PlataLatina
Minerals

**Plata Latina Minerals Corporation**

**Consolidated Financial Statements**
**For the Year ended December 31, 2021**

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Plata Latina Minerals Corporation

### *Opinion*

We have audited the accompanying consolidated financial statements of Plata Latina Minerals Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholder's 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, 2021 and 2020, 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 a deficit of $11,793,894 and working capital of $359,968 for the year then ended December 31, 2021. 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.

### *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 Catherine Tai.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 28, 2022

**Plata Latina Minerals Corporation**
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| As at | Note | December 31, 2021 $ | December 31, 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | 367,000 | 427,407 |
| Amounts receivable | 3 | 4,208 | 12,337 |
| Prepaid expenses | | 7,321 | 275 |
| **Total assets** | | 378,529 | 440,019 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 5 | 18,561 | 23,249 |
| **Shareholders' equity** | | | |
| Share capital | 6 | 11,490,446 | 11,490,446 |
| Reserves | 6 | 663,416 | 666,267 |
| Deficit | | (11,793,894) | (11,739,943) |
| | | 359,968 | 416,770 |
| **Total liabilities and shareholders' equity** | | 378,529 | 440,019 |
| Nature of operations and going concern | 1 | | |

Approved by the Board of Directors on April 28, 2022:

| | |
|---|---|
| *"Margaret Brodie"* | *"Letitia Wong"* |
| Audit Committee Chair | Director |

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

(Expressed in Canadian Dollars)

| | Note | Year ended December 31, 2021 $ | Year ended December 31, 2020 $ |
|---|---|---|---|
| **Expenses** | | | |
| Director fees | 7 | - | 14,000 |
| Filing fees and transfer agent | | 10,887 | 10,876 |
| Investor relations | | 3,283 | 367 |
| Office administration | | 19,134 | 41,976 |
| Professional fees | 7 | 118,763 | 192,372 |
| Property evaluation | 4 | - | 11,131 |
| Salaries and benefits | 7 | 26,436 | 159,774 |
| | | (178,503) | (430,496) |
| **Other income (expenses)** | | | |
| Royalty income | 4 | 129,198 | - |
| Gain on sale of exploration and evaluation asset | 4 | - | 135,494 |
| Cost recovery on exploration and evaluation expenditures | 4 | - | 63,565 |
| Foreign exchange loss | | (4,646) | (25,387) |
| **Loss for the year** | | (53,951) | (256,824) |
| **Other comprehensive income (loss)** | | | |
| Item that may be reclassified to income or loss: | | | |
| Foreign currency translation adjustment | | (2,851) | 8,032 |
| **Loss and comprehensive loss for the year** | | (56,802) | (248,792) |
| **Loss per share** | | | |
| Basic and diluted | | (0.00) | (0.00) |
| **Weighted average number of shares outstanding** | | | |
| Basic and diluted | | 79,034,671 | 79,034,671 |

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

## Plata Latina Minerals Corporation
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Share Capital (Note 6) | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Accumulated Other Comprehensive Loss | Options and Warrants | Total Reserves | Deficit | Total Shareholders' Equity |
| | # | $ | $ | $ | $ | $ | $ |
| December 31, 2020 | 79,034,671 | 11,490,446 | (954,249) | 1,620,516 | 666,267 | (11,739,943) | 416,770 |
| Loss for the year | - | - | - | - | - | (53,951) | (53,951) |
| Foreign currency translation adjustment | - | - | (2,851) | - | (2,851) | - | (2,851) |
| **December 31, 2021** | **79,034,671** | **11,490,446** | **(957,100)** | **1,620,516** | **663,416** | **(11,793,894)** | **359,968** |
| | | | | | | | |
| December 31, 2019 | 79,034,671 | 11,490,446 | (962,281) | 1,620,516 | 658,235 | (11,483,119) | 665,562 |
| Loss for the year | - | - | - | - | - | (256,824) | (256,824) |
| Foreign currency translation adjustment | - | - | 8,032 | - | 8,032 | - | 8,032 |
| **December 31, 2020** | **79,034,671** | **11,490,446** | **(954,249)** | **1,620,516** | **666,267** | **(11,739,943)** | **416,770** |

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

(Expressed in Canadian Dollars)

| | Year ended December 31, 2021 $ | Year ended December 31, 2020 $ |
|---|---|---|
| **Operating activities** | | |
| Loss for the year | (53,951) | (256,824) |
| Items not affecting cash: | | |
| Gain on sale of exploration and evaluation assets | - | (135,494) |
| Impairment on exploration and evaluation assets | - | 2 |
| Changes in non-cash working capital: | | |
| Amounts receivable | 8,129 | 11,160 |
| Prepaid expenses | (7,046) | 3,966 |
| Accounts payable and accrued liabilities | (4,688) | (2,749) |
| | (57,556) | (379,939) |
| **Investing activities** | | |
| Exploration and evaluation expenditures | - | (68,167) |
| Proceed from sale of exploration and evaluation assets | - | 663,950 |
| | - | 595,783 |
| **Effect of foreign exchange on cash** | (2,851) | 13,979 |
| **Change in cash** | (60,407) | 229,823 |
| **Cash, beginning of the year** | 427,407 | 197,584 |
| **Cash, end of the year** | 367,000 | 427,407 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Plata Latina Minerals Corporation ("Plata" or the "Company") was incorporated under the laws of British Columbia, Canada. Plata's registered and records office is at 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6. On April 11, 2012, the Company's common shares commenced trading on the TSX Venture Exchange under the symbol "PLA". The consolidated financial statements as at December 31, 2021, consisted of Plata and its five wholly owned subsidiaries: Plaminco S.A. de C.V. ("Plaminco"), Minera Central Vaquerias S.A. de C.V. ("MCV"), Minera Exploradora del Centro S.A. de C.V. ("MEC"), Servicio PLMC ("Servicio") and Plata Latina US Ltd. ("Plata US"), which are collectively referred to as the "Company". Plaminco, MCV, MEC and Servicio are organized under the laws of Mexico and Plata US is organized under the laws of Colorado, U.S.

The Company and its subsidiaries were in the business of acquiring, exploring and evaluating mineral property assets, principally in Mexico. Through its wholly owned subsidiary, Plaminco, the Company held interests in four Mexican mineral properties – Naranjillo, Vaquerias, Palo Alto and La Joya. In February 2020, the Company sold the Naranjillo property to Fresnillo PLC ("Fresnillo") and retains a 3% net smelter return royalty ("Royalty") in Naranjillo. The Company is in the process of terminating the remaining three properties. Plata continues to consider a variety of longer-term strategic alternatives.

These consolidated financial statements (the "Financial Statements") have been prepared on a going concern basis which assumes that the Company will be able to continue its operations and meet its obligations as they become due. Plata has incurred ongoing losses and will continue to incur further losses in the course of developing its business. Plata has not yet generated revenue from operations as it is in the exploration stage. As at December 31. 2021, Plata had a deficit of $11,793,894 (2020 - $11,739,943) and working capital of $359,968 (2020 - $416,770).

The Company continues to monitor the effects of the COVID-19 variants on the resources industry and the commodity markets. It remains indeterminable of the duration of the pandemic and its prolonged impacts on the economy and financial markets. This results in uncertainties to whether financing would be available to the Company if the need for funding was to arise. These circumstances might cast significant doubt on the Company's ability to continue as a going concern.

These Financial Statements do not give effect to adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Financial Statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These Financial Statements are presented in Canadian dollars, which is the Company's functional currency. The functional currencies of Plata's subsidiaries are: (a) U.S. dollar for Plata US; and (b) Mexican peso for Plaminco, MCV, MEC, and Servicio.

### Principles of consolidation

These Financial Statements include the accounts of Plata and its wholly owned subsidiaries, Plaminco, MCV, MEC, Servicio and Plata US. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of the five subsidiaries are included in the consolidated financial statements from the date which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

### Critical accounting judgments, estimates and assumptions

The preparation of these Financial Statements requires management to make certain judgments, estimates and assumptions that impact the Company's reported financial position. Judgment and estimates are based on historical experience and expectation of future events within reasonable circumstances. Actual outcomes could differ from these estimates. Revisions to these estimates are recognized in the period in which the estimates are revised and in future periods affected.

The significant judgments and estimates that affect these Financial Statements are as follows:

*a)* Exploration and evaluation assets

The carrying values and assessment of impairment of exploration and evaluation assets are based on costs incurred and management's estimate of net recoverable value. Estimates may not necessarily reflect actual recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to achieve commercial production.

In February 2020, the Company completed the sale of one of its four mineral assets, the Naranjillo property, to Fresnillo for $663,950 (US $500,000). Fresnillo granted the Company a 3% net smelter return ("NSR") royalty. Fresnillo is required to make advance royalty payments of US $100,000 annually starting February 2021 until the earlier of (i) US $1,000,000 of advance royalty payments have been paid, or (ii) Naranjillo commences commercial production of minerals (Note 4). In February 2021, The Company received the first advance royalty payment of $129,198 (US $100,000) from Fresnillo.

*b)* Going concern

The Company uses judgment in assessing its ability to continue as a going concern for the next twelve months. In considering the factors with respect to the prolonging pandemic and sluggish global economic recovery, adversely affecting its going concern as disclosed in Note 1, the Company concludes that there is a material uncertainty that might cast significant doubt about its ability to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) *Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

d) *Options and warrants*

The fair value of options and warrants is determined on the grant date. To compute the fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain assumptions in relation to the expected life of options and warrants, future volatility of the stock price, expected dividend yield, risk-free interest rate and future forfeiture rate of options.

**Functional and presentation currency**

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Plata and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates ("IAS 21").

**Foreign currency translation**

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation of non-monetary items are recognised in profit or loss.

**Foreign operations**

A subsidiary that has a functional currency other than Canadian dollars translates its results of operations to Canadian dollars at the average rate during the period. Assets and liabilities are translated at exchange rates prevailing at period end rates of exchange. The resulting changes are recognized in accumulated other comprehensive income (loss) within reserves in shareholders' equity.

For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognized in profit or loss at the time of disposal.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Amounts receivable

Amounts receivable are stated at carrying value less provision for impairment, which approximates fair value due to their short terms to maturity. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due accordingly.

### Exploration and evaluation costs expensed

Until the Company acquires the permit, license or the right to explore the mineral properties, costs incurred are expensed as property investigations in the period in which they are incurred.

### Exploration and evaluation assets

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized, unless the Company concludes that a future economic benefit is not likely to be realized, in which case the expenditures will be charged to profit or loss as incurred. These costs include, but are not limited to, drilling costs, payments made to contractors, materials and fuels used and surveying costs.

At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to profit or loss at the time of abandonment or when it has been determined that there is evidence of impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

### Decommissioning and restoration provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. At December 31, 2021 and 2020, the Company did not have any decommissioning liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of long-lived assets

At the end of each reporting period, the Company assesses each long-lived asset or cash generating unit ("CGU") to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk of a specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that 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. A reversal of an impairment loss is recognized immediately in profit or loss.

### Share capital

Common shares issued are recorded in share capital at the value of proceeds received, net of issue costs. The fair value of common shares issued as consideration for exploration and evaluation assets or other non-cash consideration is based on the trading price of these shares on the date they are issued.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to warrants on a residual value basis.

### Share-based compensation

The Company recognizes share-based compensation on stock option grants. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized using the graded vesting method over the period during which the options vest. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

For directors, officers and employees, the fair value of the options is measured at the date of grant, and the options are recognized over the vesting period. For non-employees, share-based compensation is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The fair value is recorded at the earlier of the vesting date, or the date the goods or services are received.

The offset to the recorded cost is to reserve. Consideration received on the exercise of stock options is recorded as share capital and the related reserves are transferred to share capital.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Loss per share

Loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Company calculates the dilutive effect on loss per share by presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the years presented. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

### Financial instrument classification and measurement

Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. On initial recognition, a financial asset is classified as: amortized cost, fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- it is held with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

All financial assets not classified as amortized cost or FVOCI are classified as and measured at FVPL. This includes all derivative assets. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as FVPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial asset has been classified as amortized cost, FVPL or FVOCI. Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as amortized cost or FVPL. Financial assets and financial liabilities classified as amortized cost are measured subsequent to initial recognition using the effective interest method.

Loss allowances for 'expected credit losses' are recognized on financial assets measured at amortized cost, contract assets and investments in debt instruments measured at FVOCI, but not to equity investments. A loss event is not required to have occurred before a credit loss is recognized.

The Company has classified and measured its financial instruments as described below:

- Cash, amounts receivables are classified as and measured at amortized cost.
- Accounts payable and accrued liabilities are classified as and measured at amortized cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income taxes

i) *Current income 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 period end, adjusted for amendments to tax payable with regards to previous years.

ii) Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit or loss. Deferred tax is also not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will 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 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 utilised. The carrying amount of deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes of the same taxable entity and levied by the same taxation authority. Deferred income tax assets and liabilities are presented as non-current.

### Other comprehensive income (loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on FVOCI investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to foreign operations.

The Company's comprehensive income (loss) and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

### Standards issued or amended but not yet effective

The Company has not applied the following revised IFRS that has been issued but was not yet effective at December 31, 2021. This accounting standard is not expected to have a significant effect on the Company's accounting policies or financial statements.

- IAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* (effective January 1, 2022). The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss.

(Expressed in Canadian Dollars, unless otherwise stated)

## 3. AMOUNTS RECEIVABLE

| | December 31. 2021 $ | December 31, 2020 $ |
|---|---|---|
| Mexican value added tax ("IVA") recoverable | 3,295 | 11,391 |
| Good and services tax receivable | 913 | 946 |
| | 4,208 | 12,337 |

## 4. EXPLORATION AND EVALUATION ASSETS

The Company held its interests in its mineral properties through its wholly owned subsidiary, Plaminco.

***Naranjillo Property – 3% Net Smelter Return Royalty ("Royalty")***

The Naranjillo property consists of three mineral concession licenses: La Sibila, La Sibila I and La Sibila II, issued by the Mexican General Directorate of Mines ("GDM") on April 20, 2011, September 23, 2011 and August 26, 2011, respectively. These licenses were valid for fifty years until 2061.

In February 2017, Plata entered into an option agreement (the "Naranjillo Option Agreement") with a wholly owned subsidiary of Fresnillo. The Naranjillo Option Agreement granted Fresnillo the option to explore the Naranjillo Property for a total cash consideration of US $1,650,000 over three years (the "Option Payment"). In addition, Fresnillo was required to spend US $3,000,000 in exploration expenditures on the Naranjillo Property over the option period.

At the end of the three-year period, Fresnillo had the option to acquire the Naranjillo Property for additional US $500,000 and to grant the Company a 3% net smelter return royalty ("Royalty") on the Naranjillo Property.

On February 24, 2020, Fresnillo exercised its option to acquire the Naranjillo property for $663,950 (US $500,000). The Company recognized a gain of $135,492 on the sale of the Naranjillo property in 2020.

Under the Naranjillo Option Agreement, Fresnillo is required to pay an annual advance royalty payment of US $100,000 (the "Advanced Royalty Payment"), until the earlier of (a) a maximum of US $1,000,000 in the Advance Royalty Payments have been paid, or (b) Naranjillo commences commercial production.

Fresnillo has the option to reduce the Royalty by 1% by paying an additional US $1,000,000 and may further reduce the remaining 2% Royalty to nil by paying an additional US $5,000,000.

In February 2021, the Company received from Fresnillo the first advance royalty payment of $129,198 (US $100,000) which was recorded as royalty income in the statement of income (loss).

(Expressed in Canadian Dollars, unless otherwise stated)

## 4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

### *Vaquerias, Palo Alto and La Joya Properties*

a) Vaquerias Property ("Vaquerias")

Vaquerias comprises two mineral concession licenses: Sol and Luna. The Sol and Luna licenses were issued by the GDM on December 13, 2011 and December 8, 2011, respectively and are valid until 2061, although the Company is in the process of terminating the licenses as identified below.

b) Palo Alto Property ("Palo Alto")

Palo Alto consists of three licenses: Catalina, Catalina II, and Catalina III. The Catalina, Catalina II and Catalina III licences were issued by the GDM on November 22, 2012, November 4, 2011, and November 30, 2011, respectively and are valid until 2061 to 2062. The Company is in the process of terminating these licenses as well.

c) La Joya Property ("La Joya")

La Joya holds one mineral concession license, La Carmen, issued by the GDM on December 21, 2010 and is valid until December 20, 2060. La Joya surrounds a third-party license. The Company carried out reconnaissance work on and around the licensed areas and such related costs were expensed as *Property Evaluation.* No reconnaissance work was carried out in 2021 (2020 - $11,131). The La Carmen license has been submitted for termination together with Vaquerias and Palo Alto.

In January 2020, the Company entered into an option agreement with the Electrum Group ("Electrum") with respect to its Mexican properties: Vaquerias, Palo Alto and La Joya (the "Three Properties"). The Company granted Electrum a four-month period the exclusive right to evaluate the Three Properties. Electrum had the option to acquire any or all of the properties by paying US $100,000 for each property. During the option period, Electrum reimbursed the Company for land taxes of the Three Properties in April 2020, Electrum advised the Company that it would not proceed with the purchase option.

During the year ended December 31, 2020, the Company elected not to continue paying the necessary land taxes for the Three Properties and submitted application to begin the process of terminating the mineral licenses in mid-2020. During the year ended December 31, 2021, the Company was still in the process of terminating these mineral rights, which has been complicated by governmental agency closures impacted by the COVID-19.

The exploration and evaluation assets as at December 31, 2021 and 2020 are as follows:

| | Naranjillo | Vaquerias | Palo Alto | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance, December 31, 2019** | **529,088** | **1** | **1** | **529,090** |
| Claims and land taxes | - | 38,482 | 25,083 | 63,565 |
| | 529,088 | 38,483 | 25,084 | 592,655 |
| Sale of exploration and evaluation asset | (535,035) | - | - | (535,035) |
| Cost recovery recorded in profit and loss | - | (38,482) | (25,083) | (63,565) |
| Foreign exchange movements | 5,947 | - | - | 5,947 |
| Impairment on exploration and evaluation assets | - | (1) | (1) | (2) |
| **Balance, December 31, 2020 and 2021** | - | - | - | - |

(Expressed in Canadian Dollars, unless otherwise stated)

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | $ | $ |
| Trade payables | 561 | 3,249 |
| Accrued liabilities | 18,000 | 20,000 |
| | 18,561 | 23,249 |

## 6. SHARE CAPITAL AND RESERVES

*Authorized* **-** unlimited number of common shares without par value

*Foreign currency translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of the foreign operations, from the foreign operations' functional currency to the Company's presentation currency, as well as from the translation of inter-group loans that form the Company's net investment in its foreign subsidiaries.

*Stock options*

The Company has a 10% rolling stock option plan with the maximum number of options granted not to exceed 10% of the total number of common shares issued and outstanding at the grant date. Options granted to directors, officers, employees and consultants have a term up to five years and the exercise prices and the vesting periods are determined by the Board of Directors.

The Company's stock option activities as at December 31, 2021 and 2020 and for the periods then ended are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price |
| | # | $ | # | $ |
| Outstanding, beginning of the year | 175,000 | 0.06 | 400,000 | 0.06 |
| Expired | (100,000) | 0.06 | (225,000) | (0.06) |
| Outstanding, end of the year | 75,000 | 0.06 | 175,000 | 0.06 |

As at December 31. 2021, the Company's outstanding and exercisable options are as follows:

| Expiry date | Exercise Price $ | Options outstanding # | Weighted average remaining life (years) |
|---|---|---|---|
| June 5, 2022 | 0.06 | 75,000 | 0.43 |

*Warrants*

At December 31. 2021, the Company had no outstanding warrants.

(Expressed in Canadian Dollars, unless otherwise stated)

## 7. RELATED PARTY TRANSACTIONS

*Compensation of Key Management*

Key management includes the Company's directors, officers and VP Exploration. Their compensation paid for the year ended December 31, 2021 and 2020 is as follows:

| | | For the year ended December 31, | | Balance outstanding December 31, | |
|---|---|---|---|---|---|
| | Nature of compensation | 2021 $ | 2020 $ | 2021 $ | 2020 $ |
| Executive Chairman and CEO | Salaries and benefits | 22,135 | 102,940 | - | - |
| VP Exploration | Salaries and benefits | 4,301 | 56,834 | - | - |
| CFO and Corporate Secretary | Professional fees | 42,000 | 58,000 | - | - |
| Directors | Directors' fees | - | 14,000 | - | - |
| Total | | 68,436 | 231,774 | - | - |

## 8. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

**Fair value**

At December 31, 2021, the carrying values of cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company classifies its financial instruments into three levels of the fair value hierarchy according to the relative reliability of the inputs used to measure the fair values. The fair value hierarchy is as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – quoted prices in inactive markets or inputs are observable directly or indirectly for the asset or liability; and
Level 3 – inputs that are unobservable as there are little or no market activities.

**Risk management**

The Company is exposed to financial instrument related risks arising from its normal operations. The Company manages and mitigates these risk exposures as follows:

*Foreign currency risk*

The Company operates in Canada, United States and Mexico. It maintains Mexican Peso ("MXN") and US Dollar (US$) bank accounts in Mexico and USA and is subject to currency gains or losses from these two currencies against the Canadian Dollar. The Company has no hedging against its foreign currency risk exposure.

## 8. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

**Risk management (continued)**

At December 31, 2021 and 2020, the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Cash | US$ | 282,722 | US$ | 330,528 |
| Accounts payable and accrued liabilities | | - | | (2,200) |
| | US$ | 282,722 | US$ | 328,328 |

At December 31, 2021 and 2020, the Company was exposed to currency risk through the following assets and liabilities denominated in MXN:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Cash | MXN | 23,494 | MXN | 692 |
| Accounts payable and accrued liabilities | | (4,034) | | - |
| | MXN | 19,460 | MXN | 692 |

A 10% change of the Canadian dollar against the US dollar at December 31, 2021 would have increased or decreased net loss by $34,691 (2020 – $41,814) and would have increased or decreased the comprehensive loss by $1,000 (2020 – $113). A 10% change of the Canadian dollar against the MXN at December 31, 2021 would have increased or decreased the comprehensive loss by $146 (2020 – $4). This analysis assumes that all other variables, in particular interest rates, remain consistent.

*Liquidity risk*

Liquidity risk is the risk that the Company's financial assets are insufficient to meet its financial liabilities. The Company manages liquidity risk with budgets and cash forecasts to ensure there is sufficient cash to meet its obligations. At December 31. 2021, the Company had cash of $367,000 (2020 - $427,407) to settle current liabilities of $18,561 (2020 - $23,249).

In February 2020, the Company completed the sale of the Naranjillo property ("Naranjillo") to Fresnillo for $663,950 (US $500,000). Under the terms of the Naranjillo Option Agreement entered in February 2017, after the acquisition of Naranjillo, effective February 2021, Fresnillo is required to make an annual advance royalty payment of US $100,000 until the earlier of (a) a maximum of US $1,000,000 have been paid or (b) Naranjillo commences commercial mineral production. In February 2021, the Company received the first advance royalty payment of $129,198 (US $100,000).

The Company continues to monitor the development of the COVID-19 variants and their impacts on the Company's operations and liquidity. Plata manages liquidity risk and cash resources by monitoring regularly the actual and projected cash flows.

*Commodity Price risk*

While no resource estimate has yet been prepared for the Company's core mineral resource properties, the market value of the Company is subject to the fluctuations in precious metals prices and their outlooks.

(Expressed in Canadian Dollars, unless otherwise stated)

## 8. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

*Credit risk*

Credit risk arises from cash held with financial institutions, as well as credit exposure on amounts receivable. Credit risk exposure on cash is limited through maintaining the Company's balances with high-credit quality financial institutions and assessing institutional exposure. As at December 31. 2021, the Company's maximum exposure to credit risk was the carrying value of its cash and amounts receivable.

**Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain its business operations and to maintain flexible capital which optimizes the costs of capital at an acceptable risk level.

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. No changes were made in the objectives, policies or procedures for the year ended December 31. 2021.

## 9. SEGMENT INFORMATION

The Company operates in one reportable and operating segment, being the exploration and evaluation of mineral resources properties in Mexico.

In February 2020, the Company sold the Naranjillo property to Fresnillo. In July 2020, Plata decided to discontinue the maintenance tax payments on its Three Properties (Vaquerias, Palo Alto and La Joya). The carrying values on the Three Properties were written off as at December 31, 2020.

As at December 31, 2021 and 2020, the Company did not hold any exploration and evaluation assets.

## 10. INCOME TAXES

A reconciliation between tax expense and accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2021 and 2020 is as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Loss for the year | (53,951) | (256,824) |
| Statutory tax rate | 27% | 27% |
| Income tax benefit | (15,000) | (69,000) |
| | | |
| Reconciling items: | | |
| Difference between statutory and foreign tax rate | 43,000 | 141,000 |
| Tax losses not recognized in the period that the benefit arose | (54,000) | 78,000 |
| Non-deductible expenses | 2,000 | (74,000) |
| Adjustment to prior year provision versus statutory tax returns | 24,000 | (76,000) |
| Income tax recovery | - | - |

(Expressed in Canadian Dollars, unless otherwise stated)

## 10. INCOME TAXES (CONTINUED)

*Deferred taxes*

The significant components of the Company's deferred tax assets that have not been included on the consolidated statements of financial position are as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Deferred tax assets | | |
| Exploration and evaluation assets | 251,000 | 367,000 |
| Property and equipment | 45,000 | 45,000 |
| Non-capital losses available for future period | 2,919,000 | 2,857,000 |
| | 3,215,000 | 3,269,000 |
| Unrecognized deferred tax assets | (3,215,000) | (3,269,000) |
| Net deferred tax assets | - | - |

The Company's unrecognized unused tax losses and other deductible temporary differences for which no deferred tax asset is recognized consists of the following:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Non-capital losses and other future tax deductions | 10,449,000 | 10,229,000 |
| Exploration and evaluation assets | 835,000 | 1,224,000 |
| Property and equipment | 202,000 | 202,000 |
| | 11,486,000 | 11,655,000 |

No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is not probable. The unrecognized available to be deducted difference will be deducted from taxable income in future years.

As at December 31, 2021, the Company has Canadian loss carry forwards of $7,122,942 (2020 – $6,782,000) and US loss carry forwards of $19,563 (2020 - $93,000), and Mexican loss carry forwards of $3,306,068 (2020 – $3,353,583) available to reduce future years' income tax for tax purposes. The tax losses carry forwards expire at various times between 2022 and 2041.