Consolidated Financial Statements
(Expressed in Canadian dollars)

AFTERMATH SILVER LTD.

(An Exploration Stage Company)

Year ended May 31, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Aftermath Silver Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Aftermath Silver Ltd. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), 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 May 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 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 Guy Thomas.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

September 27, 2021

AFTERMATH SILVER LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at		**May 31, 2021**		**May 31, 2020**
ASSETS				
Current assets:				
Cash	$	11,737,858	$	2,965,675
Receivables		23,183		41,606
Prepaid expenses and advances (note 8)		142,952		121,483
		11,903,993		3,128,764
Mineral property (note 4)		2,493,842		2,493,842
Deferred acquisition costs (note 5)		22,533,888		1,173,711
	$	**36,931,723**	**$**	**6,796,317**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$	114,195	$	457,304
Due to related parties (note 8)		13,677		9,286
Current portion of acquisition costs payable (note 5)		2,694,874		-
Current portion of promissory note (note 4)		267,856		44,643
		3,090,602		511,233
Acquisition costs payable (note 5)		7,439,793		-
Promissory note (note 4)		240,104		453,619
		10,770,499		964,852
Shareholders' equity:				
Share capital (note 7)		38,575,990		14,657,966
Reserves		5,351,178		2,040,235
Deficit		(17,765,944)		(10,866,736)
		26,161,224		5,831,465
	$	**36,931,723**	**$**	**6,796,317**

Nature of operations and going concern (note 1)
Subsequent event (note 12)

Approved on behalf of the Board:

"David Terry" Director

"Michael J. Williams Director

See accompanying notes to the consolidated financial statements.

AFTERMATH SILVER LTD.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the years ended		May 31, 2021		May 31, 2020
Expenses:				
Accounting and legal (note 8)	$	232,552	$	179,995
Accretion expense (notes 4, 5, and 6)		641,232		62,136
Conference and exhibition		12,878		79,812
Consulting fees (note 8)		813,283		280,504
Corporate secretarial (note 8)		30,750		23,250
Directors' fees (note 8)		50,000		36,000
Foreign exchange (recovery)		(772,412)		24,790
Geological exploration (note 4)		299,405		328,885
Insurance		15,282		6,667
Investor relations		540,964		575,170
Listing and filing fees		114,418		50,285
Office and sundry (note 8)		92,303		109,492
Pre-acquisition exploration (note 5)		1,351,483		280,769
Share-based payments (notes 7 and 8)		3,506,331		1,256,182
Travel and meals		8,164		133,864
Wages and salaries (note 8)		85,615		-
		(7,022,248)		(3,427,801)
Gain on settlement of accounts payable (note 9)		123,040		160,092
Gain on settlement of convertible notes (note 6)		-		186,929
Loss before income tax		(6,899,208)		(3,080,780)
Deferred income tax recovery (note 10)		-		40,306
Loss and Comprehensive loss for the year	$	(6,899,208)	$	(3,040,474)
Loss attributable to:				
Owners of the parent		(6,899,208)		(3,020,381)
Non-controlling interest		-		(20,093)
		(6,899,208)		(3,040,474)
Loss per share – basic and diluted	$	(0.06)	$	(0.05)
Weighted average number of shares outstanding		120,365,569		56,889,871

See accompanying notes to the consolidated financial statements.

AFTERMATH SILVER LTD.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Share Capital								
	Shares	**Amount**	**Subscriptions received in advance**	**Reserves**	**Equity component of convertible debt**	**Deficit**	**Total**	**Non-controlling interest**	**Total equity (deficiency)**
May 31, 2019	**27,787,371**	**$ 6,495,478**	**$ 89,040**	**$ 708,430**	**$ -**	**$ (7,846,355)**	**$ (553,407)**	**$ -**	**$ (553,407)**
Private placement shares issued	55,985,462	7,358,837	(89,040)	-	-	-	7,269,797	-	7,269,797
Finders' share issued	1,041,586	208,317	-	-	-	-	208,317	-	208,317
Warrant exercised	2,365,000	283,800					283,800		283,800
Share issuance costs – cash	-	(189,240)	-	-	-	-	(189,240)	-	(189,240)
Share issuance costs – finders' shares	-	(208,317)					(208,317)		(208,317)
Share issuance costs – finders' warrants	-	(90,909)	-	90,909	-	-	-	-	-
Acquisition of Minera Cachinal (note 4)	-	-	-	-	-	-	-	443,168	443,168
Acquisition of Minera Cachinal non-controlling interest (note 4)	-	-	-	(124,260)	-	-	(124,260)	(423,075)	(547,335)
Issuance of convertible debt	-	-	-	-	149,280	-	149,280	-	149,280
Deferred tax on equity conversion feature	-	-	-	-	(40,306)	-	(40,306)	-	(40,306)
Settlement of convertible note (net)	4,000,000	800,000	-	108,974	(108,974)		800,000	-	800,000
Share-based payments	-	-	-	1,256,182	-		1,256,182	-	1,256,182
Loss for the year	-	-	-	-	-	(3,020,381)	(3,020,381)	(20,093)	(3,040,474)
May 31, 2020	**91,179,419**	**14,657,966**	**-**	**2,040,235**	**-**	**(10,866,736)**	**5,831,465**	**-**	**5,831,465**
Private placement shares issued	26,362,442	17,135,588	-	-	-	-	17,135,588	-	17,135,588
Finders' share issued	290,360	188,734	-	-	-	-	188,734	-	188,734
Warrants exercised	10,306,020	1,526,037	-	(90,909)	-	-	1,435,128	-	1,435,128
Stock options exercised	337,500	234,979	-	(104,479)	-	-	130,500	-	130,500
Share issuance costs - cash	-	(821,201)	-	-	-	-	(821,201)	-	(821,201)
Share issuance costs – finders' shares	-	(188,734)	-	-	-	-	(188,734)		(188,734)
Shares issued for deferred acquisition costs	6,688,122	5,842,621	-	-	-	-	5,842,621	-	5,842,621
Share-based payments	-	-	-	3,506,331	-	-	3,506,331	-	3,506,331
Loss for the year	-	-	-	-	-	(6,899,208)	(6,899,208)	-	(6,899,208)
May 31, 2021	**135,163,863**	**$ 38,575,990**	**$ -**	**$ 5,351,178**	**$ -**	**$ (17,765,944)**	**$ 26,161,224**	**$ -**	**$ 26,161,224**

See accompanying notes to the consolidated financial statements.

AFTERMATH SILVER LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended		May 31, 2021		May 31, 2020
Cash flows from operating activities:				
Loss for the year	$	(6,899,208)	$	(3,040,474)
Items not affected by cash:				
Share-based payments		3,506,331		1,256,182
Accretion expense		641,232		62,136
Gain on settlement of convertible note		-		(186,929)
Gain on settlement of accounts payable		(123,040)		(160,092)
Deferred income tax recovery		-		(40,306)
Unrealized foreign exchange		(747,568)		652
Changes in non-cash working capital items:				
Receivables		18,423		(34,943)
Prepaid expenses and advances		(21,469)		(120,881)
Accounts payable and accrued liabilities		(200,029)		36,785
Due to related parties		4,391		(282,600)
Cash used in operating activities		**(3,820,937)**		**(2,510,470)**
Cash flows from investing activities				
Funding of Minera Cachinal prior to acquisition		-		(77,019)
Acquisition of Minera Cachinal		-		(676,443)
Deferred costs for mineral property acquisition		(5,216,855)		(1,149,529)
Cash used in investing activities		**(5,216,855)**		**(1,902,991)**
Cash flows from financing activities				
Proceeds from private placements		17,135,588		7,269,797
Proceeds from warrant exercises		1,435,128		283,800
Proceeds from stock option exercises		130,500		-
Share issuance costs		(841,241)		(167,784)
Payment towards promissory note		(50,000)		(50,000)
Cash provided by financing activities	**$**	**17,809,975**	**$**	**7,335,813**
Change in cash		8,772,183		2,922,352
Cash, beginning of the year		2,965,675		43,323
Cash, end of the year	**$**	**11,737,858**	**$**	**2,965,675**
Supplemental schedule of non-cash activities				
Deferred costs included in deferred acquisition costs	$	-	$	24,182
Share issue costs in accounts payable	$	-	$	20,040
Issuance of convertible note for Mineral Cachinal	$	-	$	925,720
Issuance of common shares for settlement of convertible note	$	-	$	800,000
Equity component on convertible debenture reclassified to reserves on settlement (net of tax)	$	-	$	108,874
Issuance of finders' warrants as finders' fees	$	-	$	90,909
Deferred acquisition costs recognized on acquisition costs payable	$	10,300,701	$	-
Issuance of common shares as finders' fees	$	188,734	$	208,317
Fair value of shares issued for deferred acquisition costs	$	5,842,621	$	-
Fair value of stock options reclassified to reserves on exercise	$	104,479	$	-
Fair value of finder's warrants reclassified to reserves on exercise	$	90,909	$	-

See accompanying notes to the consolidated financial statements.

1. Nature of operations and going concern:

Aftermath Silver Ltd. ("the Company" or "Aftermath") was incorporated under the laws of British Columbia on January 27, 2011. Its principal business activity is the acquisition, exploration and development of mineral properties. The Company's shares are currently traded on the TSX Venture Exchange ("TSX-V") under the symbol AAG and on the OTCQB under the symbol AAGFF. The Company's registered and records address is: Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

The Company is in the exploration stage and engages principally in the acquisition and exploration of mineral properties. The recoverability of the amounts shown for mineral properties is ultimately dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral properties, obtaining necessary financing to explore and develop the mineral properties, entering into agreements with others to explore and develop the mineral properties, and upon future profitable production or proceeds from disposition of the mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. The Company has no operating revenue and has a history of losses. As at May 31, 2021, the Company has a net working capital of $8,813,391. Management has forecasted that the Company's current working capital will be sufficient to execute its planned expenditures for the coming year. These consolidated financial statements do not reflect adjustments, which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations in the long term.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business.

2. Basis of Preparation:

(a) Basis of presentation:

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

Unless otherwise stated, amounts are expressed in Canadian dollars.

These consolidated financial statements were authorized for issue by the Board of Directors on September 27, 2021.

2. Significant accounting policies (continued):

(b) Basis of consolidation:

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries Minera Cachinal S.A. (note 4) and Aftermath Silver Peru S.A., and Minera ISP S. R.L. de C.V. Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

Non-controlling interest represents the portion of a subsidiary's earnings and losses and net assets that is not held by the Company. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of loss and comprehensive loss, statement of changes in equity, and statement of financial position respectively.

(c) Cash:

Cash consists of amounts held in bank accounts and highly liquid investments.

(d) Exploration and evaluation expenditures:

Exploration and evaluation expenditures are recognized in profit or loss. Costs incurred before the Company has obtained legal rights to explore areas of interest are also recognized in profit or loss. Expenditures incurred by the Company in connection with the development of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized. Acquisition costs of mineral properties, such as cash and share consideration and option payments, are capitalized on an individual prospect basis. Amounts received for the sale of mineral properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in income. The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the mineral property. If a mineral property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

(e) Deferred costs:

Costs incurred in relation to transactions that are pending at the end of the reporting period are recognized as deferred costs until the closing of such transactions, or expensed if such transactions do not complete.

2. Significant accounting policies (continued):

(f) Financial Instruments (continued):

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (“FVTPL”) are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company does not have any financial assets designated as FVTPL.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company’s objective for these financial assets is to collect their contractual cash flows and 2) the asset’s contractual cash flows represent ‘solely payments of principal and interest’. The Company’s cash and receivables are recorded at amortized cost as they meet the required criteria.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under the FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally owed, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, due to related parties, and promissory note.

2. Significant accounting policies (continued):

(f) Financial Instruments (continued):

Compound financial liabilities are bifurcated into their debt and equity components with the debt component being initially measured at the fair value of the debt determined by discounting the cash flows associated with the compound instrument at a market rate of interest for the instrument exclusive of the associated equity feature. The liability portion of a compound financial instruments are subsequently measured at amortized cost. The equity component is allocated the residual value being the difference between the face value of the compound instrument and the fair value of the debt and is recorded in equity reserve until such time as the convertible debt has been repaid or converted to common shares of the Company at which point it is reclassified from equity reserve to contributed surplus or share capital as applicable. Transaction costs incurred for the issuance of compound financial liabilities are allocated to the debt and equity component, as applicable, based on their initial relative fair values.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

(g) Impairment of non-financial assets:

At the end of each reporting period the carrying amounts of the Company's long-lived assets, being mineral property interests, are reviewed 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 fair value less costs to sell and 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 assessments of the time value of money and the risks specific to the asset.

2. Significant accounting policies (continued):

(g) Impairment of non-financial assets (continued):

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 cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at fair value, being the quoted share price at the time of issuance.

(i) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(j) Significant accounting estimates and judgments:

The preparation of financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported periods. The Company reviews its estimates and assumptions regularly; however, actual results could differ from those estimates. Significant judgments are used are as follows:

Valuation of convertible debentures

The equity portion of the convertible debenture is calculated using a discounted cash flow method which requires management to make an estimate on an appropriate discount rate.

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment based on historical experience. Significant judgments are used in the Company's assessment of its ability to continue as a going concern, which are described in Note 1.

Functional currency

The functional currency of an entity is assessed on a standalone basis to determine the economic substance of the currency in which each entity performs its operations and is described in Note 2(k).

2. Significant accounting policies (continued):

(j) Significant accounting estimates and judgments (continued):

Acquisition of subsidiary entities

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. During the year ended May 31, 2020, the Company completed the acquisition of Minera Cachinal (note 4) and determined that the transaction did not qualify as a business combination under IFRS 3, "Business Combinations."

Deferred Income tax

The determination of income tax is inherently complex and requires making certain judgments about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Mineral properties

The recognition of mineral properties requires judgments regarding future recoverability and carrying cost. The cost model is utilized and the value of the mineral properties is based on the acquisition expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Significant accounting estimates are used as follows:

Share-based payments

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Shares issued in non-cash transactions

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

2. Significant accounting policies (continued):

(k) Foreign currency transactions:

The presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions of the Company denominated in other currencies are translated into the relevant functional currency using the exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date and the related foreign exchange gains or losses are recognized in profit or loss.

(l) Loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year.

The computation of the diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of outstanding options and warrants and their equivalents assumes that the proceeds on exercise would be used to purchase common shares at the average market price during the year.

Since the Company has losses, the effect of outstanding warrants and stock options has not been included in this calculation as it would be anti-dilutive.

(m) Income taxes:

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on 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.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant accounting policies (continued):

(n) Share-based payments:

The Company has a stock option plan. The cost of stock options granted to employees and directors for services received is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in the share-based payment reserve in shareholders' equity.

Share based compensation arrangements in which the Company receives other goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

3. New and revised standards and interpretations:

There are no IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Mineral Property:

On October 30, 2019, the Company entered into an agreement for the acquisition ("Minera Cachinal Acquisition") of an 80% ownership stake in the Cachinal De La Sierra silver-gold project (the "Cachinal property") located in Chile, through the acquisition of an 80% ownership in Minera Cachinal S.A. ("Minera Cachinal") from Halo Labs Inc. ("Halo"). In consideration for 80% ownership of Minera Cachinal, the Company will pay Halo a total of $1,575,000 as a convertible note (note 6), consisting of $250,000 due on October 30, 2019 (paid), $250,000 due on or before April 30, 2020 (paid), $525,000 due on or before October 30, 2020, and $550,000 due on or before April 30, 2021, and assume certain debts. During the year ended May 31, 2020, the convertible note was amended and was settled by the issuance of 4,000,000 common shares. As at May 31, 2020, the Company had also incurred $95,170 in transaction costs, of which $21,079 had been deferred at May 31, 2019.

(Expressed in Canadian dollars)

4. Mineral Property (continued):

Minera Cachinal was not considered to be a business under IFRS 3 *Business Combinations*; accordingly, the Minera Cachinal Acquisition is accounted for as an asset acquisition.

Consideration:		
Convertible note	$	1,575,000
Transaction costs		197,670
		1,772,670
Net assets of Minera Cachinal acquired:		
Cash and other current assets		189
Mineral Property		2,493,842
Accounts payable and accrued liabilities		(63,967)
Due to investors		(214,226)
Non-controlling interest		(443,168)
Total net assets acquired		1,772,670

On May 25, 2020, the Company entered into an agreement with the non-controlling interest (“NCI”) holder, SSR Mining Inc. (“SSR”), whereby it would acquire the remaining 20% stake by paying $100,000 (paid) and issuing a promissory note for $600,000 payable as follows: $50,000 on execution (paid), $50,000 on the first year anniversary (paid), $300,000 on the two-year anniversary, and $300,000 on the three-year anniversary. The Company recognized a fair value acquisition payable of $547,335 on the date of the acquisition using a discount rate of 12%. As at May 31, 2021, $267,856 (2020 - $44,643) has been presented as current and $240,104 (2020 - $453,619) as a long-term liability. The Company recorded accretion of $59,698 for the year ended May 31, 2021 (2020 - $927). $137,861 in amounts previously recorded as due to investors within Minera Cachinal were forgiven as a result of the transaction, and accordingly, the Company recognized $137,861 within gain on settlement of accounts payable recognized on the statement of loss and comprehensive loss for the year ended May 31, 2020. The Company had a reclassification to reserves of $124,260 determined by the difference between the consideration paid less the value of the NCI on the acquisition date. The allocation of consideration has been calculated as follows:

Acquisition payable	$	547,335
NCI – initial balance		(443,168)
Loss attributable to NCI for period from October 29, 2019 to May 25, 2020		20,093
Reclassified to reserves on elimination of NCI	$	124,260

(Expressed in Canadian dollars)

4. Mineral Property (continued):

The Company incurred the following exploration expenditures on the Cachinal Mineral project during the years ended May 31, 2021 and 2020:

Years ended	May 31, 2021	May 31, 2020
Analysis	$ -	$ 1,995
Drilling	-	12,152
Field supplies and equipment	-	2,054
General and field office administration	189,586	85,030
Geological consulting	28,829	106,896
Legal fees	15,167	80,289
Maps and reports	22,625	40,469
Permits and licenses	43,198	-
	$ 299,405	$ 328,885

5. Deferred acquisition costs, Investigation costs:

Challacollo Property Acquisition, Chile

On November 8, 2019, the Company entered into a share purchase agreement with Mandalay Resources Corp. (“Mandalay”), pursuant to which the Company will acquire Minera Mandalay Challacollo Limitada (“MMC”), which owns the Challacollo silver-gold project in Chile.

In consideration, the Company will pay Mandalay a total of $7,500,000, consisting of $1,000,000 in cash on or before July 31, 2020 (paid), $1,000,000 in cash on or before December 30, 2020 (paid), a final payment of $5,500,000 (of which up to $2,750,000 may be paid in shares at Mandalay’s option) on or before April 30, 2021, and a net smelter royalty (“NSR”) of 3% capped at $3,000,000. The Company may elect, at an additional cost of $500,000, to vary the final payment of $5,500,000 such that $3,000,000 (of which up to $1,500,000 may be paid in shares at the Company’s option) is due on or before April 30, 2021, and $3,000,000 (of which up to $1,500,000 may be paid in shares at the Company’s option), including the aforementioned additional cost of $500,000, is due on or before April 30, 2022. During the year ended May 31, 2021, the Company made this election and paid cash in the amount of $1,500,000 and issued 2,054,794 common shares with a fair value of $1,397,260. The cumulative share issuances pursuant to the agreement may not exceed 49% of the Company’s issued and outstanding shares.

Ownership in MMC will not transfer until such time the Company has completed its payments. If the Company fails to make its payments under the agreement, Mandalay will retain 100% ownership of MMC.

The Company has agreed to pay a finder’s fee of $407,500 (paid $282,500). As at May 31, 2020, the Company has also incurred $91,211 in transaction costs, of which $24,182 had been deferred at May 31, 2019.

(Expressed in Canadian dollars)

5. Deferred acquisition costs, Investigation costs (continued):

Berenguela Property Acquisition, Peru

On July 22, 2020, the Company entered into a binding Letter of Intent (the "LOI") with SSR to acquire 100% of the Berenguela silver-copper project located in Puno, Peru, through the purchase of 100% of SSR's shares in its Peruvian holding company, Sociedad Minera Berenguela S.A ("SMB"). On September 30, 2020, the acquisition agreement with SSR was signed.

The Company has agreed to pay US$12,725,000 made in staged cash payments, 4,287,049 Aftermath Silver common shares, and a sliding scale net NSR on production, as follows:

i. US$1,000,000 deposit, to be paid withing 48 hours of signing the LOI *(paid – CAD $1,341,670)*;

ii. US$725,000 cash on the initial closing date (*paid – CAD $953,375*) and 4,287,049 Aftermath common shares (*issued with value of $4,029,826)*;

iii. US$2,250,000 cash to be paid on November 30, 2021;

iv. US$2,500,000 cash to be paid on November 30, 2022;

v. US$3,000,000 cash to be paid on November 30, 2024;

vi. Completion of a Preliminary Feasibility Study ("PFS") and filing on SEDAR of a NI 43-101 technical report summarizing the PFS by November 30, 2024;

vii. US$3,250,000 cash to be paid on November 30, 2026;

viii. A sliding scale NSR on all mineral production from the Berenguela Project for the life of mine commencing at the declaration of commercial production, based on the following:

   a. 1.0% NSR, on all mineral production when the Silver Market Price is up to and including US$25/ounce; and

   b. 1.25% NSR on all mineral production when the Silver Market Price is over US$25/ounce and when the Copper Market Price is above $2.00/lb.

On the initial closing date, the Company recognized a total of $10,300,701 to deferred acquisition costs related to the present value of future US$11,000,000 in payments plus US$550,000 in future finders' fees discounted using a rate of 12%. A continuity of acquisition costs payable for the year ended May 31, 2021 is as follows:

Acquisition costs payable	**May 31, 2021**
Acquisition costs payable, beginning of the year	$ -
Recognized on initial closing date	10,300,701
Accretion expense	581,534
Foreign exchange recognized	(747,568)
	10,134,667
Current portion of acquisition costs payable	(2,694,874)
Acquisition costs payable, end of year	$ 7,439,793

(Expressed in Canadian dollars)

5. Deferred acquisition costs, Investigation costs (continued):

The Company has agreed to pay a finders' fee of US$659,478 over the term of the agreement of which US$109,478 ($144,347) was paid during the year ended May 31, 2021, and issue 346,279 common shares (issued during the year ended May 31, 2021, with a value of $415,535). The remaining US$550,000 was discounted and recognized within acquisition costs payable. During the year ended May 31, 2021, the Company incurred transaction costs of $77,463.

Ownership in SMB will not transfer until such time the Company has completed its payments.

Up until the point ownership transfers, all of the Company's exploration costs towards the Challacollo and Berenguela projects are included in pre-acquisition exploration costs as they are not required pursuant to the acquisition agreement.

The Company incurred the following pre-acquisition exploration costs for the years ended May 31, 2021 and 2020:

Year ended May 31, 2021	Challacollo Project	Berenguela Project	Total
Analysis	$ 154,612	$ -	$ 154,612
Concession fees	-	212,896	212,896
Field supplies and equipment	10,410	2,711	13,121
General and administrative	7,407	28,887	36,294
Geological consulting	357,858	379,596	737,454
Legal fees	5,048	46,898	51,946
Maps and reports	9,300	7,400	16,700
Permits and licenses	106,464	21,996	128,460
	$ 651,099	$ 700,384	$ 1,351,483

Year ended May 31, 2020	Challacollo Project	Cachinal Project	Total
Analysis	$ 5,986	$ -	$ 5,986
General and administrative	3,977	-	3,977
Geological consulting	31,200	3,600	34,800
Legal	113,577	-	113,577
Maps and reports	17,995	10,062	28,057
Permits and licenses	94,372	-	94,372
	$ 267,107	$ 13,662	$ 280,769

(Expressed in Canadian dollars)

5. Deferred acquisition costs, Investigation costs (continued):

Deferred acquisition costs incurred as at May 31, 2021 and 2020 are as follows:

	Challacollo Project	Berenguela Project	Total
Balance, May 31, 2019	$ -	$ -	$ -
Cash payments	1,000,000	-	1,000,000
Transaction costs	91,211	-	91,211
Finders' fees	82,500	-	82,500
Balance, May 31, 2020	1,173,711	-	1,173,711
Cash payments	2,500,000	2,295,045	4,795,045
Shares issued as deferred acquisition costs	1,397,260	4,029,826	5,427,086
Acquisition cost payable	-	10,300,701	10,300,701
Transaction costs	-	77,463	77,463
Finders' fees – cash	200,000	144,347	344,347
Finders' fees – common shares	-	415,535	415,535
Balance, May 31, 2021	$ 5,270,971	$ 17,262,917	$ 22,533,888

6. Convertible note:

During fiscal 2020, the Company completed the Minera Cachinal Acquisition (note 4). In connection with the closing of the transaction, Halo had the right to convert any remaining unpaid purchase price of $1,075,000 into common shares of the Company at a price of $0.20 per share. The convertible debenture did not bear any interest. The conversion feature was valued at $149,280, using a discount rate of 12% which is the borrowing rate achievable by the Company for non-convertible instruments. The Company also recognized a deferred tax liability of $40,306 in connection with the equity conversion feature.

During the year ended May 31, 2020, the Company entered into an agreement with Halo whereby the remaining principal was reduced to $800,000 and was settled by the issuance of 4,000,000 common shares. On settlement, the equity component of the convertible debt of $108,974 net of tax, was reclassified to Reserves.

Convertible note	May 31, 2020
Convertible note, beginning of the year	$ -
Issuance of convertible note	1,075,000
Conversion feature	(149,280)
Accretion expense	61,209
Gain on extinguishment of convertible note	(186,929)
Settlement of convertible note	(800,000)
Convertible note, end of the year	$ -

7. Share capital:

(a) Authorized share capital:

Unlimited number of voting common shares without par value.

(b) Issued share capital:

a) On September 14, 2020, the Company closed a non-brokered private placement by issuing 26,362,442 shares for gross proceeds of $17,135,588. In connection with the offering, the Company paid an aggregate of $776,796 in finders' fees and issued 290,360 finders' shares valued at $188,734. In connection with the closing, the Company incurred other transaction costs of $44,205.

b) On November 23, 2020, the Company issued an aggregate of 4,287,049 common shares with a value of $4,029,826 to SSR pursuant to the Berenguela agreement (Note 5).

c) On January 14, 2021, the Company issued an aggregate of 346,279 common shares with a value of $415,535 to a finder pursuant to a finders' fee agreement on the Berenguela project (Note 5).

d) On April 30, 2021, the Company issued an aggregate of 2,054,794 common shares with a value of $1,397,260 to MMC pursuant to the Challacollo agreement (Note 5).

Share issuances for the year ended May 31, 2020 were as follows:

a) On October 30, 2019, the Company closed a non-brokered financing of 31,985,462 units at $0.08 per unit for gross proceeds of $2,558,837 of which $89,040 was received in advance during the year ended May 31, 2020. Each unit comprises one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $0.12 per share for a period of three years. In connection with the financing, the Company paid $83,400 in finders' fees and incurred $30,311 in other transaction costs of which $1,416 was deferred at May 31, 2019.

b) On November 14, 2019, the Company closed a non-brokered financing of 16,500,000 units at $0.20 per unit for gross proceeds of $3,300,000, of which $20,000 remains receivable at May 31, 2020 and was received subsequent to year end. Each unit comprises one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $0.25 per share for a period of three years. In connection with the financing, the Company issued 1,041,586 finders' shares valued at $208,317, paid $8,000 in finders' fees and incurred $38,158 in other transaction costs. The Company also granted 520,793 finders' warrants, exercisable for a period of three years with an exercise price of $0.25. The finders' warrants were fair valued at $90,909 using the Black-Scholes pricing model using a discount rate of 1.5%, expected life of 18 months, and a volatility of 136.37%.

c) On May 7, 2020, the Company closed a non-brokered private placement of 7,500,000 units at $0.20 per unit for gross proceeds of $1,500,000. Each unit comprises one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $0.25 per share for a period of three years. In connection with the financing, the Company paid $20,040 in finders' fees and incurred $9,331 in other transaction costs.

(Expressed in Canadian dollars)

7. Share capital (continued):

(c) Warrants:

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2019	-	$ -
Granted	28,513,525	0.18
Exercised	(2,365,000)	0.12
Balance, May 31, 2020	26,148,525	0.18
Exercised	(10,306,020)	0.14
Balance, May 31, 2021	15,842,505	$ 0.21

At May 31, 2021, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
4,847,906 [1]	$0.12	October 30, 2022
7,921,199	$0.25	November 14, 2022
3,073,400	$0.25	May 7, 2023
15,842,505		

1. Subsequent to May 31, 2021, 400,000 of these warrants were exercised for gross proceeds of $48,000.

(d) Stock options:

The Board of Directors may grant options to purchase shares from time to time, subject to the aggregate number of common shares of the Company issuable under all outstanding stock options of the Company not exceeding 10% of the issued and outstanding common shares of the Company at the time of the grant.

The options are exercisable over periods of up to ten years to buy shares of the Company at a price not less than the closing market price prevailing on the date the option is granted, less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the TSX Venture Exchange.

	Number of Stock Options	Weighted Average Exercise Price
Balance, May 31, 2019	-	$ -
Granted	5,950,000	0.335
Balance, May 31, 2020	5,950,000	0.335
Granted	5,500,000	0.80
Exercised	(337,500)	0.39
Balance, May 31, 2021	11,112,500	0.56
Exercisable, May 31, 2021	8,279,167	$ 0.49

(Expressed in Canadian dollars)

7. Share capital (continued):

(d) stock options (continued):

At May 31, 2021, stock options were outstanding enabling holders to acquire common shares as follows:

Number of Stock Options	Exercise Price	Expiry Date
5,650,000	$0.335	December 11, 2024
5,462,500	$0.80	October 9, 2025
11,112,500		

(e) Share-based payments:

During the year ended May 31, 2021, the Company granted a total of 5,500,000 (2020 – 5,950,000) stock options with a weighted average fair value of $0.64 per option (2020 – $0.25). For the year ended May 31, 2021 the Company recognized share-based payments expense of options granted and vesting of $3,506,331 (2020 - $1,256,182).

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted:

	May 31, 2021	**May 31, 2020**
Risk-free interest rate	0.33%	1.61%
Expected life of option	2.5 years	2.5 years
Expected annualized volatility	124.75%	136.37%
Dividend	-	-

8. Related party balances and transactions:

Key management personnel consist of directors and senior management including the Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

During the year ended May 31, 2021 and 2020, the Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	May 31, 2021	**May 31, 2020**
Accounting and legal	$ 62,000	$ 47,000
Consulting	435,000	197,500
Corporate secretarial	30,750	23,250
Directors fees	50,000	36,000
Share-based payments	2,268,943	821,415
Wages and salaries	80,000	-
	$ 2,926,693	$ 1,125,165

In addition, payments to companies with common directors and officers for rent, office, and administration totaled $67,074 (2020 - $50,725).

8. Related party balances and transactions:

As at May 31, 2021, due to related parties included $13,677 (2020 - $9,286) due to key management personnel. As at May 31, 2021, the Company has recorded $29,839 (2020 - $25,871) in prepaid expenses and advances to related parties.

9. Financial instruments:

The Company's cash is classified at level one of the fair value hierarchy. The carrying values of receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short terms to maturity. The promissory note and acquisition payable was valued using a valuation technique.

(a) Financial instrument risk exposure and risk management:

Credit risk

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The carrying value of these instruments represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions. There is minimal credit risk with respect to GST receivable as this amount is recoverable from Canadian governmental agencies. At May 31, 2021, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined in note 9(b) of these consolidated financial statements. During the year ended May 31, 2021 the Company reversed or settled accounts payable and recorded a gain of $123,040 (2020 - $160,092).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing financial assets as at May 31, 2021.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity.

The Company's main risks are associated with fluctuations in the US dollar ("US"), the Chilean peso ("CLP"), the Peruvian Sol ("PEN"), and the Mexican peso ("MXN"). The Company does not enter into any foreign exchange hedging contracts. As at May 31, 2021, the Company had foreign current assets totaling approximately CLP30,857,759 and PEN87,189 and amounts payable totaling approximately US$8,399,286, CLP4,742,195, PEN1,573 and MXN263,984. The Company has determined that a 10% increase or decrease in these currencies against the Canadian dollar on these instruments, as at May 31, 2021, would result in a $1,008,462 change to profit or loss for the year.

(Expressed in Canadian dollars)

9. Financial instruments (continued):

(b) Capital management:

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's exploration and evaluation of its resource properties and support any expansion plans. The capital of the Company consists of the items included in shareholders' equity.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its financial objectives. Notwithstanding the risks described in note 1 of the consolidated financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

10. Income taxes:

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

		May 31, 2021		**May 31, 2020**
Statutory rate		27%		27%
Recovery of income taxes based on statutory tax rates	$	(1,863,000)	$	(832,000)
Changes in statutory, foreign tax, foreign exchange rates and other		98,000		162,694
Non-deductible and other items		948,000		291,000
Share issuance costs		(273,000)		(107,000)
Acquisition payable on Berenguela		1,268,000		-
Changes in unrecognized deductible temporary differences		(178,000)		445,000
Total income tax (recovery) expense	$	-	$	(40,306)

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

(b) Deferred tax assets have not been recognized as at May 31, 2021 and 2020 in respect of the following items:

		May 31, 2021		**May 31, 2020**
Exploration and evaluation assets	$	629,000	$	236,000
Property and equipment		24,000		25,000
Share issuance costs		283,000		87,000
Debt with accretion		-		41,000
Non-capital losses available for future periods		845,000		1,570,000
	$	1,781,000	$	1,959,000

The Company has non-capital losses of approximately $2,512,000 (2020 - $5,306,000) and $557,000 (2020 - $572,000) to reduce future income tax payable in Canada and Mexico, respectively. The Company's non-capital losses expire in Canada between 2031 and 2041, and in Mexico between 2022 and 2031.

10. Income taxes (continued):

No deferred tax asset has been recognized in respect of the above as the Company currently does not have any sources of taxable income and there is uncertainty as to whether the Company will earn taxable income in the future. As a result, it is not currently probable that the benefits of such amounts will be realized.

11. Segmented information:

The Company operates in one segment being the acquisition and exploration of mineral properties. Geographical information can be found in notes 4 and 5.

12. Subsequent event:

Subsequent to the year ended May 31, 2021, the Company:

a) granted 700,000 incentive stock options to a Director and consultant of the Company with a life of five years and exercise price of $0.65.