

**APOLLO SILVER CORP.**  
**BUSINESS ACQUISITION REPORT**  
**FORM 51-102F4**

**Item 1. Identity of Company**

**1.1 Name and Address of Company**

Apollo Silver Corp. (the “**Company**”)  
Suite 710, 1030 West Georgia Street  
Vancouver, BC V6E 2Y3

**1.2 Executive Officer**

The following executive officer of the Company is knowledgeable about the significant acquisition and this business acquisition report:

Executive Officer: Tom Peregoodoff, Chief Executive Officer

Telephone: 604-428-6128

**Item 2. Details of Acquisition**

**2.1 Nature of Business Acquired**

**Definitive Agreement**

The Company completed the acquisition (the “**Acquisition**”) of 100% of the issued and outstanding common shares in the capital of Stronghold Silver Corp. (“**Stronghold**”) pursuant to the terms and conditions of a definitive agreement (the “**Agreement**”) dated May 11 2021, among the Company, Stronghold, and 1302259 B.C. Ltd., a wholly-owned subsidiary of the Company (“**Subco**”).

The Acquisition was completed by way of a three cornered amalgamation, pursuant to which Stronghold and Subco amalgamated (the “**Amalgamation**”) to form one corporation with the name “1302259 B.C. Ltd.” (“**Amalco**”) under the provisions of the *Business Corporations Act* (British Columbia). As a result of the Amalgamation, Amalco is now a wholly-owned subsidiary of the Company and the property of each of Stronghold and Subco continue to be the property of Amalco.

In connection with the Acquisition, the Company completed a brokered private placement (the “**Financing**”) of 70,533,334 subscription receipts (the “**Subscription Receipts**”) at a price of \$0.75 per Subscription Receipt for gross proceeds of approximately \$52.9 million. The gross proceeds of the Financing were deposited into escrow with an escrow agent pending satisfaction of certain escrow release conditions (the “**Escrow Release**”).

**Conditions**”) including, but not limited to, the satisfaction or waiver of all conditions precedent to the Acquisition.

Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt automatically converted, without payment of any additional consideration, into one (1) unit (a “**Unit**”) of the Company. Each Unit consisted of one common share in the capital of the Company (a “**Share**”) and one half of one Share purchase warrant (each whole warrant, a “**Warrant**”). Each Warrant entitles the holder to acquire one Share (a “**Warrant Share**”) at a price of \$1.25 per Warrant Share for a period of 24 months from the date of issuance.

In conjunction with the closing of the Acquisition, James Hynes, the former Chief Executive Officer of Stronghold, was appointed as a director of the Company.

## **2.2 Date of Acquisition**

The Company completed the Acquisition on July 8, 2021.

## **2.3 Consideration**

In consideration for acquiring 100% of the issued and outstanding common shares in the capital of Stronghold (the “**Stronghold Shares**”) the Company issued to the holders of the Stronghold Shares (the “**Stronghold Shareholders**”) one (1) Share (a “**Payment Share**”) for each one (1) Stronghold Share acquired by the Company. An aggregate of 40,000,000 Payment Shares were issued to the Stronghold Shareholders on July 8, 2021. The Payment Shares are subject to various seed share resale restrictions imposed by the TSX Venture Exchange. The Company also assumed 5,010,638 warrants of Stronghold (the “**Stronghold Warrants**”). The Stronghold Warrants are, in accordance with their terms, exercisable into Shares (each, a “**Stronghold Warrant Share**”) at an exercise price of US\$0.20 per Stronghold Warrant Share.

Further information regarding the Acquisition can be found in the Company’s material change report dated July 13, 2021, a copy of which has been filed under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **2.4 Effect on Financial Position**

Upon completion of the Acquisition, Stronghold became a wholly-owned subsidiary of the Company. The business and operations of Stronghold are being managed by the Company.

The Company does not have any plans or proposals for material changes in its business affairs or the affairs of Stronghold. The Company continued to be in the business of exploration and evaluation of mineral properties.

## **2.5 Prior Valuations**

To the knowledge of the Company, there has not been any valuation opinion obtained within the last 12 months by either the Company or Stronghold required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Acquisition.

## **2.6 Parties to the Transaction**

The Acquisition was not made with any person who, at the time of the Acquisition, was an informed person, associate or affiliate of the Company as defined in Section 1.1 of National Instrument 51-102 - *Continuous Disclosure Obligations*.

## **2.7 Date of Report**

December 17, 2021.

## **Item 3. Financial Statements**

As required by Part 8 of NI 51-102, the following financial statements are attached to this business acquisition report:

- the audited financial statements of Stronghold for the financial year ended December 31, 2020 together with the reports of the auditors thereon, a copy of which is attached hereto as Schedule “A”; and
- the unaudited interim financial statements of Stronghold for the six month period ended June 30, 2021, a copy of which is attached hereto as Schedule “B”.

The Company has not requested the consent of the auditor of Stronghold to incorporate the auditor’s report for the audited financial statements into this report.

**SCHEDULE "A"**

**Audited Financial Statements for Stronghold for the Year Ended December 31,  
2020**

**STRONGHOLD SILVER CORP.**

**Consolidated Financial Statements**

**December 31, 2020**

## INDEPENDENT AUDITOR'S REPORT

To the Director of  
Stronghold Silver Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Stronghold Silver Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the period from incorporation on August 5, 2020 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the period from incorporation on August 5, 2020 to December 31, 2020 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 as at December 31, 2020, the Company has a deficit of \$883,847. 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.

### *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.



Vancouver, Canada

Chartered Professional Accountants

June 3, 2021

**STRONGHOLD SILVER CORP.**  
**Consolidated Statement of Financial Position**  
(Expressed in US dollars unless otherwise noted)

As at	Note	December 31, 2020
<b>Current assets</b>		
Cash		\$ 75,059
Prepaid expenses	7	120,000
Deposits	4 & 7	1
<b>Total current assets</b>		<b>195,060</b>
<b>Non-current assets</b>		
Exploration and evaluation assets	5	155,000
<b>Total assets</b>		<b>\$ 350,060</b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities		\$ 234,492
<b>Total liabilities</b>		<b>234,492</b>
<b>Shareholders' equity</b>		
Share capital	6	1,000,395
Share subscriptions receivable	6	(980)
Deficit		(883,847)
<b>Total shareholders' equity</b>		<b>115,568</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 350,060</b>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 12)

**Approved by the Sole Director:**

"James Hynes"  
Director

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

**STRONGHOLD SILVER CORP.**  
**Consolidated Statement of Loss and Comprehensive Loss**  
(Expressed in US dollars unless otherwise noted)

		<b>For the period from incorporation on August 5, 2020 to December 31, 2020</b>
	<i>Note</i>	
<b>Expenses</b>		
Due diligence	7	\$ 108,825
Exploration and evaluation expenses	5	10,564
General and administrative		1,043
Management fees	7	94,000
Professional fees		266,683
		(481,115)
<b>Other expenses</b>		
Allowance against deposits	4	(399,999)
Foreign exchange loss		(2,733)
		(402,732)
<b>Loss and comprehensive loss for the period</b>		<b>\$ (883,847)</b>
Basic and fully diluted loss per common share		\$ (0.35)
Weighted average number of common shares outstanding - basic and diluted		2,541,386

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

**STRONGHOLD SILVER CORP.**  
**Consolidated Statement of Cash Flows**  
(Expressed in US dollars unless otherwise noted)

		<b>For the period from incorporation on August 5, 2020 to December 31, 2020</b>
	<i>Note</i>	
<b>Cash used in operating activities</b>		
Loss for the period		\$ (883,847)
Items not involving cash:		
Allowance against deposits	4	399,999
Changes in non-cash working capital:		
Prepaid expenses	7	(120,000)
Deposits	4	(400,000)
Accounts payable and accrued liabilities		234,492
		<b>(769,356)</b>
<b>Financing activities</b>		
Proceeds from private placement financing	6	1,000,000
Issuance costs	6	(585)
		<b>999,415</b>
<b>Investing activities</b>		
Exploration and evaluation option payments	5	(155,000)
		<b>(155,000)</b>
Change in cash		75,059
Cash at beginning of period		-
<b>Cash at end of period</b>		<b>\$ 75,059</b>
<b>Supplemental cash flow information:</b>		
Shares issued to founders		\$ 980

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

**STRONGHOLD SILVER CORP.**  
**Consolidated Statement of Changes in Shareholders' Equity**  
(Expressed in US dollars unless otherwise noted)

	<i>Note</i>	<u>Common Shares</u>		Share Subscriptions Receivable \$	Deficit \$	Total Shareholders' Equity \$
		Number	Amount \$			
Shares issued on incorporation	6	1	-	-	-	-
Shares issued to founders	6	13,000,000	980	(980)	-	-
Shares issued on private placement	6	5,000,000	1,000,000	-	-	1,000,000
Share issuance costs	6	-	(585)	-	-	(585)
Loss for the period		-	-	-	(883,847)	(883,847)
<b>December 31, 2020</b>		<b>18,000,001</b>	<b>1,000,395</b>	<b>(980)</b>	<b>(883,847)</b>	<b>115,568</b>

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

**STRONGHOLD SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**  
(Expressed in US dollars unless otherwise noted)

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## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Stronghold Silver Corp. (the “Company” or “Stronghold”) is a private exploration company incorporated under the laws of the Province of British Columbia, Canada on August 5, 2020. The Company’s registered and records office is Suite 2500, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3. The consolidated financial statements as at and for the period ended December 31, 2020 consist of the Company and its wholly owned subsidiary, Stronghold Silver USA Corp. (“Stronghold USA”) organized under the laws of California.

The Company is engaged in the acquisition and exploration of mineral property interest in the United States. The Company is focused on silver exploration and holds rights to three large scale silver projects in California and Arizona. The business of mining and the exploration for minerals involves a high degree of risk and there can be no assurance that such activities will result in profitable mining operations.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company has incurred losses and will continue to incur further losses in the course of its business operations. As at December 31, 2020, the Company had a deficit of \$883,847. The Company has been relying on the issuance of share capital to fund its operations. Although the Company has been successful in the past in raising equity financing, there is no assurance that such financing will be available with acceptable terms. These uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

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 or ability to raise funds, however the impact to date has been limited.

## **2. BASIS OF PRESENTATION**

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The summary of accounting policies set out below have been applied consistently to all periods presented.

These consolidated financial statements have been authorized for issue by the sole Director of the Company on June 3, 2021.

### **Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities recognized at fair value. In addition, these consolidated financial statements have been prepared using accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in United States dollars (“US dollars”), which is the functional currency of the Company and its subsidiary.

## **2. BASIS OF PRESENTATION (continued)**

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiary Stronghold USA. Subsidiaries are all 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 results and financial position of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Stronghold USA.

### **Significant judgments, estimates and assumptions**

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

### **Critical judgments**

The Company is also required to make significant judgments on the ongoing feasibility of exploration and evaluation assets, and whether there are indicators that the right to explore the specific area has expired or will be allowed to expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover capitalized exploration and evaluation costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property is impaired.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Cash**

Cash consists of cash on hand with banks.

### **Exploration and evaluation**

Exploration and evaluation expenditures relate to costs incurred in the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include permitting, community engagement, exploratory drilling and sampling, surveying transportation and infrastructure requirements, and gathering exploration data through geophysical studies.

The Company capitalizes significant direct costs of acquiring resource property interest. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Subsequent to the acquisition of a mineral interest, exploration and evaluation costs incurred, including those related to asset retirement obligations, are expensed as incurred up to the date the technical feasibility and commercial viability of extracting a mineral resource are demonstrable for a project and on receipt of project development approval from the Director. The approval from the Director will be dependent on the Company obtaining necessary permits and licenses to develop the mineral property. At this point, exploration and evaluation assets are assessed for impairment and then reclassified to property, plant and equipment. Previously capitalized acquisition costs are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, with any impairment loss recognized as an expense.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

#### **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are recorded at fair value as determined by management at the date the shares are issued.

#### **Share-based compensation**

The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

#### **Income tax**

Income tax on income or loss comprises current and deferred tax. Income tax is recognized in net income 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 or receivable related to previous years.

Deferred tax is recognized for differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recorded for temporary differences related to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, temporary differences arising on the initial recognition of goodwill and temporary differences relating to the investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse based on laws that have been enacted or substantively enacted at period end.

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

Tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they are related to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Earnings (loss) per share**

Basic earnings (loss) per share are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

**STRONGHOLD SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**  
(Expressed in US dollars unless otherwise noted)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive, therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

**Financial instruments – recognition and measurement**

The Company classifies its financial assets and liabilities in the following measurement categories - i) those to be subsequently measured at amortized cost; or ii) those to be subsequently measured at fair value (either through other comprehensive income, or through profit or loss (“FVTPL”)).

The classification is driven by the business model for managing the financial assets and their contractual cash flow characteristics. The Company classifies its financial assets and financial liabilities as those to be subsequently measured at amortized cost. At initial recognition financial assets and liabilities are measured at fair value less transaction costs except for financial assets classified as FVTPL, where transaction costs are expensed directly to profit or loss.

**New accounting pronouncements**

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the period ended December 31, 2020 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its financial statements.

**4. DEPOSITS**

During the period ended December 31, 2020, the Company paid refundable deposits of \$400,000 to a company controlled by the spouse of the director for potential claim staking and negotiations for potential land option agreements. The future economic benefit associated with these payments is uncertain as is the refundability of the amounts. Accordingly, a provision of \$399,999 has been applied against the refundable deposit to reduce the balance to \$1. The provision will be reversed in the future if the amounts are refunded or services are provided.

**5. EXPLORATION AND EVALUATION ASSETS**

		<b>Langtry Project</b>	<b>Arizona Silver District Project</b>	<b>Total</b>
Opening balance, August 5, 2020	\$	-	-	-
Acquisition costs:				
Cash payments		125,000	30,000	155,000
<b>Ending balance, December 31, 2020</b>	<b>\$</b>	<b>125,000</b>	<b>30,000</b>	<b>155,000</b>

**Langtry Project, San Bernardino County, California**

*Option Agreement with Athena*

On December 21, 2020, the Company entered into a five-year option agreement with Athena Minerals Inc. (“Athena”) whereby the Company could acquire a 100% interest in lands forming a portion of the Langtry Project (“Athena Property”) for an aggregate purchase price of \$1,000,000.

Terms of the option include \$15,000 upon closing (paid) and \$25,000 on each anniversary of the effective date. A \$10,000 non-refundable deposit was also initially paid to Athena. All payments made by the optionee to the optionor during the 24-month period prior to the full exercise of the option shall be credited against the purchase price.

**STRONGHOLD SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**  
(Expressed in US dollars unless otherwise noted)

**5. EXPLORATION AND EVALUATION ASSETS (continued)**

Upon exercise of the option, the Company will grant to Athena a 1% Net Smelter Royalty (“NSR”) on any future production of minerals from the Athena Property subject to the royalty shall only apply on those Athena Lands that currently do not have existing royalties of 1% or higher such that at no time will any property have a royalty greater than 2%.

*Option Agreement with Strachan*

On December 23, 2020, the Company entered into a five-year option agreement with Bruce D. Strachan and Elizabeth Strachan as Trustees of the Bruce and Elizabeth Strachan Recoverable Living Trust dated 7-25-2007 (“Strachan”) whereby the Company could acquire a 100% interest in lands forming a portion of the Langtry Project (“Strachan Lands”) for an aggregate purchase price of the greater of \$5,200,000 or spot price of 220,000 troy ounce of silver on or before December 24, 2025.

Under the terms of the Strachan agreement Stronghold is required to pay \$100,000 upon closing (paid) and \$100,000 on each anniversary of the effective date to keep the option in good standing. All payments made during the term of the option shall be applied to the purchase price.

Upon exercise of the option, the Company will grant to Strachan the following royalties:

- 1) a 1% NSR on any future production from the Strachan Lands;
- 2) 5% gross royalty on all other mineral production; and
- 3) 10% gross royalty on all other non-mineral production income derived from any other commercial use of the property.

**Arizona Silver District Project, LA Paz County, Arizona**

*Letter of Intent with Gulf + Western*

On October 21, 2020, the Company entered into a letter of intent (“LOI”) with Gulf + Western Industries, Inc. (“Gulf + Western”) to acquire its interest in an option to acquire 100% of the lands forming the Arizona Silver District Project. The Company paid an initial \$30,000 deposit under the LOI that finalized into an option agreement with Gulf + Western (see Note 12).

**Exploration & Evaluation Expenses**

The Company’s exploration expenditures by activity are as follows:

	<b>For the period from incorporation on August 5, 2020 to December 31, 2020</b>
Project evaluation & geological costs	\$ 7,137
Project support	3,427
	<b>\$ 10,564</b>

## **6. SHARE CAPITAL**

### **Authorized**

Unlimited number of common shares with no par value.

During the period from incorporation on August 5, 2020 to December 31, 2020, the Company:

- Issued 1 common shares at a price of \$0.0001CAD per common share on incorporation of the Company.
- Issued 13,000,000 common shares at a price of \$0.0001CAD per common share to founders of the Company. The subscription proceeds of \$980 are receivable as at December 31, 2020.
- Issued 5,000,000 common shares at a price of \$0.20 per common share for proceeds of \$1,000,000 pursuant to a private placement. In connection with this offering, the Company incurred share issuance costs of \$585.

## **7. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of the Company's sole officer and director. For the period from incorporation on August 5, 2020 to December 31, 2020, total key management compensation was \$202,825 consisting of management fees and due diligence expenses.

Included in prepaid expenses at December 31, 2020 is \$120,000 paid in advance to key management personnel.

Included in deposits at December 31, 2020 is \$1 paid to a company related to key management personnel (see Note 4)

## **8. MANAGEMENT OF CAPITAL**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the acquisition and exploration of its exploration and evaluation assets. Capital is comprised of the Company's shareholders' equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

## **9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The director of the Company approves and monitors the risk management process.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's financial assets.

The Company is primarily exposed to credit risk on its cash. Credit risk exposure is limited through maintaining its cash with high-credit quality financial institutions. The carrying value of these financial assets represents the maximum exposure to credit risk.

**STRONGHOLD SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**  
(Expressed in US dollars unless otherwise noted)

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements after taking into account the Company's holdings of cash.

**Foreign currency risk**

The Company is exposed to currency risk on transactions and balances in currencies other than the functional currency. At December 31, 2020, the Company had not entered into any contracts to manage foreign exchange risk.

**Price risk**

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

**10. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation properties in the United States.

**11. INCOME TAX**

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

	<b>For the period from incorporation on August 5, 2020 to December 31, 2020</b>
Net loss	(883,847)
Statutory tax rate	27%
Expected income tax recovery	(238,639)
Reconciling items:	
Permanent differences	738
Change in temporary differences not recognized	237,901
Income tax recovery	-

The Company's unrecognized tax losses for which no deferred tax asset is recognized consists of the following:

	<b>2020</b>	<b>Expiry Date</b>
Non-capital losses available for future period	480,530	2040

**12. SUBSEQUENT EVENTS**

Subsequent to December 31, 2020, the Company:

- issued 6,260,638 common shares at \$0.20 per share pursuant to the closing of a non-brokered private placement, receiving gross proceeds of \$1,252,128;
- issued 12,000,000 common shares at \$0.25 CAD per share pursuant to the closing of a non-brokered private placement, receiving gross proceeds of \$2,398,463 (\$3,000,000 CAD);

## 12. SUBSEQUENT EVENTS (continued)

- issued 3,739,361 common shares at \$0.47 CAD per share pursuant to the closing of a non-brokered private placement, receiving gross proceeds of \$1,424,745 (\$1,757,500 CAD);
- entered into an Asset Purchase Agreement on January 22, 2021 with Pan American Minerals Inc. (“Pan American”) which gave the Company the right to purchase 100% interest in the Waterloo Project for consideration of \$25,000,000.

The Company and Pan American have entered into subsequent amendments extending the closing of the transaction to May 31, 2021 in consideration of a non-creditable payment to Pan American of \$1,000,000 (paid) with a further extension to June 30, 2021 for consideration of a non-creditable payment to Pan American of an additional \$1,000,000 (paid).

Pan American will retain a 2% NSR on any future production of minerals from the project. To date, a total of \$2,750,000 in deposits have been paid to Pan American and will be credited against the total consideration. In addition, delivering to Pan American \$6,000,000, on or before the 18-month anniversary of the closing, which payment may be made in cash or shares at the sole election of Pan American;

- entered into an Option to Purchase Agreement on January 22, 2021 with Gulf + Western which gives the Company the right to acquire 100% interest in lands forming the Arizona Silver District Project for an aggregate purchase price of \$2,000,000 to be made on or before January 22, 2026.

Terms of the option include:

- 1) \$70,000 upon closing (paid);
- 2) \$100,000 and \$100,000 in common shares of the Company on 12-month anniversary of the effective date;
- 3) \$125,000 and \$125,000 in common shares of the Company on 24-month anniversary of the effective date;
- 4) \$175,000 and \$175,000 in common shares of the Company on 36-month anniversary of the effective date;
- 5) \$250,000 and \$250,000 in common shares of the Company on 48-month anniversary of the effective date;
- 6) \$300,000 and \$300,000 in common shares of the Company on 60-month anniversary of the effective date.

Additional bonus payments will be made by the Company in the following events: 1) \$250,000 and \$250,000 in common shares of the Company in the event the property becomes the flagship property of the Company within 36 months of the effective date; 2) the Company declares a 43-101 compliant resource of at least 30M ounces silver within 36 months of the effective date; 3) \$3,000,000 in the event that the price of silver exceeds \$125/ounce for ninety days on or before the 60 month anniversary of the effective date.

Upon vesting of 100% interest, the Company will grant to Gulf + Western a 2% NSR on any future production of minerals from the property.

- entered into an agreement on May 11, 2021 with Apollo Gold & Silver Corp. (“Apollo”) whereby Apollo will acquire all the issued and outstanding shares of the Company. Under the terms of the agreement, Apollo will issue a total of 40,000,000 common shares to Company shareholders on a share exchange ratio of one Apollo common share for one Stronghold common share.

In the event the transaction is not completed on or before June 30, 2021, the agreement will terminate unless mutually agreed.

**SCHEDULE “B”**

**Unaudited Interim Financial Statements for Stronghold for the Six Month Period  
ended June 30, 2021**

**STRONGHOLD SILVER CORP.**

**Condensed Interim Consolidated Financial Statements**

**For the six months ended June 30, 2021**

**(Unaudited)**

## **NOTICE OF NO AUDITOR REVIEW**

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

**STRONGHOLD SILVER CORP.**  
**Condensed Interim Consolidated Statements of Financial Position**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

As at	Note	June 30, 2021	December 31, 2020
<b>Current assets</b>			
Cash		\$ 106	\$ 75,059
Prepaid expenses	6	-	120,000
Deposits	3 & 6	1	1
<b>Total current assets</b>		<b>107</b>	<b>195,060</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	4,975,000	155,000
<b>Total assets</b>		<b>\$ 4,975,107</b>	<b>\$ 350,060</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 565,149	\$ 234,492
<b>Total liabilities</b>		<b>565,149</b>	<b>234,492</b>
<b>Shareholders' equity</b>			
Share capital	5	6,075,733	1,000,395
Subscriptions receivable	5	(137,108)	(980)
Deficit		(1,528,667)	(883,847)
<b>Total shareholders' equity</b>		<b>4,409,958</b>	<b>115,568</b>
<b>Total shareholders' equity and liabilities</b>		<b>\$ 4,975,107</b>	<b>\$ 350,060</b>

**Definitive acquisition agreement** (Note 10)  
**Subsequent events** (Notes 4, 10 & 11)

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

**STRONGHOLD SILVER CORP.****Condensed Interim Consolidated Statement of Loss and Comprehensive Loss***(Unaudited)**(Expressed in US dollars unless otherwise noted)*

			<b>Six months ended June 30, 2021</b>
	<i>Note</i>		
<b>Operating expenses</b>			
Exploration and evaluation expenses	4	\$	(96,299)
General and administrative	6		(84,445)
Management fees	6		(120,000)
Professional fees			(339,641)
<hr/>			
Loss from operations			(640,385)
<b>Other expense</b>			
Foreign exchange loss			(4,435)
<hr/>			
Total other expense			(4,435)
<hr/>			
<b>Loss and comprehensive loss for the period</b>		<b>\$</b>	<b>(644,820)</b>
<hr/>			
Basic and fully diluted loss per common share		\$	(0.02)
Weighted average number of common shares outstanding			27,561,970

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

**STRONGHOLD SILVER CORP.**  
**Condensed Interim Consolidated Statement of Cash Flows**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

		<b>Six months ended June 30, 2021</b>
	<i>Note</i>	
<b>Operating activities</b>		
Loss for the period	\$	<b>(644,820)</b>
Changes in non-cash working capital:		
Prepaid expenses		<b>120,000</b>
Accounts payable and accrued liabilities		<b>330,657</b>
<b>Cash used in operating activities</b>		<b>(194,163)</b>
<b>Financing activities</b>		
Proceeds from private placement financing	5	<b>4,939,210</b>
<b>Cash from financing activities</b>		<b>4,939,210</b>
<b>Investing activities</b>		
Exploration & evaluation option payments	4	<b>(4,820,000)</b>
<b>Cash used in investing activities</b>		<b>(4,820,000)</b>
Change in cash		<b>(74,953)</b>
Cash at beginning of period		<b>75,059</b>
<b>Cash at end of period</b>	<b>\$</b>	<b>106</b>

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

**STRONGHOLD SILVER CORP.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity***(Unaudited)**(Expressed in US dollars unless otherwise noted)*

		<u>Common Shares</u>					<b>Total</b>
	<i>Note</i>	<b>Number</b>	<b>Amount</b>	<b>Subscription Receipts</b>	<b>Deficit</b>	<b>Shareholders' Equity</b>	
Balance at August 5, 2020 (incorporation)		1	\$ -	\$ -	\$ -	\$ -	
Shares issued on assignment of mineral property options		13,000,000	980	(980)	-	-	
Shares issued on private placement		5,000,000	1,000,000	-	-	1,000,000	
Share issuance costs		-	(585)	-	-	(585)	
Loss for the period		-	-	-	(883,847)	(883,847)	
<b>Balance at December 31, 2020</b>		<b>18,000,001</b>	<b>\$ 1,000,395</b>	<b>\$ (980)</b>	<b>\$ (883,847)</b>	<b>\$ 115,568</b>	
<b>Shares issued on private placement</b>	<b>5</b>	<b>21,999,999</b>	<b>\$ 5,075,338</b>	<b>\$ (136,128)</b>	<b>\$ -</b>	<b>\$ 4,939,210</b>	
<b>Loss for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(644,820)</b>	<b>(644,820)</b>	
<b>Balance at June 30, 2021</b>		<b>40,000,000</b>	<b>\$ 6,075,733</b>	<b>\$ (137,108)</b>	<b>\$ (1,528,667)</b>	<b>\$ 4,409,958</b>	

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

**STRONGHOLD SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2021**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

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## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Stronghold Silver Corp. (the “Company” or “Stronghold”) is a private exploration company incorporated under the laws of the Province of British Columbia, Canada on August 5, 2020. The Company’s registered and records office is Suite 2500, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3. The condensed interim consolidated financial statements as at June 30, 2021, consist of the Company and its wholly owned subsidiary, Stronghold Silver USA Corp. (“Stronghold USA”) organized under the laws of California.

The Company is engaged in the acquisition and exploration of mineral property interests in the United States. The Company is focused on silver exploration and holds rights to three large scale silver projects in California and Arizona. The business of mining and the exploration for minerals involves a high degree of risk and there can be no assurance that such activities will result in profitable mining operations.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company has incurred losses and will continue to incur further losses in the course of its business operations. As at June 30, 2021, the Company had a deficit of \$1,528,667. Since incorporation on August 5, 2020, the Company has been relying on the issuance of share capital to fund its operations. Although the Company has been successful in the past in raising equity financing, there is no assurance that such financing will be available with acceptable terms. These uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

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 or ability to raise funds, however the impact to date has been limited.

## **2. BASIS OF PRESENTATION**

### **Statement of compliance**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) as applicable to interim financial reports, including International Accounting Standard 34, “Interim Financial Reporting”. These financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

These unaudited condensed interim consolidated financial statements have been authorized for issue by the directors of the Company on November 29, 2021.

### **Basis of measurement**

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities recognized at fair value. In addition, these consolidated financial statements have been prepared using accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in United States dollars (“US dollars”), which is the functional currency of the Company and its subsidiary.

**STRONGHOLD SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**As at and for the six months ended June 30, 2021**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

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**2. BASIS OF PRESENTATION (continued)**

The accounting policies used in the preparation of these condensed interim consolidated financial statements are the same as those applied in the Company's most recent consolidated annual financial statements for the period ended December 31, 2020.

**Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiary, Stronghold USA. Subsidiaries are all 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 results and financial position of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Stronghold USA.

**Significant judgments, estimates and assumptions**

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

**Critical judgments**

The Company is also required to make significant judgments on the ongoing feasibility of exploration and evaluation assets, and whether there are indicators that the right to explore the specific area has expired or will be allowed to expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover capitalized exploration and evaluation costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property is impaired.

**New accounting pronouncements**

The Company has not adopted any new amendments to IFRS in the current period.

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the current period and have not been applied in preparing these condensed interim consolidated financial statements nor does the Company expect these amendments to have a significant effect on its financial statements.

**3. DEPOSITS**

During the period ended December 31, 2020, the Company paid refundable deposits of \$400,000 to a company controlled by the spouse of the director, who held the position during the six-month period ended June 30, 2021 and up to the date of the Apollo transaction (Note 10), for potential claim staking and negotiations for potential land option agreements. The future economic benefit to the Company, associated with these payments is uncertain as is the refundability of the amounts. Accordingly, a provision of \$399,999 has been applied against the refundable deposit to reduce the balance to \$1. The provision will be reversed in the future if the amounts are recovered or services are provided in exchange.

**STRONGHOLD SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**As at and for the six months ended June 30, 2021**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

**4. EXPLORATION AND EVALUATION ASSETS**

		<b>Langtry Project</b>	<b>Waterloo Project</b>	<b>AZ Silver District</b>	<b>Total</b>
Opening balance, August 5, 2020	\$	-	-	-	-
Acquisition costs:					
Cash payments		125,000	-	30,000	155,000
<b>Ending balance, December 31, 2020</b>	<b>\$</b>	<b>125,000</b>	<b>-</b>	<b>30,000</b>	<b>155,000</b>
Acquisition costs:					
Cash payments		-	4,750,000	70,000	4,820,000
<b>Ending balance, June 30, 2021</b>	<b>\$</b>	<b>125,000</b>	<b>4,750,000</b>	<b>100,000</b>	<b>4,975,000</b>

**Langtry Project, San Bernardino County, California**

*Option Agreement with Athena*

On December 21, 2020, the Company entered into a five-year option agreement with Athena Minerals Inc. (“Athena”) whereby the Company could acquire a 100% interest in lands forming a portion of the Langtry Project (“Athena Property”) for an aggregate purchase price of \$1,000,000 (the “Athena Option”).

Terms of the Athena Option include \$15,000 upon signing (paid in December 2020) and \$25,000 on each anniversary of the effective date. A \$10,000 non-refundable deposit was also initially paid to Athena. All payments made by the optionee to the optionor during the 24-month period prior to the full exercise of the Athena Option shall be credited against the purchase price.

Upon exercise of the Athena Option, the Company will grant to Athena a 1% Net Smelter Royalty (“NSR”) on any future production of minerals from the Athena Property. The royalty shall only apply on those Athena Property that currently do not have existing royalties of 1% or higher such that at no time will any property have a royalty greater than 2%.

*Option Agreement with Strachan*

On December 23, 2020, the Company entered into a five-year option agreement with Bruce D. Strachan and Elizabeth Strachan as Trustees of the Bruce and Elizabeth Strachan Recoverable Living Trust dated 7-25-2007 (“Strachan”) whereby the Company could acquire a 100% interest in property forming a portion of the Langtry Project (“Strachan Lands”) for an aggregate purchase price of the greater of \$5,200,000 or the spot price of 220,000 troy ounce of silver on or before December 24, 2025 (the “Strachan Option”).

Under the terms of the Strachan Option, Stronghold was required to pay \$100,000 upon signing (paid in December 2020) and \$100,000 on each anniversary of the effective date to keep the Strachan Option in good standing. All payments made during the term of the Strachan Option shall be applied to the final purchase price.

Upon exercise of the Strachan Option, the Company will grant to Strachan the following royalties:

- 1) a 1% NSR on any future production from the Strachan Lands;
- 2) 5% gross royalty on all other mineral production; and
- 3) 10% gross royalty on all other non-mineral production income derived from any other commercial use of the Strachan Property.

**STRONGHOLD SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**As at and for the six months ended June 30, 2021**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

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**4. EXPLORATION AND EVALUATION ASSETS (continued)**

**Waterloo Project, San Bernardino County, California**

*Asset Purchase Agreement with Pan American*

On January 22, 2021, the Company entered into an Asset Purchase Agreement with Pan American Minerals Inc. (“Pan American”) which gave the Company the right to purchase 100% interest in the Waterloo Project for base consideration of \$25,000,000 (the “Waterloo Purchase Agreement”).

The Company and Pan American entered into subsequent amendments to the Waterloo Purchase Agreement, extending the closing of the transaction to May 31, 2021 in consideration of a non-refundable and non-creditable payment to Pan American of \$1,000,000 (paid in April 2021) with a further extension to June 30, 2021 for consideration of an additional non-refundable and non-creditable payment to Pan American of an additional \$1,000,000 (paid in May 2021).

On June 31, 2021, the Company and Pan American entered into a final amendment to the Waterloo Purchase Agreement, whereby the Company agreed to pay \$500,000 to Pan American in order to extend the closing of the transaction to July 12, 2021. The payment to Pan American was due and completed on July 2, 2021, resulting in the closing date of the Waterloo Transaction being extended to July 12, 2021.

During the six months ended June 30, 2021 a total of \$2,750,000 in non-refundable deposits had been paid to Pan American under the terms of the Waterloo Purchase Agreement which will be credited against the total base consideration of \$25,000,000 on closing.

In addition to the base consideration, the Company will be required to deliver an additional \$6,000,000 to Pan American, on or before the 18-month anniversary of the closing date. The due date of this payment will be accelerated in the event that the Company becomes a publicly traded entity, whether through the completion of an initial public offering, or acquisition by another publicly traded entity, and payment may be made in cash or shares, at the sole election of Pan American.

Pan American will retain a 2% NSR on any future production of minerals from the project.

**Arizona Silver District Project, LA Paz County, Arizona**

On January 22, 2021, the Company entered into a five-year option agreement with Gulf + Western Industries, Inc. (“Gulf + Western”) whereby the Company could acquire 100% interest in lands forming the Arizona Silver District Project (“Arizona Property”) for an aggregate purchase price of \$1,970,000 to be made on or before January 22, 2026 (the “Gulf Option”).

Terms of the Gulf Option include:

- 1) \$70,000 upon closing (paid in January 2021);
- 2) \$100,000 and \$100,000 in common shares of the Company on 12-month anniversary of the effective date;
- 3) \$125,000 and \$125,000 in common shares of the Company on 24-month anniversary of the effective date;
- 4) \$175,000 and \$175,000 in common shares of the Company on 36-month anniversary of the effective date;
- 5) \$250,000 and \$250,000 in common shares of the Company on 48-month anniversary of the effective date;
- 6) \$300,000 and \$300,000 in common shares of the Company on 60-month anniversary of the effective date.

**STRONGHOLD SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**As at and for the six months ended June 30, 2021**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

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**4. EXPLORATION AND EVALUATION ASSETS (continued)**

Additional bonus payments will be made by the Company in the following events:

- 1) \$250,000 and \$250,000 in common shares of the Company in the event the property becomes the flagship property of the Company within 36 months of the effective date;
- 2) Stronghold declares a 43-101 compliant resource of at least 30M ounces silver within 36 months of the effective date;
- 3) \$3,000,000 in the event that the price of silver exceeds \$125/ounce for ninety days on or before the 60 month anniversary of the effective date.

Upon vesting of a 100% interest, the Company will grant to Gulf + Western a 2% NSR on any future production of minerals from the Arizona Property.

**Exploration and evaluation Expenses**

The Company's exploration & evaluation expenditures by activity are as follows:

	<b>Six months ended June 30, 2021</b>
Project evaluation & geological costs	\$ 96,012
Other	287
<b>Total exploration and evaluation expenses</b>	<b>\$ 96,299</b>

**5. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares with no par value.

During the six months June 30, 2021, the Company:

- Issued 12,000,000 common shares at a price of \$0.25CAD per common shares for proceeds of \$2,398,463 (\$3,000,000CAD) pursuant to a private placement.
- Issued 3,739,361 common shares at a price of \$0.47CAD per common share for proceeds of \$1,424,748 (\$1,757,500CAD) pursuant to a private placement.

**STRONGHOLD SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**As at and for the six months ended June 30, 2021**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

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**6. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of the Company's sole officer and director, who held the positions during the six month period ended June 30, 2021, and up to the date of the acquisition by Apollo (Note 10).

For the six month period ended June 30, 2021, total key management compensation was \$152,101 consisting of \$120,000 in management fees and \$32,101 in marketing consulting services.

Included in deposits at June 30, 2021 is \$1 paid to a company related to key management personnel (see Note 3).

**7. MANAGEMENT OF CAPITAL**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the acquisition and exploration of its exploration and evaluation assets. Capital is comprised of the Company's shareholders' equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Director of the Company approves and monitors the risk management process.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's financial assets.

The Company is primarily exposed to credit risk on its cash. Credit risk exposure is limited through maintaining its cash with high-credit quality financial institutions. The carrying value of these financial assets represents the maximum exposure to credit risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements after taking into account the Company's holdings of cash.

**Foreign currency risk**

The Company is exposed to currency risk on transactions and balances in currencies other than the functional currency. At June 30, 2021, the Company had not entered into any contracts to manage foreign exchange risk.

**Price risk**

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

**STRONGHOLD SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**As at and for the six months ended June 30, 2021**  
*(Unaudited)*  
*(Expressed in US dollars unless otherwise noted)*

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**9. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation properties in the United States.

**10. DEFINITIVE ACQUISITION AGREEMENT**

The Company entered into an agreement on May 11, 2021 with Apollo Gold & Silver Corp. (“Apollo”) whereby Apollo will acquire all the issued and outstanding shares of the Company (the “Apollo Agreement”). Under the terms of the Apollo Agreement, Apollo will issue a total of 40,000,000 common shares to the Company shareholders on a share exchange ratio of one Apollo common share for one Stronghold common share (the “Transaction”).

The Transaction is expected to constitute a fundamental acquisition of Stronghold by the Company pursuant to TSX Venture Exchange (the “Exchange”) Policy 5.3 and will require approval of the Exchange and be subject to requirements the Exchange may impose. In addition, it is a condition of closing that Apollo must complete a financing of a minimum of \$35,000,000 CAD.

The Apollo Agreement was subsequently amended on June 29, 2021, as the Company and Apollo mutually agreed to extend the original June 30, 2021 closing date to July 12, 2021, provided that Apollo pay the Company a total of \$500,000 on or before July 2, 2021. Apollo paid the \$500,000 on July 2, 2021, resulting in the closing date of the Transaction being extended to July 12, 2021.

**11. SUBSEQUENT EVENTS**

On July 8, 2021, the Apollo Agreement was closed as the Company’s shareholder received 40,000,000 common shares of Apollo in exchange for all of the issued and outstanding common shares of the Company, and was amalgamated with Apollo’s wholly-owned subsidiary, 1302259 B.C. Ltd., to create a new wholly-owned subsidiary of Apollo (“Amalco”).

On July 12, 2021, Stronghold USA, now a wholly-owned subsidiary of Apollo, closed the Waterloo Purchase Agreement and acquired a 100% interest in the Waterloo Project from Pan American as the remaining balance owing of \$22,250,000 was paid in cash.

In August 2021, after being notified that Pan American had elected to receive the final payment of \$6,000,000 in cash, Stronghold USA made payment to settle all amounts owing related to the Waterloo Purchase Agreement.