Total minimum lease payments	372,735
Less: imputed interest	(28,449)
Total present value of minimum lease payments	344,286
Less: Current portion	(167,680)
Non-current portion	176,606

The Company 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, 2020 was $92,524 (2019 - $101,558).

During the year ended December 31, 2020, the Company recorded $30,226 (2019 - $37,487) of interest expense related to the leases.

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 $84,000 per annum. The right-of-use asset related to the office was derecognized and a net investment in sublease was set up resulting in a loss on equipment disposal of $25,114 (Note 7). As at December 31, 2020 the net investment in sublease was made up of the following:

	December 31 2020	**December 31 2019**
Net investment in sublease	**$**	**$**
Short-term	150,818	-
Long-term	161,758	-
Total receivables	312,576	-

12. Share capital

a) Authorized: Unlimited common shares without par value.

b) Shares issued

Common shares: 201,331,641 (December 31, 2019 – 149,274,522).

During the year ended December 31, 2020, the Company:

- Issued 21,111,111 units ("Units") at a price of $0.45 per Unit for gross proceeds of $9,500,000 as part of a private placement. Each Unit is comprised of one common share and one-half of one common share purchase warrant ("Warrant"), with each whole Warrant entitling the holder to purchase one additional common share at an exercise price of $0.65 per share for a period of three years from the date of issue. Under the financing, the Company paid cash finders' fees of $67,730 and 125,660 Warrants with a fair value of $38,139;

- Issued 20,820,000 units ("Units") at a price of $0.25 per Unit for gross proceeds of $5,205,000 as part of a private placement. Under the private placement, each Unit consists of one common share in the capital of the Company and one-half of one share purchase warrant ("Warrant"), with each whole Warrant entitling

12. Share capital (continued)

b) Shares issued

the holder to purchase one additional common share at an exercise price of $0.40 per share for a period of three years from the date of the issue. Under the financing, the Company paid finders' fees totaling $188,848, $164,209 cash and 156,000 Warrants ($24,639);

- Issued 871,000 units ("Units") with a total value of $363,292 where $278,720 was allocated to the common share and $84,572 to the attached warrant pursuant to the Amended Candelaria Option Agreement (see Note 8(a)). Each Unit consists of one share and one-half of one common share purchase warrant ("Warrant") with each whole Warrant entitling the holder to purchase one additional common share at an exercise price of $0.40 per share for a period of three years from the date of issue;
- Issued 500,000 common shares valued at $390,000 pursuant to the Phoenix Silver Agreement (see Note 8(a));
- Issued 26,050 common shares valued at $8,336 to stake additional claims at the Candelaria Project;
- Issued 1,171,498 common shares for the exercise of options in the amount of $196,820. A value of $143,070 was transferred from the share-based payment reserve to share capital as a result; and
- Issued 7,557,460 common shares for the exercise of warrants in the amount of $2,430,992. A value of $27,001 was transferred from the share-based payment reserve to share capital as a result.

During the year ended December 31, 2019, the Company:

- Issued 39,808,000 units ("Units") at a price of $0.125 per unit for gross proceeds of $4,976,000 as part of a private placement. Under the private placement, each Unit consists of one common share in the capital of the Company and one-half of one share purchase warrant. (each whole warrant being a "Warrant" of the Company). Each whole Warrant will entitle the holder to purchase one share at an exercise price of $0.20 per share for a period of three years from the date of the issue of the Warrants. Under the financing, the Company paid finders' fees totaling $46,290, 216,000 shares ($27,000) and 502,320 Warrants ($44,215);
- Issued 4,158,334 units ("Units") at a price of $0.15 per Unit for gross proceeds of $623,750 as part of a private placement. Under the private placement, each Unit consists of one common share in the capital of the Company and one-half of one share purchase warrant (each whole warrant being a "Warrant" of the Company). Each whole Warrant will entitle the holder to purchase one share at an exercise price of $0.20 per share for a period of three years from the date of the issue of the Warrants. As at December 31, 2018, $292,500 in shares to be issued was recorded as a liability related to this private placement;
- Issued 5,827,338 common shares valued at USD $1,000,000 ($1,252,878) pursuant to the Option Agreement for the Candelaria Project (see Note 8(a));
- Issued 250,000 common shares as consideration for this reduction of the NSR agreements on the Company's Mexican properties valued at $60,000 (see Note 8(b));
- Issued 617,499 common shares for the exercise of options in the amount of $30,874. A value of $30,692 was transferred from the share-based payment reserve to share capital as a result; and
- Issued 1,180,102 common shares for the exercise of warrants in the amount of $236,020. A value of $581 was transferred from the share-based payment reserve to share capital as a result.

(Expressed in Canadian dollars)

12. Share capital (continued)

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.

The Company's share options outstanding as at December 31, 2020 and December 31, 2019 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2018	7,547,496	0.22
Exercised	(617,499)	0.05
Granted – March 15, 2019	200,000	0.22
Granted – July 19, 2019	2,435,000	0.26
Granted – October 15, 2019	150,000	0.30
Forfeited – May 29, 2019	(275,000)	0.45
Balance as at December 31, 2019	9,439,997	0.24
Exercised	(1,171,498)	0.17
Granted – September 28, 2020	2,575,000	0.70
Forfeited – September 30, 2020	(50,000)	0.40
Balance as at December 31, 2020	10,793,499	0.35

The total share-based payment expense recorded during the year ended December 31, 2020 was $625,114 (2019: $323,330).

The following table summarizes information about the share options as at December 31, 2020:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable	Expiry date
$0.05	2,949,999	0.59	2,949,999	August 5, 2021
$0.33	615,000	0.67	615,000	August 31, 2021
$0.22	200,000	1.20	200,000	March 15, 2022
$0.58	575,000	1.32	575,000	April 27, 2022
$0.57	200,000	1.45	200,000	June 15, 2022
$0.45	200,000	1.81	200,000	October 24, 2022
$0.45	150,000	2.02	150,000	January 8, 2023
$0.40	1,085,500	2.38	1,085,500	May 17, 2023
$0.26	2,183,000	3.55	1,209,000	July 19, 2024
$0.30	60,000	3.79	-	October 15, 2024
$0.70	2,575,000	4.75	-	September 28, 2025

(Expressed in Canadian dollars)

12. 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[1]	Weighted average fair value
March 15, 2019	3.00	1.61%	nil	80%	$0.08
July 19, 2019	5.00	1.36%	nil	87%	$0.21
October 15, 2019	5.00	1.56%	nil	89%	$0.18
September 28, 2020	5.00	0.31%	nil	93%	$0.48

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, 2020 and December 31, 2019 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2018	5,375,001	0.60
Granted – January 7, 2019	2,079,170	0.20
Granted – July 10, 2019	19,904,000	0.20
Granted (finders' warrants) – July 10, 2019	502,320	0.20
Exercised	(1,180,102)	0.20
Balance as at December 31, 2019	26,680,389	0.28
Granted – January 13, 2020	5,650,000	0.40
Granted – January 17, 2020	4,916,000	0.40
Granted – April 14, 2020	435,500	0.40
Granted – July 14, 2020	10,681,218	0.65
Exercised	(7,557,460)	0.31
Expired	(3,566,251)	0.60
Balance as at December 31, 2020	37,239,396	0.38

The balance of warrants outstanding as at December 31, 2020 is as follows:

Expiry Date	Exercise Price $	Remaining Life (Years)	Warrants Outstanding
January 7, 2022	0.20	1.02	1,030,668
July 10, 2022	0.20	1.52	15,506,010
January 13, 2023	0.40	2.04	4,826,000
January 17, 2023	0.40	2.05	4,760,000
April 14, 2023	0.40	2.28	435,500
July 10, 2023	0.65	2.53	10,681,218

(Expressed in Canadian dollars)

12. Share capital (continued)

d) Warrants (continued)

The fair value of finders' warrants 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 Warrant life (years)	Risk free interest rate	Dividend yield	Expected volatility[1]	Weighted average fair value
July 10, 2019	3.00	1.80%	nil	86%	$0.09
January 17, 2020	3.00	1.57%	nil	88%	$0.16
April 14, 2020	3.00	0.34%	nil	98%	$0.19
July 14, 2020	3.00	0.23%	nil	97%	$0.30

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

13. 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, 2020 and December 31, 2019 is as follows:

Non-current assets	December 31 2020	December 31 2019
	$	$
Canada	203,246	434,149
USA	13,589,166	8,380,207
Mexico	-	6,132,454
Total	13,792,412	14,946,810

14. Income taxes

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

	2020	2019
	$	$
Loss for the year before income tax recovery	(2,069,073)	(1,614,323)
Average statutory rate	27.00%	27.00%
Recovery of income taxes based on statutory rates	(559,000)	(436,000)
Increase (decrease) in income tax recovery resulting from:		
Change in statutory, foreign tax rate, foreign exchange rates and other	52,000	(33,000)
Expiry of non-capital losses	516,000	70,000
Share issue cost	(72,000)	(45,000)
True-up of opening temporary differences	91,000	(115,000)
Other non-deductible expenses	34,000	91,000
Change in non-recognized deferred tax assets	(62,000)	468,000
Income tax recovery	-	-

(Expressed in Canadian dollars)

14. Income taxes (continued)

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, 2020, the Company has not recognized the benefit of the following deductible temporary differences:

	December 31 2020	December 31 2019
	$	$
Deferred tax assets		
Losses carried forward	3,603,000	3,802,000
Mineral properties	7,000	7,000
Equipment	5,000	5,000
Undeducted financing costs and other	180,000	43,000
Unrecognized deferred tax assets	(3,795,000)	(3,857,000)
Total deferred tax assets	-	-

As at December 31, 2020, the Company has estimated non-capital losses for Canadian income tax purposes of $12,196,000 (2019 - $10,481,000) that may be carried forward to reduce taxable income derived in future years. The Canadian non-capital losses expire from 2026-2040 (2019 - 2026-2039).

As at December 31, 2020, the Company's Mexican subsidiary had approximately $1,827,000 (2019 - $3,203,000) in losses which expire from 2021-2031 (2019 - 2020-2030).

As at December 31, 2020, the Company's United States subsidiary had approximately $2,894,000 (2019 - $55,000) in losses that do not expire.

15. 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, 2020 and 2019:

	2020	2019
	$	$
Consulting fees	192,500	180,038
Professional fees	55,327	50,711
Salaries and benefits	290,245	243,953
Share-based payments	320,974	132,158

Consulting fees include amounts paid to Raul Diaz, a director of the Company, for geological consulting services. Included in the amounts above is $134,441 in consulting fees for the year ended December 31, 2020 that was capitalized to mineral properties (2019 - $124,642).

Professional fees include amounts paid to Malaspina Consultants Inc., a company in which the CFO, Carmen Amezquita Hernandez, is an associate.

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, 2020, the Company received lease income from a related company with common directors in the amount of $31,877 (2019 - $23,526).

15. Related party transactions (continued)

As at December 31, 2020, directors, officers or their related companies owed the Company $116,279 (December 31, 2019 - $79,133) and were owed $29,829 (December 31, 2019 - $17,937) in respect of services. The amounts due to related parties are unsecured, non-interest-bearing and due on demand.

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.

16. 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, 2020:

- The issuance of 26,050 common shares valued at $8,336 as payment for extra claims staked at the Candelaria Project;
- The issuance of 871,000 units valued at $363,292 pursuant to the Amended Candelaria Option Agreement (see Note 8(a));
- The issuance of 500,000 common shares valued at $390,000 pursuant to the Phoenix Silver Agreement (see Note 8(a));
- Marketable securities received as a shares-for-debt payment of $48,860 on receivables outstanding;
- Recognition of a right-of-use asset and related lease obligation in the amount of $57,127 related to an office lease (see Note 11); and
- Movement of $479,388 in mineral property exploration expenditures in accounts payable and accrued liabilities.

During the year ended December 31, 2019:

- The issuance of 5,827,338 common shares valued at $1,252,878 pursuant to the Option Agreement for the Candelaria Project (see Note 8(a));
- The issuance of 250,000 common shares as consideration for this reduction of the NSR agreements on the Company's Mexican properties valued at $60,000 (see Note 8(b)); and
- Movement of $105,568 in mineral property exploration expenditures in accounts payable and accrued liabilities;
- The issuance of 216,000 common shares valued at $27,000 and 502,320 warrants valued at $44,215 as part of the finders' fees paid in the July 10, 2019 private placement. During 2019, 6,600 finders' warrants were exercised and a value of $581 was transferred from the share-based payment reserve to share capital as a result; and
- The issuance of $292,500 shares pursuant to a private placement from subscription proceeds received in the previous fiscal year.

The Company paid or accrued $nil for income taxes during the year ended December 31, 2020 (2019 - $nil).

(Expressed in Canadian dollars)

17. Financial instruments (continued)

Classification of financial instruments

The Company's financial instruments consist of cash, short-term investments, marketable securities, receivables, net investment in sublease, accounts payable and accrued liabilities and lease obligations. The Company classifies its cash, short-term investments, receivables 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 classification of the financial instruments as well as their carrying values as at December 31, 2020 and December 31, 2019 is shown in the table below

At December 31, 2020	Amortized cost (Financial Assets)	Amortized cost (Financial Liabilities)	Total
	$	$	$
Financial assets			
Cash	11,341,666	-	11,341,666
Short-term investments	2,518,560	-	2,518,560
Receivables	237,191	-	237,191
Marketable securities	178,583	-	178,583
Net investment in sublease	150,818	-	150,818
Total financial assets	14,426,818	-	14,426,818
Financial liabilities			
Accounts payable and accrued liabilities	-	899,117	899,117
Lease obligations	-	344,286	344,286
Total financial liabilities	-	1,243,403	1,243,403

At December 31, 2019	Amortized cost (Financial Assets)	Amortized cost (Financial Liabilities)	Total
	$	$	$
Financial assets			
Cash	445,384	-	445,384
Short-term investments	2,600,000	-	2,600,000
Receivables	178,764	-	178,764
Total financial assets	3,224,148	-	3,224,148
Financial liabilities			
Accounts payable and accrued liabilities	-	461,144	461,144
Lease obligations	-	426,353	426,353
Total financial liabilities	-	887,497	887,497

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.

17. Financial instruments (continued)

Fair value (continued)

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 receivables and accounts payable and accrued liabilities approximates their carrying values. Cash and short-term investments 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 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.

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.

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, US, and Mexico and a portion of the Company's expenses are incurred in Canadian dollars ("CAD"), US dollars ("USD"), and Mexican Pesos ("MXN"). A significant change in the currency exchange rates between the Canadian, US and Mexican currencies, 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, 2020, the Company is exposed to currency risk on the following financial assets and liabilities denominated in USD and MXN. The sensitivity of the Company's net earnings due to changes in the exchange rate between the USD and MXN against the Canadian dollar is included in the table below in Canadian dollar equivalents:

	USD amount	MXN amount	Total
	$	$	$
Cash	6,008,623	-	6,008,623
Accounts payable and accrued liabilities	(835,839)	-	(835,839)
Net exposure	5,172,784	-	5,172,784
Effect of +/- 10% change in currency	517,278	-	

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.

17. Financial instruments (continued)

Financial instruments risk management (continued)

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. The Company considers credit risk with respect to its accounts receivables to be immaterial as amounts are due from companies with management that are well-known to the Company.

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.

18. 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.

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 during the year ended December 31, 2020.

19. Adoption of New IFRS Pronouncements

On January 1, 2019, the Company adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch-up adjustment is recorded on January 1, 2019 for any differences identified, including adjustments to the opening accumulated deficit balance.

On the date of transition, the Company recorded a right-of-use asset of $525,191 related to the office rent in property and equipment, and the lease obligation of $541,330 was recorded as at January 1, 2019, discounted using the Company's incremental borrowing rate of 7.71%, and measured at an amount equal to the lease obligation as if IFRS 16 had been applied since the commencement date. The net difference between right-of-use assets and lease liabilities on the date of transition was recognized as an accumulated deficit adjustment of $16,139 on January 1, 2019.

20. Commitments

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, 2020, this equated to $460,000 (December 19, 2019 - $414,000).

21. Subsequent events

Exercise of warrants
Subsequent to year end, 1,670,289 warrants of the Company were exercised for gross proceeds of $557,808.

Exercise of options
Subsequent to year end, 360,000 options of the Company were exercised for gross proceeds of $46,350.