

PANTERA SILVER CORP.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022
(Expressed in Canadian Dollars)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Pantera Silver Corp.

Opinion

We have audited the consolidated financial statements of Pantera Silver Corp. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 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 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has accumulated losses of \$36,620,553 at May 31, 2023 and, as of that date, the Company had a working capital deficit of \$105,848. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Reichert.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

September 29, 2023

PANTERA SILVER CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | Notes | May 31, 2023 | May 31, 2022 |
|---|-------|-------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | \$ 95,564 | \$ 270,542 |
| Accounts receivable | 5 | 7,771 | 5,646 |
| Prepaid expenses | | 1 | 7,501 |
| | | 103,336 | 283,689 |
| Non-current assets | | | |
| Restricted cash | 4 | 19,113 | 18,456 |
| Exploration and evaluation assets | 6 | 1 | 775,173 |
| TOTAL ASSETS | | 122,450 | 1,077,318 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payables and accrued liabilities | | 81,436 | 86,851 |
| Due to related parties | 9 | 73,748 | 43,928 |
| Provision for environmental rehabilitation | 6 | 54,000 | 32,000 |
| TOTAL LIABILITIES | | 209,184 | 162,779 |
| EQUITY | | | |
| Capital stock | 7 | 34,531,275 | 34,531,275 |
| Contributed surplus | 8 | 2,002,544 | 2,002,544 |
| Deficit | | (36,620,553) | (35,619,280) |
| TOTAL EQUITY | | (86,734) | 914,539 |
| TOTAL LIABILITIES AND EQUITY | | \$ 122,450 | \$ 1,077,318 |

Nature of Operations and Going Concern (Note 1)

Approved by the Board:

“Jay Roberge”

Director – Jay Roberge

“Ian Graham”

Director – Ian Graham

See accompanying notes to the consolidated financial statements.

PANTERA SILVER CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

| | Notes | For the year ended May 31, | |
|--|-------|----------------------------|---------------------|
| | | 2023 | 2022 |
| Expenses | | | |
| Accounting and Audit | 9 | \$ 32,597 | \$ 35,503 |
| Bank charges | | 498 | 1,213 |
| Consulting fees | | 95,000 | 110,300 |
| Filing and share transfer fees | | 11,326 | 19,775 |
| Legal fees | | 12,163 | 20,636 |
| Office and administration | | 5,866 | 42,473 |
| Shareholders' information | | 995 | 8,663 |
| Travel | | 31,055 | 14,322 |
| Stock-based compensation | | - | 447,079 |
| Impairment of exploration and evaluation assets | 6 | 792,913 | - |
| Realized decommissioning liabilities | 6 | 22,000 | - |
| Loss before other items | | (1,004,413) | (699,964) |
| Other Items | | | |
| Interest income | | 3,140 | 580 |
| Loss on foreign exchange | | - | (1,072) |
| Net and comprehensive loss for the year | | \$ (1,001,273) | \$ (700,456) |
| Loss per share, basic and diluted | | \$ (0.03) | \$ (0.02) |
| Weighted average number of common shares outstanding, basic and diluted | | 29,482,056 | 28,623,375 |

See accompanying notes to the consolidated financial statements.

PANTERA SILVER CORP.
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian dollars)

| | Number of Shares | Share Capital | Contributed Surplus | Deficit | Shareholder's Deficiency |
|-----------------------|------------------|---------------|---------------------|-----------------|--------------------------|
| Balance, May 31, 2022 | 29,482,056 | \$ 34,531,275 | \$ 2,002,544 | \$ (35,619,280) | \$ 914,539 |
| Net loss for the year | - | - | - | (1,001,273) | (1,001,273) |
| Balance, May 31, 2023 | 29,482,056 | \$ 34,531,275 | \$ 2,002,544 | \$ (36,620,553) | \$ (86,734) |

| | Number of Shares | Share Capital | Contributed Surplus | Deficit | Shareholder's Deficiency |
|---------------------------------|------------------|---------------|---------------------|-----------------|--------------------------|
| Balance, May 31, 2021 | 28,357,056 | \$ 34,273,087 | \$ 1,555,465 | \$ (34,918,824) | \$ 909,728 |
| Warrants exercised | 125,000 | 25,000 | - | - | 25,000 |
| Write-off of share subscription | - | (6,812) | - | - | (6,812) |
| Stock-based compensation | - | - | 447,079 | - | 447,079 |
| Option payment | 1,000,000 | 240,000 | - | - | 240,000 |
| Net loss for the year | - | - | - | (700,456) | (700,456) |
| Balance, May 31, 2022 | 29,482,056 | \$ 34,531,275 | \$ 2,002,544 | \$ (35,619,280) | \$ 914,539 |

See accompanying notes to the consolidated financial statements.

PANTERA SILVER CORP.
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

| | For the year ended May 31, | |
|--|-----------------------------------|-------------------|
| | 2023 | 2022 |
| OPERATING ACTIVITIES | | |
| Net loss for the year | \$ (1,001,273) | \$ (700,456) |
| Adjustments for non-cash items: | | |
| Stock-based compensation | - | 447,079 |
| Impairment of exploration and evaluation assets | 792,913 | - |
| Realized decommissioning liabilities | 22,000 | - |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (2,125) | 2,769 |
| Accounts payable and accrued liabilities | (5,414) | 21,738 |
| Due to related parties | 29,820 | (29,186) |
| Prepaid expenses and deposits | 7,500 | (7,500) |
| Net cash used in operating activities | (156,579) | (265,556) |
| INVESTING ACTIVITIES | | |
| Restricted cash | (657) | (104) |
| Exploration and evaluation assets | (17,742) | (425,173) |
| Net cash used by investing activities | (18,399) | (425,277) |
| FINANCING ACTIVITIES | | |
| Warrant exercised | - | 25,000 |
| Share subscription | - | 25,000 |
| Net cash provided in financing activities | - | 50,000 |
| Increase in cash and cash equivalents | (174,978) | (640,833) |
| Cash and cash equivalents, beginning | 270,542 | 911,375 |
| Cash and cash equivalents, ending | \$ 95,564 | \$ 270,542 |

Supplemental disclosure with respect to cash flows (Note 10)

See accompanying notes to the consolidated financial statements.

PANTERA SILVER CORP.
Notes to Consolidated Financial Statements
For the year ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Pantera Silver Corp. (formerly Red Oak Mining Corp.) (“The Company”) is incorporated in the Province of British Columbia (extra-provincially registered in the Province of Alberta). The Company’s registered and record office is located at Miller Thomson LLP, Pacific Centre 400-725 Granville St, Vancouver, BC V7Y 1G5.

At May 31, 2023 the Company had a working capital deficit of \$105,848 and had not yet achieved profitable operations, has accumulated losses of \$36,620,553 since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing including support from related parties to meet its ongoing levels of corporate overhead, and discharge its liabilities as they come due. At this time the Company is managing its financial resources to minimize expenditures while it determines its future direction. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business.

Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these financial statements. These adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on September 29, 2023.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below. All financial information in these financial statements is presented in Canadian dollars which is the functional currency of the Company. The accounting policies set out below have been applied consistently by the Company.

PANTERA SILVER CORP.
Notes to Consolidated Financial Statements
For the year ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

(c) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. Details of the controlled entity are as follows:

| Entity: | Country of | Ownership interest | |
|-----------------------------|------------|--------------------|--------------|
| | | May 31, 2023 | May 31, 2022 |
| Pantera Silver Mexico, S.A. | Mexico | 100% | 100% |

Inter-company balances and transactions have been eliminated upon consolidation.

(d) Use of estimates and judgments

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 historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Going concern assumption

The continued use of the going concern assumption is based on the Company's judgments regarding the availability, timing, and costs of obtaining financing. The use of the going concern assumption is also based on the Company's judgments regarding the continued support and patience of related parties and third-party creditors. In applying the going concern assumption, the Company has not taken into account the uncertainty surrounding the timing of receipt of the restricted cash and the uncertainty surrounding the timing of payments of accounts and loans payable in determining the fair values of its financial instruments.

Provision for environmental rehabilitation

Provisions for environmental rehabilitation are based on the Company's best estimate of the probable outflow to complete reclamation work. The final costs of the currently recognized environmental rehabilitation provision may be higher or lower than currently provided for.

Impairment of evaluation and exploration assets

The assessment of exploration and evaluation assets requires judgment to determine whether indicators of impairment exist including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and evaluation of the results of exploration and evaluation activities up to the reporting date. Management assessed impairment indicators for the Company's exploration and evaluation assets and concluded that there were impairment indicators as of May 31, 2023.

PANTERA SILVER CORP.
Notes to Consolidated Financial Statements
For the year ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

(d) Use of estimates and judgments (continued)

Income taxes

Provisions for income taxes requires judgement and estimates as to the future taxable profit and interpretation of tax laws. The final tax outcome could be materially different from tax amounts initially recorded and such differences will impact the current and deferred tax provisions in the period in which the tax outcome is determined.

(e) Accounting standards issued but not yet applied

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits and grants received are recorded as a reduction to the cumulative costs.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

PANTERA SILVER CORP.
Notes to Consolidated Financial Statements
For the year ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Exploration and evaluation assets (continued)

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

(b) Earnings (loss) per share

Basic earnings/loss per share is computed by dividing the income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

(c) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

(d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

PANTERA SILVER CORP.
Notes to Consolidated Financial Statements
For the year ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mining properties and other assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

(f) Agent warrants and warrants

Warrants issued to agents in connection with an equity financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

(g) Impairment

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

PANTERA SILVER CORP.
Notes to Consolidated Financial Statements
For the year ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company’s financial instruments:

| Financial assets/liabilities | Classification |
|--|-----------------------|
| Cash and cash equivalents | FVTPL |
| Restricted cash | Amortized cost |
| Accounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Due to related parties | Amortized cost |

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

PANTERA SILVER CORP.
Notes to Consolidated Financial Statements
For the year ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iv) Derecognition Financial assets

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

(i) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currencies are as follows:

| Entity | Functional Currency |
|-------------------------------------|----------------------------|
| Pantera Silver Corp. | Canadian Dollar |
| Pantera Silver Mexico, S.A. de C.V. | Canadian Dollar |

At the end of each reporting period, assets and liabilities of the entities whose functional currency is not the Canadian dollar are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in other comprehensive income or loss for the year.

Transactions in currencies other than the functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date. Expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES

(a) Fair value of financial instruments

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS prioritizes the inputs into three levels that may be used to measure fair value:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

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4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES
(continued)

(a) Fair value of financial instruments (continued)

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|------------|---------|---------|------------|
| May 31, 2023 | | | | |
| Cash | \$ 95,564 | \$ - | \$ - | \$ 95,564 |
| Restricted cash | 19,113 | - | - | 19,113 |
| | \$ 114,677 | \$ - | \$ - | \$ 114,677 |
| May 31, 2022 | | | | |
| Cash | \$ 270,542 | \$ - | \$ - | \$ 270,542 |
| Restricted cash | 18,456 | - | - | 18,456 |
| | \$ 288,998 | \$ - | \$ - | \$ 288,998 |

The fair value of cash and restricted cash are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. As at May 31, 2023, the Company believes that the carrying values of accounts receivable, accounts payable and accrued liabilities and due to related parties approximate the fair values because of their short term to maturity.

(b) Risk management

Credit Risk

The Company is exposed to credit risk with respect to its cash. To minimize this risk, cash is placed with major Canadian financial institutions.

Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the relatively short-term maturity of its monetary assets and liabilities.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company does not have operating cash flow and therefore has relied primarily on equity financings and loans from related parties to meet its capital requirements. As at May 31, 2023, the Company has a working capital deficit of \$105,848. The Company will need to obtain additional financing to meet the obligations as they come due.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of resource commodities.

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4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES
(continued)

(c) Capital management

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any external restrictions on its capital.

5. ACCOUNTS RECEIVABLE

| | May 31, 2023 | | May 31, 2022 | |
|--------------------|---------------------|--------------|---------------------|--------------|
| GST/HST receivable | \$ | 7,771 | \$ | 5,646 |
| | \$ | 7,771 | \$ | 5,646 |

6. EXPLORATION AND EVALUATION ASSETS

Provost Property, Alberta

In February 2003, the Company acquired a 100% interest in an oil well (16-28) and an 18% interest in a shut-in gas well (02/13-17) located in the Provost area of Alberta.

During the year ended May 31, 2010, the Company abandoned the oil well and determined that it would be required to perform additional reclamation work. As at May 31, 2023, the estimate to perform the reclamation work is \$54,000 (2022 - \$32,000) based on quotations obtained by third party consultants. The Company previously deposited \$16,000 with the Alberta Energy Resources Conservation Board ("AECB"), which amount is shown as restricted cash on the statement of financial position. The \$16,000 deposit plus interest will be refunded once the AECB is satisfied that the Company has performed all necessary decommissioning activities.

The balance of restricted cash after accumulated interest as at May 31, 2023 is \$19,113 (May 31, 2022 is \$18,456).

During the period ended May 31, 2023, the Company has spent \$nil (May 31, 2022 - \$nil) on reclamation work.

Nuevo Taxco Silver-Gold Project, Mexico

On November 12, 2020, the Company entered into a property acquisition agreement with Impact Silver Corp. ("Impact Silver") whereby the Company may earn a 100% interest in the Nuevo Taxco Silver-Gold Project (the "Property") located approximately 80 km south west of Mexico City and west of the municipality of Tetipac within the Pregones Silver- Gold District (the "Transaction").

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6. EXPLORATION AND EVALUATION ASSETS (Continued)

Nuevo Taxco Silver-Gold Project, Mexico (continued)

On October 28, 2021, the Company entered into an amending agreement to amend the payment and exploration expenditures.

Under the Agreement, the Company may earn a 100% interest in the Property by making certain staged cash payments, issuing common shares in the capital of the Company to Impact Silver and making exploration expenditures over a 3-year period as follows:

- i. \$1,000 in cash was paid upon execution of the Letter of Intent in respect of the Transaction (paid);
- ii. \$49,000 in cash (paid) and 500,000 common shares upon TSXV approval of the Transaction and closing of the Financing (the “Closing Date”) (issued);
- iii. \$100,000 in cash (paid) and 1,000,000 common shares on or before March 20, 2022 (issued);
- iv. \$150,000 in cash and 2,000,000 common shares on or before March 20, 2023 (not met);
- v. \$200,000 in exploration expenditures on or before March 20, 2022 (completed);
- vi. \$400,000 in exploration expenditures on or before March 20, 2023 (not met); and
- vii. \$800,000 in exploration expenditures on or before March 20, 2024.

The Company paid a finder’s fee with regards to the property acquisition equal to 10% of the value consideration for year one of the Agreement satisfied in common shares of the Company at the same price per share as the Transaction, being 100,000 common shares with a value of \$10,000.

Impact Silver will retain a 1% net smelter return royalty with the Company retaining the right to acquire 100% of the royalty for a cash payment of \$1,000,000.

During the year ended May 31, 2023, the Company did not meet the requirements of the agreement and therefore assessed the carrying value and impaired the property to \$1. The Company signed a letter of intension with Impact Silver to renegotiate the terms and conditions of the option agreement by October 15, 2023. Failure to reach any agreements will terminate the Agreement dated November 12, 2020.

A continuity of the Company’s exploration and evaluation assets as of May 31, 2023 is as follows:

| Mineral Property Interests | Nuevo Taxco Silver-Gold |
|-----------------------------------|--------------------------------|
| Balance at May 31, 2022 | 775,173 |
| Logistics | 8,291 |
| Travel & Accommodation | 9,450 |
| Impairment | (792,913) |
| Balance at May 31, 2023 | \$ 1 |

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6. EXPLORATION AND EVALUATION ASSETS (Continued)

A continuity of the Company's exploration and evaluation assets as of May 31, 2022 is as follows:

| Mineral Property Interests | Nuevo Taxco Silver-Gold |
|-------------------------------------|--------------------------------|
| Balance at May 31, 2021 | 110,000 |
| Acquisition | 340,000 |
| Assay | 13,647 |
| Trenching & Drilling | 143,189 |
| Contractors & Labour | 13,898 |
| Logistics | 30,544 |
| Travel & Accommodation | 20,610 |
| Mapping | 2,400 |
| Geological & Geophysical Consulting | 100,885 |
| Balance at May 31, 2022 | \$ 775,173 |

As at May 31, 2023, the Company spent \$342,914 on the project.

7. SHARE CAPITAL

Issued share capital during the year ended May 31, 2023

No shares were issued during the year ended May 31, 2023.

Issued during the year ended May 31, 2022:

On December 22, 2021, the Company issued 125,000 common shares upon the exercise of share purchase warrants with exercise prices at \$0.20 for proceeds of \$25,000.

On March 15, 2022, the Company issued 1,000,000 common shares at price \$0.24 per shares, totaling \$240,000 pursuant to the Nuevo Taxco Silver Property.

Share purchase warrants

As at May 31, 2023, the Company had the following warrants outstanding:

| Date Issued | Expiry Date | Exercise Price | Number of warrants outstanding |
|--------------------|--------------------|-----------------------|---------------------------------------|
| March 11, 2021 | March 11, 2024 | \$ 0.20 | 10,298,500 |
| March 11, 2021 | March 11, 2024 | \$ 0.20 | 1,500,000 |
| | | | 11,798,500 |

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7. SHARE CAPITAL (continued)

The following is a summary of the Company's warrant activities:

| | May 31, 2023 | | May 31, 2022 | |
|---------------------------------|--|---------------------------------------|--|---------------------------------------|
| | Number of Common Shares Issuable | Weighted Average Exercise Price | Number of Common Shares Issuable | Weighted Average Exercise Price |
| Warrants outstanding, beginning | 11,798,500 | \$ 0.20 | 11,923,500 | \$ 0.20 |
| Warrants exercised | - | - | (125,000) | 0.20 |
| Warrants outstanding, ending | 11,798,500 | \$ 0.20 | 11,798,500 | \$ 0.20 |

Stock options

As at May 31, 2023, the Company had the following options outstanding and exercisable:

| Date Issued | Expiry Date | Exercise Price | Number of Options Outstanding | Number of Options Exercisable |
|------------------|----------------|----------------|----------------------------------|----------------------------------|
| November 3, 2021 | March 10, 2026 | \$ 0.20 | 2,200,000 | 2,200,000 |
| | | | 2,200,000 | 2,200,000 |

The following is a summary of the Company's stock option activities:

| | May 31, 2023 | | May 31, 2022 | |
|--|----------------------|---------------------------------------|----------------------|---------------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Options outstanding, beginning of period | 2,400,000 | \$ 0.20 | - | \$ - |
| Options granted | - | - | 2,400,000 | 0.20 |
| Options forfeited | (200,000) | 0.20 | - | - |
| Options outstanding, end of period | 2,200,000 | \$ 0.20 | 2,400,000 | \$ 0.20 |

The fair value of stock options granted were estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 5 years, volatility of 173.34%, dividend yield of 0% and risk-free interest rate of 1.36%. The grant date fair value of options granted was \$0.186 per option.

As at May 31, 2023, 2,200,000 options were exercisable. The weighted average life and weighted average exercise price of exercisable options are 2.78 years and \$0.20 respectively.

8. STOCK-BASED COMPENSATION AND CONTRIBUTED SURPLUS

The following table reconciles the Company's contributed surplus:

| | | |
|------------------------------|-----------|------------------|
| Balance, May 31, 2021 | \$ | 1,555,465 |
| Stock-based compensation | | 447,079 |
| Balance, May 31, 2022 | | 2,002,544 |
| Balance, May 31, 2023 | \$ | 2,002,544 |

8. STOCK-BASED COMPENSATION AND CONTRIBUTED SURPLUS (continued)

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The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. Each option should have a maximum term of five years.

During the year ended May 31, 2023, the Company recognized \$nil (May 31, 2022 - \$447,079) stock-based compensation expenses.

9. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the year ended May 31, 2023, the Company entered into the following transactions with the related parties:

- (a) Incurred accounting fees of \$14,490 (May 31, 2022- \$11,020) with Jin Passage Consulting Inc. (a company controlled by the CFO of the Company).
- (b) Incurred consulting fees of \$90,000 (May 31, 2022- \$89,800) with Tehama Venture and Tehama Capital Corp. (companies controlled by the director, President and CEO of the Company).
- (c) Incurred consulting fees of \$nil (May 31, 2022- \$2,000) with nKwazi Resource Management. (a company controlled by a director of the Company).
- (d) Incurred advertising and promotion fees of \$nil (May 31, 2022 - \$10,000) included in office and administration expense with Digital257 Technologies Inc. (a company controlled by a former director of the Company)
- (e) As at May 31, 2023, \$73,748 (May 31, 2022- \$43,928) was owing to companies controlled by directors and officers of the Company.

On November 3, 2021, 1,750,000 stock options were granted to directors and officers of the Company. All options have a term of 4.35 years and exercisable at \$0.20. During the year ended May 31, 2022, the Company recognized share-based compensation of \$325,995.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the year ended May 31, 2023 were \$nil.

During the year ended May 31, 2022, the Company issued 1,000,000 common shares with a value of \$240,000 pursuant to the Nuevo Taxco Silver Property (May 31, 2021 – 600,0000 common shares were issued with a value of \$60,000).

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11. INCOME TAXES

A reconciliation of income taxes at statutory rate with the reported taxes is as follows:

| | 2023 | 2022 |
|---|----------------|--------------|
| Loss for the year | \$ (1,001,273) | \$ (700,456) |
| Expected income tax recovery (2023: 27%, 2022: 27%) | (270,344) | (189,123) |
| Items not deductible and deducted for income tax purposes | 2,725 | 119,302 |
| Losses for which tax benefits not recognized | 267,619 | 69,821 |
| Deferred income tax recovery | \$ - | \$ - |

The significant components of the Company's unrecognized deferred income tax assets are as follows:

| | 2023 | 2022 |
|--|--------------|--------------|
| Deferred income tax assets | | |
| Non-capital losses carry forward | \$ 2,172,478 | \$ 2,123,960 |
| Share issue costs | 1,358 | 2,284 |
| Equipment | 4,930 | 4,930 |
| Resource properties | 5,307,505 | 5,087,479 |
| Total unrecognized deferred tax assets | \$ 7,486,271 | \$ 7,218,653 |

The Company has non-capital losses of approximately \$8,046,215 which are available to reduce taxable income of future years starting to expire in 2026 to 2043.