



SABLE RESOURCES LTD.

**Audited Consolidated Financial Statements
For the years ended December 31, 2021 and 2020**



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Independent Auditor's Report

To the Shareholders of Sable Resources Ltd.

Opinion

We have audited the consolidated financial statements of Sable Resources Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021 and December 31, 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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 identified above 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 the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 these 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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 Jeremy East.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

May 2, 2022

SABLE RESOURCES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31 2021	December 31 2020
Assets			
Current Assets			
Cash and cash equivalents	6	\$ 22,751,313	\$ 17,068,469
Marketable securities	7	1,054,709	3,368,947
Receivables	8,20	30,393	183,444
Prepaid expenses and deposits		76,976	41,083
		23,913,391	20,661,943
Property and equipment	9	387,877	189,800
Mineral property interests	10	4,168,275	3,805,600
		\$ 28,469,543	\$ 24,657,343
Liabilities			
Current Liabilities			
Payables and accruals	11,20	\$ 1,049,954	\$ 632,939
Income tax payable	17	101,891	819,606
Current portion of lease liability	12	29,275	26,968
		1,181,120	1,479,513
Lease liability	12	88,276	117,551
Deferred exploration recovery	26	1,839,655	-
		3,109,051	1,597,064
Shareholders' equity			
Issued capital	14	53,067,068	40,504,571
Accumulated other comprehensive loss		(949,959)	(145,510)
Contributed surplus	14	4,849,305	4,167,555
Deficit		(31,605,922)	(21,466,337)
		25,360,492	23,060,279
		\$ 28,469,543	\$ 24,657,343

Nature of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Signed: "Thomas Obradovich"

Thomas Obradovich
Director

Signed: "Andres Tinajero"

Andres Tinajero
Director

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

SABLE RESOURCES LTD.
Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income
(Expressed in Canadian Dollars)

Year ended December 31,	Note	2021		2020
Property related expenses				
Exploration expenditures	16,20	\$ 10,208,806	\$	3,292,123
General and administrative expenses	16,20	1,799,772		1,289,482
Property investigation and evaluation		-		13,889
Share-based expense	14	493,000		629,900
		12,501,578		5,225,394
Other expenses (income)				
Gain on sale of mineral property interests, net	5	-		(3,654,882)
Gain on sale of royalty	24	-		(5,445,519)
Write-down of mineral property interests	10	-		87,301
Settlement of contingent liability	13	-		(846,566)
Provision (recovery of) for value-added tax receivable	8	1,894,026		(255,328)
Interest income		(49,880)		(36,098)
Foreign exchange		(214,971)		(360,867)
Gain on use of marketable securities	21	(4,100,044)		-
Net (loss) income from continuing operations before income taxes		(10,030,709)		5,286,565
Income tax expense	17	108,876		863,574
Net (loss) income from continuing operations		(10,139,585)		4,422,991
Net loss from discontinued operations		-		14,577
Net (loss) income		\$ (10,139,585)	\$	4,408,414
Items that may be reclassified subsequently to profit and loss:				
Change in fair value of marketable securities	7	786,271		151,639
Foreign currency translation adjustment		18,178		(212,263)
Other comprehensive loss (income)		804,449		(60,624)
Net comprehensive (loss) income		\$ (10,944,034)	\$	4,469,038
(Loss) income per share				
Basic and diluted	15	\$ (0.04)	\$	0.02
Weighted average number of common shares outstanding - Basic				
		256,067,830		182,459,013
Weighted average number of common shares outstanding - Diluted				
		256,067,830		244,520,474

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

SABLE RESOURCES LTD.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Note	Number of shares	Share Capital	Accumulated Other Comprehensive Loss	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2019		162,141,897	\$ 31,313,479	\$ (206,134)	\$ 3,391,324	\$ (25,874,751)	\$ 8,623,918
Net Income		-	-	-	-	4,408,414	4,408,414
Other comprehensive income		-	-	60,624	-	-	60,624
Shares issued from private placements	14	65,914,707	9,887,206	-	-	-	9,887,206
Shares issued in acquisition of claims	10,14	100,000	9,000	-	-	-	9,000
Exercise of options	14	1,600,000	230,000	-	-	-	230,000
Share issue costs	14	-	(935,114)	-	146,331	-	(788,783)
Share-based expense	14,20	-	-	-	629,900	-	629,900
Balance, December 31, 2020		229,756,604	\$ 40,504,571	\$ (145,510)	\$ 4,167,555	\$ (21,466,337)	\$ 23,060,279
Net Loss		-	-	-	-	(10,139,585)	(10,139,585)
Other comprehensive loss		-	-	(804,449)	-	-	(804,449)
Shares issued from private placements	14	41,666,600	12,499,980	-	-	-	12,499,980
Shares issued in acquisition of claims	10,14	200,000	44,000	-	-	-	44,000
Exercise of options	14	725,000	88,750	-	-	-	88,750
Exercise of warrants	14	4,750,028	1,071,100	-	-	-	1,071,100
Share issue costs	14	-	(1,141,333)	-	188,750	-	(952,583)
Share-based expense	14,20	-	-	-	493,000	-	493,000
Balance, December 31, 2021		277,098,232	\$ 53,067,068	\$ (949,959)	\$ 4,849,305	\$ (31,605,922)	\$ 25,360,492

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

SABLE RESOURCES LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Year ended December 31,	Note	2021	2020
Operating Activities			
Net (loss) income		\$ (10,139,585)	\$ 4,408,414
Items not involving cash:			
Amortization	9	46,597	28,861
Gain on sale of mineral property interests, net	5	-	(3,654,882)
Gain on sale of royalty	24	-	(5,445,519)
Write-down of mineral property interests	10	-	87,301
Settlement of contingent liability	13	-	(846,566)
Share-based expense	14,20	493,000	629,900
Provision for value-added tax receivable	8	1,894,026	-
Interest income		(49,880)	(36,098)
		(7,755,842)	(4,828,589)
Changes in non-cash working capital	25	(2,077,568)	1,000,021
Total cash flows used in operating activities		(9,833,410)	(3,828,568)
Financing Activities			
Principle payments on lease liability	12	(26,968)	(25,826)
Proceeds from issuance of shares pursuant to private placement	14	12,499,980	9,887,206
Share issuance costs	14	(952,583)	(788,783)
Proceeds on sale of royalty on exploration and evaluation assets	24	-	5,500,000
Proceeds from option exercise	14	88,750	230,000
Proceeds from warrant exercise	14	1,071,100	-
Total cash flows from financing activities		12,680,279	14,802,597
Investing Activities			
Purchase of equipment		(234,409)	(50,304)
Acquisition of mineral claims	10	(333,248)	(159,949)
Proceeds from deferred exploration recovery	26	1,839,655	-
Proceeds from sale of exploration and evaluation assets	5	-	1,500,000
Proceeds from sale of marketable securities	7	1,527,968	-
Interest income		49,880	36,098
Total cash flows from investing activities		2,849,846	1,325,845
Effect of foreign exchange on cash		(13,871)	(11,581)
Increase in cash and cash equivalents		5,682,844	12,288,293
Cash and cash equivalents, beginning of period		17,068,469	4,780,176
Cash and cash equivalents, end of period		\$ 22,751,313	\$ 17,068,469
Supplemental cash flow information:			
Broker warrants issued as share issuance costs	14	\$ 188,750	\$ 146,331
Shares issued in acquisition of mineral claims	10,14	\$ 44,000	\$ 9,000
Shares received in disposal of mineral property interests		\$ -	\$ 3,500,000

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

1. NATURE OF OPERATIONS

Sable Resources Ltd. (the "Company") is incorporated under the Business Corporation Act (British Columbia). The Company is engaged in the acquisition, exploration and development of mineral resource properties in Argentina and Mexico. The address of the Company's corporate office and principal place of business is Suite 900, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2. The Company's shares are listed on the TSX Venture Exchange ("TSXV") and on the OTC Venture Market ("OTCQB") under the symbols SAE and SBLRF, respectively.

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as mineral property interests is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and future profitable production or proceeds from the disposition of its properties. There is no assurance that The Company's funding initiatives will continue to be successful. The underlying value of the mineral properties is dependent upon the existence and economic recovery of mineral reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material write-downs of the carrying value of mineral properties and deferred exploration.

These consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on April 28, 2022.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements represent the Company's presentation of its results and financial position under IFRS. These accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all presented unless otherwise noted.

b) Basis of Measurement

These consolidated financial statements were prepared on an accrual basis, are based on historical costs except for financial instruments measured at fair value and are presented in Canadian dollars, which is the functional currency of the Company's Canadian entity. The functional currency of the Company's foreign subsidiaries is US dollars.

c) Subsidiaries

Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

SABLE RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

These consolidated financial statements for the years ended December 31, 2021 and 2020 include the financial position, financial performance and cash flows of the Company and its subsidiaries detailed below:

Name	Location	Ownership	Status	Functional Currency
Sable Resources Ltd.	Canada	Parent	Consolidated	CAD
Exploraciones Sable, S.de R.L. de C.V.	Mexico	100%	Consolidated	USD
Exploraciones Tres Cordilleras, S.A. de C.V.	Mexico	100%	Consolidated	USD
Exploraciones Catalinas, S.A. de C.V.	Mexico	100%	Consolidated	USD
Exploraciones Vientos de Sur, S.A. de C.V.	Mexico	100%	Consolidated	USD
Sable Argentina S.A.	Argentina	100%	Consolidated	USD
Olivares S.A.	Argentina	100%	Consolidated	USD

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash.

b) Mineral Property Interests

Direct costs related to the acquisition of mineral properties are capitalized until the commercial viability of the asset is established. All direct costs including option payments related to the acquisition of mineral property interests are capitalized into mineral property interests on a property by property basis. Exploration and evaluation expenditures are expensed in the period incurred until such time as it has been determined that a property has economically recoverable reserves. In which case, subsequent exploration costs and the costs incurred to develop a property are capitalized into "mineral properties". Mineral property interests are recorded at cost less accumulated impairment losses. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company expenses those costs as property-related expenses.

Management reviews the facts and circumstances suggesting if the carrying amount of the mineral property interests capitalized exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on each property in accordance with the provisions of IAS 36. Exploration stage assets and development stage assets are considered separate cash-generating units ("CGU") for impairment testing purposes.

The Company does not recognize any gain or loss on its exploration and evaluation royalty transactions until the consideration received is in excess of the carrying amount of the associated asset on which the royalty is to be earned.

c) Property and Equipment

Equipment is recorded at cost less accumulated amortization and any impairment losses. Equipment includes in its purchase price, any costs directly attributable to bringing equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with dismantling and removing the asset. Upon sale or abandonment of any equipment, the cost and related accumulated amortization and impairment losses, are written off and any gains or losses thereon are included in the consolidated statement of net income and comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amounts of equipment are amortized on a straight-line basis over its estimated useful life. When parts of an item of equipment have different useful lives, they are accounted for as separate items (or components).

- Equipment: 5-year basis
- Right of use assets: 6-year basis (determined by lease term)

Amortization methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate. Amortization is expensed through the consolidated statement of net (loss) income and comprehensive (loss) income.

d) Impairment of Non-Financial Assets

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of net loss and comprehensive loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

e) Taxes

Income Taxes

Income taxes comprises both current and deferred tax. Income tax is recognized in the statement of net income and comprehensive income except to the extent that it relates to items recognized in other comprehensive loss (income) or directly in equity, in which case the income tax is also recognized in other comprehensive loss (income) or directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Income Taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences.

Sale of Royalty Interest

The Company records the proceeds from the sale of a royalty interest on a property against the value of the mineral property interests in the statement of financial position and does not recognize any gain or loss on its exploration and evaluation royalty transactions until the consideration received is in excess of the carrying amount of the associated asset on which the royalty is to be earned.

f) Financial Instruments

Financial instruments are recognized on the consolidated statements of financial position on the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the categories below.

Financial Assets

Financial Assets at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's reclamation deposit and trade receivables consists of fixed or determined cash flows related solely to principal and interest amounts. The Company's intent is to hold this financial asset until the related cash flows are collected. Trade receivables are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method.

The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial Assets at Fair Value through Other Comprehensive Income (loss) ("FVTOCI")

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss (income).

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income. At initial recognition, the financial assets, which are subsequently measured as FVTPL are measured at fair value with associated transaction costs and unrealized gains and losses arising from changes into fair values recognized in the statement of net (loss) income and comprehensive (loss) income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the consolidated statements of net loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

IFRS 9 established a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

Upon initial recognition of a financial asset, the Company recognizes a loss allowance equal to the 12-month expected credit losses. These are the credit losses that are expected to result from default events that are possible within 12-months from the Company's reporting date. This means that the actual loss does not need to take place within the 12-month period; it is the occurrence of the default event that ultimately results in that loss.

After initial recognition, the three stages are applied as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition - recognize 12-month expected credit losses.
- Stage 2: Credit risk has increased significantly since initial recognition - recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset.
- Stage 3: There is objective evidence of impairment as at the reporting date - recognize lifetime expected losses, with interest revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

The Company has had no impairment loss from financial assets at initial recognition and as at December 31, 2021.

Financial Liabilities

Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Payables and accruals are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost, using the effective interest method.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

g) Financial Liabilities and Equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Earnings Per Share

For both continuing and discontinued operations, the Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the results of operations attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the results of operations attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options and warrants.

i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

j) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects. The proceeds from the issuance of units are allocated to common shares based on the fair value. The market price on the date of the issuance of the shares are used to determine the relative fair value.

k) Share-based Payments

The Company issues equity instruments such as common shares, share options and warrants, for services rendered by employees and non-employees.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of comprehensive loss over the vesting period, described at the period during which all the vesting conditions are satisfied.

Where equity settled share options are awarded to employees, the fair value of the options at the date of the grant is charged to the statement of the comprehensive loss over the vesting period. Performance vesting conditions are considered by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of comprehensive (loss) income unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All exercisable equity settled share-based payments are reflected in contributed surplus until exercised, the amount reflected in contributed surplus is credited to share capital along with the consideration paid for those shares. Where the terms and conditions of equity settled share-based payments are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the statement of comprehensive loss over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Where equity instruments are granted in connection with the acquisition of mineral property interests, they are recorded at the fair value of the property received. Where the fair value of the mineral property interest is not reliably determinable, the fair value of the equity instrument granted is applied instead.

l) Leases

All leases are accounted for by the Company by recognizing a right-of-use asset and lease liability in the consolidated statement of financial position except for leases of low-value assets and short-term leases. Lease liabilities are initially measured as the present value of contractual future lease payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease and any initial direct costs incurred.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining useful economic life of the asset if this is shorter than the lease term.

For short-term leases (lease terms of 12 months or less) and leases of low-value or immaterial assets, the Company has opted to recognize these lease payments as expenses on the consolidated statement of net (loss) income as permitted by IFRS 16. This expense is presented within property related expenses.

m) New Accounting Standards Issued and Effective

IAS 16 – Property, Plant and Equipment

Amendments to IAS 16, Property, Plant and Equipment—Proceeds before Intended Use. Effective on January 1, 2022, the amendments to IAS 16 require that entities are no longer able to deduct the net proceeds from selling any items from an asset's carrying amount before it is capable of operating in the manner intended by management. Instead, the proceeds should be recognised in accordance with applicable standards and applying the measurement requirements of IAS 2 for the cost of those items. The Amendments to IAS 16 may impact the Company's development projects. The Company early adopted the amendment in January 2021. There was no impact to the current period or comparative periods presented as a result of the amendment.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND UNCERTAINTIES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

a) Critical Accounting Estimates and Assumptions

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

Share-Based payments

The Company applies the Black-Scholes pricing model to estimate the fair value of stock options granted and warrants issued, which is expensed to the statement of net (loss) income and comprehensive (loss) income over each option award's vesting period. Under this model, the Company must estimate the term, volatility, the forfeiture rate of options granted, and warrants issued. Changes in these input assumptions can significantly affect the fair value estimate.

b) Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Determination of Cash Generating Unit (CGU)

In determining a CGU, management had to examine the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. The Company has determined that each important geographic location of its mineral interest qualifies as a CGU. Each of these assets generates or will have the ability to generate cash inflows that are independent of the other assets and therefore qualifies as an individual asset for impairment testing purposes.

Title to Mineral Property interests

Although the Company has taken steps to verify title to mineral 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 and title may be affected by undetected defects.

Impairment of non-financial assets

The Company reviews and evaluates tangible and intangible assets, including mineral property interests, for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. An impairment test is conducted if an indication of impairment is found to exist.

Income taxes

The Company recognizes deferred tax assets relating to tax losses carried forward only to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND UNCERTAINTIES (continued)

Recoverability of value-added tax receivables

The Company reviews and evaluates assumptions regarding the recoverability of value-added tax ("VAT") receivables in Mexico and Argentina at the end of each reporting period considering the relevant facts and circumstances, including past collectability and the general economic environment of the country to determine if a provision for the VAT receivable is required. As the amount receivable depends on performance by the government in Mexico and Argentina, including receiving approval from Argentina government authorities to apply for VAT, and on the Mexican properties moving into commercial production, the timing and amount of collection for the VAT receivables may be materially different from the amount recorded in the consolidated financial statements.

Deferred exploration recoveries

Management considered the facts and circumstances surrounding the receipt of deferred exploration recoveries (Note 26) in determining that it represents a liability to the Company. The payment represents a portion of the funding that will form the consideration for South32 Limited's ("South32") investment in Olivares S.A. ("Olivares"), should South32 exercise its right to acquire a 65% direct interest in Olivares. In management's view, as the Company continues to operate the Don Julio Project, this payment for the future sale of a controlling interest in Olivares is considered to be a present obligation of the Company. The deferred exploration recovery liability has been initially recorded and measured at fair value, this being determined to be based on the cash contributions received by South32 at the year end. Subsequent to initial measurement, the liability is measured at fair with any changes recognised in value through statement of net (loss) income and comprehensive (loss) income. The fair value of the liability has been assessed as of December 31, 2021 and management has determined that the fair value has not changed since inception.

COVID-19

The outbreak of the novel coronavirus ("COVID-19"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. It is management's assumption that the Company will continue to operate as a going concern.

5. SALE OF MINERAL PROPERTY INTERESTS

On November 18, 2020, the Company announced that it had completed the sale of its option to acquire the Margarita Silver Project, located in Chihuahua State, Mexico, to Molimentales del Noroeste, S.A. de C.V., a subsidiary of Magna.

The Company received total compensation of \$1,500,000 in cash and 3,219,278 Magna common shares at a deemed price of \$1.0872 per Magna share equal in value to \$3,500,000, calculated based on the volume weighted average price of Magna shares on the TSXV for the 15 trading days prior to the date of the option acquisition agreement.

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5. SALE OF MINERAL PROPERTY INTERESTS (continued)

The gain on the sale of the option to acquire the Margarita Silver Project was calculated as follows:

Consideration received:		
Fair value of common shares	\$	3,500,000
Cash consideration		1,500,000
Total consideration received	\$	5,000,000
Mineral property interests		1,345,118
Net assets sold		1,345,118
Gain on sale of mineral properties, net	\$	3,654,882

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit with major Canadian, Argentinian and Mexican banks in general interest-bearing accounts totaling \$22,751,313 (December 31, 2020 - \$17,068,469).

Cash and cash equivalents include:

- \$40,000 (December 31, 2020 - \$40,000) one-year cashable guaranteed investment certificate (GIC) held with the Royal Bank of Canada with an interest rate of 0.5% and maturing on July 1, 2022.
- \$5,000,000 one year cashable GIC held with the Royal Bank of Canada with an interest rate of 0.85% and maturing on December 8, 2022.

7. MARKETABLE SECURITIES

The Company's marketable securities are as follows:

	December 31, 2021	December 31, 2020
<u>Talisker Resources Ltd.</u>		
Nil shares (December 31, 2020 - 62,382 shares)	\$ -	\$ 20,898
<u>Magna Gold Corp.</u>		
1,406,278 shares (December 31, 2020 - 3,219,278 shares)	1,054,709	3,348,049
	\$ 1,054,709	\$ 3,368,947

The Company's marketable securities consist of common shares held in Canadian publicly traded companies. Fair value of shares was determined at the closing price on December 31, 2021. The Company recorded an unrealized loss of \$407,821 (December 31, 2020 - \$151,639).

During the year ended December 31, 2021, the Company:

- Sold a total of 62,382 common shares of Talisker Resources Ltd. ("Talisker") for net proceeds of \$19,762 which resulted in a net loss on the sale of \$1,136.
- Sold a total of 1,813,000 common shares of Magna Gold Corp. ("Magna") for net proceeds of \$1,508,206 which resulted in a net loss on the sale of \$377,314.

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8. RECEIVABLES

	December 31, 2021	December 31, 2020
Receivables	\$ -	\$ 1,690
Goods and services tax	30,393	36,324
Value added tax	1,932,735	184,303
Less: Provision for value added tax	(1,932,735)	(38,873)
	\$ 30,393	\$ 183,444

The value added tax receivables (“VAT”) includes \$1,842,479 (December 31, 2020 - \$145,430) due from the Argentinian tax authorities, and \$90,256 (December 31, 2020 - \$38,873) due from the Mexican tax authorities. The Company assesses the recoverability of the amount’s receivable at each reporting date.

As at December 31, 2021, the Company has recorded a provision for the entire value added tax receivable upon consideration of the Company’s history of collection in Mexico and Argentina, and the uncertainty that the properties in Mexico will enter into production in the future. The provision for value-added tax of \$1,894,026 (December 31, 2020 – recovery of \$255,328) has been recognized in the consolidated statement of net (loss) income and comprehensive (loss) income.

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9. PROPERTY AND EQUIPMENT

<u>Cost</u>	<u>Machinery & equipment</u>	<u>Right-of-Use Asset</u>	<u>Total</u>
Balance at December 31, 2019	\$ -	\$ 187,599	\$ 187,599
Additions	50,304	-	50,304
Balance at December 31, 2020	50,304	187,599	237,903
Additions	234,409	-	234,409
Currency translation adjustment	9,668	-	9,668
Balance at December 31, 2021	\$ 294,381	\$ 187,599	\$ 481,980
<u>Accumulated amortization</u>			
Balance at December 31, 2019	\$ -	\$ 40,888	\$ 40,888
Amortization	-	7,215	7,215
Balance at December 31, 2020	-	48,103	48,103
Amortization	17,736	28,861	46,597
Currency translation adjustment	(597)	-	(597)
Balance at December 31, 2021	\$ 17,139	\$ 76,964	\$ 94,103
Net book value at:			
December 31, 2020		\$	189,800
December 31, 2021		\$	387,877

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10. MINERAL PROPERTY INTERESTS

	<u>Mexico</u>	<u>Argentina</u>	<u>Peru</u>	<u>Total</u>
Balance at December 31, 2019	\$ 4,863,928	\$ 203,806	\$ 87,301	\$ 5,155,035
Cost of Acquisition	-	168,949	-	168,949
Write-down of assets	-	-	(87,301)	(87,301)
Sale of Royalty (note 24)	(51,124)	(3,357)	-	(54,481)
Disposal of Asset (note 5)	(1,345,118)	-	-	(1,345,118)
Currency Translation Adjustment	(31,484)	-	-	(31,484)
Balance at December 31, 2020	3,436,202	369,398	-	3,805,600
Cost of Acquisition	-	377,248	-	377,247
Currency Translation Adjustment	(14,573)	-	-	(14,573)
Balance at December 31, 2021	\$ 3,421,629	\$ 746,646	\$ -	\$ 4,168,275

Argentina

a) Don Julio and Don Julio Regional Project

On December 6, 2017, the Company entered into an agreement to acquire up to a 100% interest in the Don Julio and Don Julio Regional Project (collectively, "Don Julio") located in San Juan Province, Argentina, subject to a 2% net smelter royalty, of which one half may be purchased by the Company for US\$2,500,000 anytime after 12 months from which commercial production has been declared for any part of Don Julio. This was subsequently amended on June 1, 2020, whereby the remaining 1% net smelter royalty can be purchased by the Company for US\$5,000,000.

On May 31, 2018, the Company received the environmental impact assessment permit for Don Julio.

To earn the initial 50% interest of Don Julio the Company must:

- Make payment of US\$25,000 upon signing of the letter of intent (\$31,988 or US\$25,000 equivalent paid during the year ended December 31, 2017);
- Issue 200,000 common shares (issued) and make payment of US\$25,000 (\$32,640 or US\$25,000 equivalent was paid during the year ended December 31, 2018);
- Issue 100,000 common shares and make payment of US\$50,000 prior to the one-year anniversary of the receipt of an environmental impact assessment permit (\$67,191 or US\$50,000 equivalent was paid, and 100,000 common shares valued at \$10,000 were issued during year ended December 31, 2019);
- Issue 100,000 common shares and make payment of US\$60,000 prior to the second anniversary of the permit date (\$82,500 or US\$60,000 equivalent was paid, and 100,000 common shares valued at \$9,000 were issued during the year ended December 31, 2020);
- Issue 200,000 common shares and make payment of US\$120,000 prior to the third anniversary of the permit date (\$152,136 or US\$120,000 equivalent was paid, and 200,000 common shares valued at \$44,000 were issued during the year ended December 31, 2021);
- Issue 400,000 common shares and make payment of US\$120,000 prior to the fourth anniversary of the permit date (paid subsequent to December 31, 2021); and
- Issue 200,000 common shares and make payment of US\$200,000 prior to the fifth anniversary of the permit date.

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10. MINERAL PROPERTY INTERESTS (continued)

To earn additional interest in Don Julio up to 100%, the Company must:

- To earn an additional 10% for 60% ownership in Don Julio; issue 500,000 common shares and make a payment of US\$600,000 prior to the sixth anniversary of the permit date;
- To earn an additional 10% for 70% ownership in Don Julio; issue 800,000 common shares, make payment of US\$900,000, and complete an additional US\$1,500,000 of exploration work prior to the seventh anniversary of the permit date; and
- To earn an additional 30% for 100% ownership in Don Julio; issue 1,000,000 common shares, make payment of US\$1,900,000, and complete an additional US\$1,500,000 of exploration work prior to the eighth anniversary of the permit date.

See Note 26.

b) El Fierro Project

On February 25, 2020, the Company entered into option agreements to acquire 100% interest in the El Fierro Project (“El Fierro”) located in San Juan Province, Argentina. To earn 100% interest in El Fierro, the Company must:

- Make payment of US\$30,000 on the signing of the agreement (\$40,365 or US\$30,000 equivalent paid during the year ended December 31, 2020);
- Make payment of US\$70,000 prior to March 1, 2021 (\$88,291 or US\$70,000 equivalent paid during the year ended December 31, 2021);
- Make payment of US\$150,000 prior to March 1, 2022 (paid subsequent to December 31, 2021);
- Make payment of US\$200,000 prior to March 1, 2023; and
- Make payment of US\$1,660,000 prior to March 1, 2024.

There is a 1.5% net smelter royalty on a portion of El Fierro, which can be purchased by the Company for US\$1,000,000.

a) Laspina Project

On September 17, 2020, the Company entered into option agreements to acquire 100% interest in the Laspina Project (“Laspina”) located next to El Fierro in San Juan Province, Argentina. To earn 100% interest in Laspina, the Company must:

- Make payment of US\$8,000 on the signing of the agreement (\$10,818 or US\$8,000 equivalent paid during year ended December 31, 2020);
- Make payment of US\$13,000 prior to September 17, 2021 (\$15,189 or US\$13,000 equivalent paid during the year ended December 31, 2021);
- Make payment of US\$25,000 prior to September 17, 2022; and
- Make payment of US\$35,000 prior to September 17, 2023.

b) El Fierrazo Project

On October 1, 2020, the Company entered into option agreements to acquire 100% interest in the El Fierrazo project (“El Fierrazo”) located next to El Fierro in San Juan Province, Argentina. To earn 51% interest in El Fierrazo, the Company must:

- Make payment of US\$20,000 on the signing of the agreement (\$26,266 or US\$20,000 equivalent paid during year ended December 31, 2020);

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10. MINERAL PROPERTY INTERESTS (continued)

- Make payment of US\$40,000 prior to October 1, 2021 (\$51,025 or US\$40,000 equivalent paid during the year ended December 31, 2021);
- Make payment of US\$80,000 prior to October 1, 2022;
- Make payment of US\$100,000 prior to October 1, 2023; and
- Make payment of US\$400,000 prior to October 1, 2024.

To earn additional interest in El Fierrazo up to 100%, the Company must make payment of US\$900,000 before October 1, 2025. There is a 1.5% net smelter royalty on El Fierrazo, which may be purchased by the Company for US\$1,500,000.

c) La Poncha Project

On July 17, 2020, the Company entered into a Letter of Intent ("LOI") to acquire a 100% interest in the La Poncha project ("La Poncha") located in San Juan Province, Argentina. On March 15, 2021, the Company exercised its right under the letter of intent to enter into an option agreement for La Poncha. To earn 100% interest in La Poncha, the Company must:

- Make payment of US\$20,000 on the signing of the option agreement (\$26,608 or US\$20,000 equivalent paid during the year ended December 31, 2021);
- Make payment of US\$40,000 and complete US\$100,000 in exploration work prior to March 15, 2022 (paid subsequent to December 31, 2021);
- Make payment of US\$80,000 and complete an additional US\$200,000 in exploration work prior to March 15, 2023;
- Make payment of US\$150,000 and complete an additional US\$500,000 in exploration work prior to March 15, 2024; and
- Make payment of US\$1,210,000 and complete an additional US\$800,000 in exploration work prior to March 15, 2025.

There is a 1% net smelter royalty on La Poncha, which may be purchased by the Company for US\$1,000,000.

Mexico

a) Margarita Silver Project

The Company had the option to acquire 100% of the Margarita Silver project located in Chihuahua State, Mexico. During the year ended December 31, 2020, the option agreement was disposed. See Note 5.

b) BlueJoint Mineral Applications

On January 29, 2018, the Company acquired five mineral applications in Mexico in connection with the acquisition of BlueJoint. Each mineral application contains exploration targets consistent to the Company's exploration methodology. The mineral applications are subject to a 1% net smelter royalty, which may be purchased by the Company for US\$3,000,000.

The Company has identified two projects within this land package: Vinata and El Escarpe.

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10. MINERAL PROPERTY INTERESTS (continued)

Peru

a) Scorpius Project

On September 15, 2018, the Company entered into an agreement to acquire up to a 100% interest in the Scorpius Project located in central Peru, which agreement was subject to a 1% net smelter royalty purchasable by the Company for US\$1,500,000 any time after 12 months from which commercial production had been declared on any portion of the project. During the year ended December 31, 2020, the Company terminated the agreement.

b) Kirio Project

On July 24, 2019, the Company entered into an agreement to acquire 100% interest in the Kirio Project, located in the Miocene Gold Belt, Central Peru, from Teck Peru S.A. ("Teck") which agreement was subject to the Company expending a minimum of US\$150,000 in exploration work prior to October 22, 2020, or paying Teck in cash the difference between the US\$150,000 and the actual amount of exploration expenditures incurred. During the year ended December 31, 2020, the Company terminated the agreement, with Teck agreeing to waive the owed difference between the actual amount of exploration expenditures incurred and US\$150,000.

11. PAYABLES AND ACCRUALS

	December 31, 2021	December 31, 2020
Trade payables	\$ 553,477	\$ 269,248
Accruals and other	496,477	363,691
	\$ 1,049,954	\$ 632,939

12. LEASE LIABILITY

The Company's lease liability relates to its lease for the office premises. The lease comprises only fixed payments over the lease term.

	December 31, 2021	December 31, 2020
Opening balance	\$ 144,519	\$ 170,345
New obligation under finance lease	-	-
Repayments	(26,968)	(25,826)
Ending balance	117,551	144,519
Less current portion	(29,275)	(26,968)
Non-current obligation	\$ 88,276	\$ 117,551
1 year	\$ 32,651	\$ 31,255
2-3 years	65,303	65,302
4-5 years	27,209	59,860
6+ years	-	-
Future interest expense on lease obligations	(7,612)	(11,898)
	\$ 117,551	\$ 144,519

12. LEASE LIABILITY (continued)

During the year ended December 31, 2021, the Company recognized \$4,287 (December 31, 2020 - \$5,152) in interest expense on its lease liability. During the year ended December 31, 2021, the Company expensed \$2,282,938 (December 31, 2020 - \$295,569) related to leases that did not meet the definition of a contractual lease and \$7,706 (December 31, 2020 - \$5,856) for leases of low-value assets. The incremental borrowing rate applied to the lease liabilities was 3.24%.

13. DUE TO RELATED PARTY

For the year ended December 31, 2019, the asset retirement obligation of \$316,266 was assumed by Talisker in connection with the sale of the Company's former mineral properties located in the Province of British Columbia that closed in April 2019. In connection with the sale of these mineral properties, the Company agreed to indemnify Talisker for any future reclamation costs incurred on the Baker Shasta property greater than the associated asset retirement obligation of \$311,266. As at December 31, 2019, the estimated reclamation obligation of the Baker Shasta property was \$1,157,832.

On July 8, 2020, Talisker entered into an agreement with TDG Gold Corp. ("TDG Gold") for TDG Gold to acquire several of Talisker's mineral resource properties, including the Baker Shasta property. As part of the agreement, TDG Gold assumed all liabilities related to the Baker Shasta property, including the reclamation obligation. The transaction was completed on December 14, 2020, releasing the Company from its indemnification liability with Talisker relating to the Baker Shasta property reclamation obligation. (See Note 20)

14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS

a) Issued Capital

The Company is authorized to issue an unlimited number of common shares.

During the year ended December 31, 2021:

- On April 1, 2021, the Company issued 200,000 common shares at a price of \$0.22 per common share, the fair value of the common shares on grant date, for a gross value of \$44,000 in connection with the Don Julio Project (Note 10).
- On June 15, 2021, the Company completed a private placement of 41,666,600 common shares at a price of \$0.30 per unit for gross proceeds of \$12,499,980.

The Company incurred \$1,141,333 in issue costs, including an agent cash commission of \$749,999, representing 6% of the gross proceeds of the offering and issued 1,249,998 broker warrants with each broker warrant entitling the agent to purchase one common share at a price of \$0.30 until June 15, 2023.

The fair value of the 1,249,998 broker warrants was estimated at \$188,750 using the Black Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest rate 0.20%; volatility 77% and an expected life of two years.

During the year ended December 31, 2020:

- On May 31, 2020, the Company issued 100,000 common shares at a price of \$0.09 per common share, the fair value of the common shares on grant date, for a gross value of \$9,000 in connection with the Don Julio Project (Note 10).

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14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

a) Issued Capital (continued)

During the year ended December 31, 2020:

- On May 31, 2020, the Company issued 100,000 common shares at a price of \$0.09 per common share, the fair value of the common shares on grant date, for a gross value of \$9,000 in connection with the Don Julio Project (Note 10).
- On September 10, 2020, the Company completed a private placement of 65,914,707 units at a price of \$0.15 per unit for gross proceeds of \$9,887,206. Each unit was comprised of one common share and one half of one common share purchase warrant entitling the holder thereof to purchase a common share at a price of \$0.20 until September 10, 2023.

The Company incurred \$935,114 in issue costs, including an agent cash commission of \$593,232, representing 6% of the gross proceeds of the offering and issued 1,977,441 broker warrants with each broker warrant entitling the agent to purchase one unit at a price of \$0.15 until September 10, 2022.

The fair value of the 1,977,441 broker warrants was estimated at \$146,331 using the Black Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest rate 0.21%; volatility 83% and an expected life of two years.

b) Stock options

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with regulatory policies. The option exercise price is decided by the Board of Directors but may not be less than the discounted market price of the Company's shares in accordance with regulatory requirements.

	<u>Number of stock options</u>	<u>Weighted average exercise price</u>
Balance at December 31, 2019	12,500,000	\$ 0.19
Options issued during the year	7,100,000	0.18
Options exercised during the year	(1,600,000)	(0.14)
Options cancelled during the year	(1,750,000)	(0.22)
Balance at December 31, 2020	16,250,000	\$ 0.18
Options issued during the year	4,250,000	0.25
Options exercised during the year	(725,000)	(0.12)
Options cancelled during the year	(525,000)	(0.21)
Balance at December 31, 2021	19,250,000	\$ 0.20

14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Stock options (continued)

During the year ended December 31, 2021:

- On October 7, 2021, the Company granted an aggregate of 4,250,000 options to purchase common shares of the Company exercisable at a price of \$0.25 per common share for a period of five years to certain directors, officers, and consultants.

The fair value of the 4,250,000 options was estimated at \$493,000 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.28%; volatility 65% and an expected life of five years.

During the year ended December 31, 2020:

- On March 11, 2020, the Company granted an aggregate of 1,700,000 options to purchase common shares of the Company exercisable at a price of \$0.10 per common share for a period of five years to certain directors, officers, and consultants.

The fair value of the 1,700,000 options was estimated at \$69,700 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.44%; volatility 84% and an expected life of five years.

- On May 13, 2020, the Company granted an aggregate of 1,350,000 options to purchase common shares of the Company exercisable at a price of \$0.10 per common share for a period of five years to certain directors and officers.

The fair value of the 1,350,000 options was estimated at \$60,750 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.29%; volatility 86% and an expected life of five years.

- On October 1, 2020, the Company granted an aggregate of 4,050,000 options to purchase common shares of the Company exercisable at a price of \$0.20 per common share for a period of five years to certain directors, officers, and consultants.

The fair value of the 4,050,000 options was estimated at \$510,300 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.17%; volatility 91% and an expected life of five years.

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14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Stock options (continued)

As at December 31, 2021, the following stock options were outstanding and exercisable:

<u>Expiry date</u>	<u>Number of options outstanding</u>	<u>Number of stock options vested</u>	<u>Weighted average Exercise Price</u>	<u>Weighted average number of years to expiry</u>
May 3, 2022	1,900,000	1,900,000	\$ 0.15	0.34
November 9, 2022	700,000	700,000	0.17	0.86
March 26, 2023	2,300,000	2,300,000	0.25	1.23
October 26, 2023	800,000	800,000	0.30	1.82
February 26, 2024	450,000	450,000	0.25	2.16
June 26, 2024	2,150,000	2,150,000	0.15	2.49
March 11, 2025	1,300,000	1,300,000	0.10	3.19
May 13, 2025	1,350,000	1,350,000	0.10	3.37
October 1, 2025	4,050,000	4,050,000	0.20	3.75
October 7, 2026	4,250,000	4,250,000	0.25	4.77
Balance at December 31, 2021	19,250,000	19,250,000	\$ 0.20	2.91

As at December 31, 2021, there were no RSUs issued or outstanding.

c) Share Purchase Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of share purchase warrants issued and outstanding:

	<u># of warrants</u>	<u>Weighted average exercise price</u>
Balance at December 31, 2019	20,618,617	\$ 0.28
Share warrants issued	32,957,353	0.20
Broker warrants issued	1,977,441	0.15
Share warrants expired	(5,600,000)	(0.34)
Balance at December 31, 2020	49,953,411	\$ 0.21
Broker warrants issued	1,249,998	\$ 0.30
Share warrants issued	142,389	0.20
Broker warrants exercised	(284,779)	(0.15)
Share warrants exercised	(4,465,249)	(0.23)
Share warrants expired	(4,311,950)	(0.35)
Balance at December 31, 2021	42,283,820	\$ 0.20

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14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

c) Share Purchase Warrants

During the year ended December 30, 2021:

- On January 18, 2021, in connection with the exercise of 284,779 broker warrants, the Company granted 142,389 warrants to purchase common shares of the Company exercisable at a price of \$0.20 per common share for period up to September 10, 2023.
- On June 15, 2021, the Company granted 1,249,998 warrants to purchase common shares of the Company exercisable at a price of \$0.30 per common share for a period of two years.

During the year ended December 31, 2020:

- On September 10, 2020, the Company granted 32,957,354 warrants to purchase common shares of the Company exercisable at a price of \$0.20 per common share for a period of three years.
- On September 10, 2020, the Company granted 1,977,441 warrants to purchase common shares of the Company and one half warrant to purchase one common share of the Company exercisable at a price of \$0.15 per common share for a period of two years.

The Company has the following share purchase warrants outstanding and exercisable:

<u>Expiry date</u>	<u>Number of warrants outstanding</u>	<u>Weighted average exercise price</u>	<u>Weighted average number of years to expiry</u>
August 29, 2022	8,000,000	\$ 0.21	0.66
September 10, 2022	1,692,662	0.15	0.69
June 15, 2023	1,249,998	0.30	1.45
September 10, 2023	31,341,160	0.20	1.69
Balance at December 31, 2021	42,283,820	\$ 0.20	1.45

15. EARNINGS PER SHARE

	December 31, 2021	December 31, 2020
Net (loss) income	\$ (10,139,585)	\$ 4,408,414
Weighted average number of common shares - basic	256,067,830	182,459,013
Adjustments for calculation of diluted earnings per share - basic		
Options	-	16,250,000
Warrants	-	45,811,461
Weighted average number of common shares - diluted	256,067,830	244,520,474

During the year ended December 31, 2021, the Company had a net loss, as such, the diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

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16. PROPERTY RELATED EXPENSES

	2021	2020
Exploration expenditures		
Employee compensation	\$ 409,420	\$ 408,300
Camp and transportation	811,709	253,561
Consultants, geochemistry, and geophysics	2,755,834	1,354,315
Drilling	1,909,624	224,078
Maintenance	-	4,403
Fuel	428,130	47,257
Freight	-	139,651
Field supplies	774,714	86,524
Lease and rentals	2,302,707	284,110
Office and general and administrative	349,199	336,383
Insurance, bank fees and taxes (non-income)	449,733	153,541
Depreciation	17,736	-
Total exploration expenditures	\$ 10,208,806	\$ 3,292,123

	2021	2020
General and administrative expenditures		
Salaries and director fees	\$ 779,132	\$ 583,993
Travel	19,460	22,949
Shareholder communication and investor relations	219,230	145,226
Filing and transfer agent fees	144,587	109,592
Professional fees	287,460	231,871
Lease and rentals	17,283	10,889
Office and general and administrative	101,331	110,347
Insurance, bank fees and taxes (non-income)	202,428	45,754
Depreciation	28,861	28,861
Total general and administrative expenditures	\$ 1,799,772	\$ 1,289,482

17. TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	December 31, 2021	December 31, 2020
Net loss before taxes	\$ (10,030,709)	\$ 5,286,565
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax expense (recovery) based on above rates	(2,708,290)	1,427,373
Increase(decrease) due to:		
Non-deductible expenses	422,393	16,475
Difference between Canadian and Foreign tax rates	(412,509)	74,646
Impact of under (over) provision from prior year	93,663	748,515
Change in unrecognized deductible temporary differences	2,719,390	(1,396,450)
Other	(5,771)	(6,985)
	\$ 108,876	\$ 863,574

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17. TAXES (continued)

The significant components of the Company's unrecognized deferred tax assets / (liabilities) are as follows:

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 74,000	\$ 108,000
Mineral property interest	7,610,000	8,655,000
Share issuance costs	418,000	253,000
Capital losses	640,000	534,000
Non-capital losses available for future periods	5,341,000	1,399,000
Total deferred income tax assets	14,083,000	10,949,000
Unrecognized deferred tax assets	(14,083,000)	(10,949,000)
Net deferred tax assets	\$ -	\$ -

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

Tax losses carried forward are as follows:

	December 31, 2021	December 31, 2020	Expiry date range
Non-capital losses available for future periods	\$ 19,391,000	\$ 5,145,000	2025 to 2041

The deferred tax assets related to the temporary differences were not recognized, as its recoverability was not considered to be probable.

18. FINANCIAL INSTRUMENTS

Financial assets and liabilities as at December 31, 2021 and 2020 are as follows:

		Assets at fair value through other comprehensive income	Amortized cost	Other financial liabilities	Total
As at December 31, 2021					
Cash and cash equivalents	\$	-	\$ 22,751,313	\$ -	\$ 22,751,313
Marketable securities		1,054,709	-	-	1,054,709
Payables and accruals		-	-	1,049,954	819,606
As at December 31, 2020					
Cash and cash equivalents	\$	-	\$ 17,068,469	\$ -	\$ 17,068,469
Marketable securities		3,368,947	-	-	3,368,947
Receivables		-	1,690	-	1,690
Payables and accruals		-	-	632,939	632,939

18. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments carried at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data

The carrying value of cash and cash equivalents, amounts receivable, and payables and accruals approximate fair value because of the limited terms of these instruments.

The carrying value of marketable securities were based on the quoted market prices of the shares as at December 31, 2021 and was therefore considered to be Level 1

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19. SEGMENTED INFORMATION

The Company considers itself to operate in a single operating segment, being resource exploration and development. It holds mineral interests in Argentina and Mexico.

<u>Year ended December 31, 2021</u>	<u>Canada</u>	<u>Mexico</u>	<u>Argentina</u>	<u>Peru</u>	<u>Total</u>
Exploration expenditures	\$ -	\$ 448,264	\$ 9,760,542	\$ -	\$ 10,208,806
General and administrative expenses	1,417,914	33,160	348,698	-	1,799,772
<u>As at December 31, 2021</u>					
Total assets	\$ 22,901,766	\$ 3,759,489	\$ 1,808,288	\$ -	\$ 28,469,543
Total liabilities	881,417	2,209	2,225,425	-	3,109,051
<u>Year ended December 31, 2020</u>	<u>Canada</u>	<u>Mexico</u>	<u>Argentina</u>	<u>Peru</u>	<u>Total</u>
Exploration expenditures	\$ -	\$ 868,006	\$ 2,340,046	\$ 84,071	\$ 3,292,123
General and administrative expenses	1,183,336	66,340	39,806	-	1,289,482
<u>As at December 31, 2020</u>					
Total assets	\$ 22,319,640	\$ 2,020,410	\$ 317,293	\$ -	\$ 24,657,343
Total liabilities	669,724	919,559	7,781	-	1,597,064

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20. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the years ended December 31, 2021 and 2020:

- The Company incurred exploration costs in the amount of \$18,577 (December 31, 2020 - \$57,031) paid to Talisker Exploration Services Ltd., a private company with shared directors and officers. Included in payables and accruals at December 31, 2021 are \$6,924 (December 31, 2020 - \$nil).
- The Company incurred general and administrative expenses in the amount of \$12,720 (December 31, 2020 - \$3,436) paid to JDS Energy & Mining Inc., a private company with a shared director. Included in payables and accruals at December 31, 2021 are \$nil (December 31, 2020 - \$369).
- The Company was remunerated for shared exploration and general and administrative costs of \$nil (December 31, 2020 - \$41,090) by Talisker, a public company with shared directors and officers, for expenses relating to the Baker Shasta property and shared administrative costs. Included in receivables at December 31, 2021 are \$nil (December 31, 2020 - \$36,007).
- The Company was remunerated for exploration costs of \$10,057 (December 31, 2020 - \$nil) by TDG Gold Corp., a public company with a shared director, for expenses relating to the Baker Shasta property.
- The Company had an indemnification agreement for a reclamation obligation relating to the Baker Shasta property with Talisker. The estimated liability was \$846,566. During the year ended December 31, 2020, Talisker entered into a purchase and sale agreement with TDG Gold Corp., whereby TDG Gold acquired the Baker Shasta property along with certain other mineral properties from Talisker and assumed the reclamation obligations of both Talisker and Sable (Note 13).

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Salaries and director fees	\$ 1,278,443	\$ 1,043,243
Share based payments	411,800	440,870
	\$ 1,690,243	\$ 1,484,113

As at December 31, 2021, an amount of \$410,558 (December 31, 2020 - \$158,142) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

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21. USE OF MARKETABLE SECURITIES

From time to time, the Company may acquire and transfer marketable securities to facilitate intragroup funding transfers between the Canadian parent and its Argentine operating subsidiaries.

The Company does not acquire marketable securities or engage in these transactions for speculative purposes. In this regard, under this strategy, the Company generally uses marketable securities of large and well established companies, with high trading volumes and low volatility. Nonetheless, as the process to acquire, transfer and ultimately sell the marketable securities occurs over several days, some fluctuations are unavoidable.

As the marketable securities are acquired with the intention of a near term sale, they are considered financial instruments that are held for trading, all changes in the fair value of the instruments, between acquisition and disposition, are recognized through profit or loss. The Company conducts such transactions on an intra-period basis and does not hold the equity instruments at period end.

As a result of having utilized this mechanism for intragroup funding for the year ended December 31, 2021, the Company realized a net gain of \$4,100,044 (December 31, 2020: \$nil), comprised of a favorable foreign currency impact of \$4,099,537 (December 31, 2020: \$nil) and a trading gain of \$507 (December 31, 2020: \$nil).

22. CAPITAL MANAGEMENT

The Company's capital management objectives are to raise the necessary equity financing to fund its exploration projects and mining activities and to manage the equity funds raised to best optimize its exploration programs in the interests of its shareholders and other stakeholders at an acceptable risk.

In the management of capital, the Company includes shareholders' equity and cash and cash equivalents in the definition of capital.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may raise additional equity funds and acquire new exploration properties as circumstances dictate.

The Company's capital consists of the following:

	December 31, 2021	December 31, 2020
Working capital surplus	\$ 22,732,271	\$ 19,182,430
Share capital	53,067,068	40,504,571
Share-based payment reserve (included in contributed surplus)	4,849,305	4,167,555
Accumulated deficit	<u>(31,605,922)</u>	<u>(21,466,337)</u>
	\$ 49,042,722	\$ 42,388,219

23. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no material changes in the risks, objectives, policies and procedures from the previous period.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to the cash and cash equivalents is minimal.

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23. FINANCIAL RISK FACTORS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company.

As at December 31, 2021, the Company had a cash and cash equivalents balance of \$22,751,313 (December 31, 2020 - \$17,068,469) as well as marketable securities of \$1,054,709 (December 31, 2020 - \$3,368,947) to settle current liabilities of \$1,181,120 (December 31, 2020 - \$1,479,513). Working capital for the Company as at December 31, 2021 was \$22,732,271 (December 31, 2020 - \$19,182,430).

Market risk

(a) Foreign currency risk

The Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The Company is exposed to foreign currency risk on fluctuations related to cash, payables and accruals that are denominated in US dollars, Argentine Peso and the Mexican Peso.

Based on the foreign currency balances at December 31, 2021, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net comprehensive loss by approximately \$119,815. This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

(b) Commodities price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

Other price risk

Other price risk is the risk arising from the effect of changes in market conditions on the Company's marketable securities (note 7). A 10% change in the share price would affect net comprehensive loss by approximately \$105,470.

24. SALE OF NET SMELTER ROYALTY

	December 31, 2021	December 31, 2020
Consideration received	\$ -	\$ 5,500,000
Less: 1% of previously capitalized acquisition costs	-	(54,481)
	\$ -	\$ 5,445,519

- On October 13, 2020, the Company amended the agreement with Osisko Gold Royalties Ltd ("Osisko"), pursuant to which Osisko purchased an additional 1% net smelter return royalty ("Royalty") on all the Company's current mineral property interests and any future mineral properties acquired within four years of the closing date. Consideration received was \$5,500,000 in cash. There are no ongoing performance obligations relating to the agreement with Osisko.

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24. SALE OF NET SMELTER ROYALTY (continued)

The Company has allocated the proceeds of the royalty to its mineral property interests based on the sale of 1% of its carrying value at the date of grant. As a result, the Company has decreased the carrying value of mineral properties by \$54,481 and recognized a gain on sale of net smelter royalty of \$5,445,519.

25. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items during the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Receivables	\$ (1,740,975)	\$ 137,999
Prepays and deposits	(35,893)	111,289
Payables and accruals	417,015	(68,873)
Income tax payable	(717,715)	819,606
	\$ (2,077,568)	\$ 1,000,021

26. SOUTH32 EARN-IN AGREEMENT

During the year ended December 31, 2021, the Company and its wholly-owned subsidiary Olivares signed an earn-in agreement ("EIA") with a wholly-owned subsidiary of South32, to jointly explore the Don Julio and Don Julio Regional Project.

Earn-in Agreement

The EIA grants South32 the right to acquire 65% of the shares of Olivares by providing US\$8.5 million in exploration funding over a period of five years (the "EIA Period") and assuming responsibility for paying 100% of the cash option payments due to the underlying owners of the Project during the EIA Period. At South32's election, the EIA Period can be extended by one year to a total period of six years in consideration for South32 providing an additional US\$1.5 million in exploration funding. The Company will operate all exploration programs during the EIA Period and will receive a 7.5% operator fee on all qualifying exploration expenditures. Pursuant to the terms of the EIA, to maintain the option to acquire a 100% interest in the Project in good standing, the Company retains the obligation to issue shares to the underlying owners.

During the year ended December 31, 2021, Olivares received payments of \$1,839,655 or US\$1,563,387 equivalent. These payments have been deferred as a liability and represent a portion of the funding that will form the consideration for South32's investment in Olivares, should South32 exercise its right to acquire a 65% direct interest in Olivares as discussed above.

Shareholders' Agreement

On satisfying the exploration funding and cash option payment requirements under the EIA, South32 may elect to subscribe for 65% of the shares of Olivares. The Company, Olivares and South32 would then enter into a Shareholders' Agreement, on terms agreed and appended to the EIA.

During the period governed by the Shareholders' Agreement (the "Joint Venture Period"), Sable and South32 will contribute their proportionate share of further exploration and development expenditures or dilute on a straight-line basis. Other key terms of the Shareholders' Agreement include:

- If South32 elects not to contribute to the first approved program and budget of the Joint Venture Period (which budget must be a minimum of US\$4,000,000), then its interest in Olivares will be immediately reduced to 49%, with Sable's interest immediately increasing to 51%;

26. SOUTH32 EARN-IN AGREEMENT (continued)

- At any time, South32 may elect to sole fund a Preliminary Economic Assessment ("PEA") in exchange for an additional 10% interest in Olivares, such PEA to be delivered within five years of South32's election;
- If South32 elects not to contribute to the first approved program and budget of the Joint Venture Period (which budget must be a minimum of US\$4,000,000), then its interest in Olivares will be immediately reduced to 49%, with Sable's interest immediately increasing to 51%;
- At any time, South32 may elect to sole fund a Preliminary Economic Assessment ("PEA") in exchange for an additional 10% interest in Olivares, such PEA to be delivered within five years of South32's election;
- The Shareholder with the larger interest in Olivares will have the right to act as Operator either directly or through an affiliate;
- For as long as South32 continues to hold the larger interest in Olivares, South32 will have the right to appoint an affiliate to act as the worldwide marketing and distribution agent for product produced;
- In the event that Sable or South32 dilute below a 10% interest in Olivares, then the non-diluted party is entitled to buy out the diluted party's participating interest; and
- At any time, should the surrender or abandonment of part of the Project be authorized by Olivares, each shareholder will have the right to elect to take an assignment of the surrendered or abandoned portion, subject to any prior rights of third parties.

27. COMMITMENTS AND CONTINGENCIES

Due to the size, complexity, and nature of the Company's operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.