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**SILVERTON METALS CORP.**  
*(formerly Plymouth Realty Capital Corp.)*

CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SILVERTON METALS CORP. (Formerly Plymouth Realty Capital Corp.)

#### *Opinion*

We have audited the consolidated financial statements of Silverton Metals Corp. (formerly Plymouth Realty Capital Corp.) (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at December 31, 2020 and 2019;
- ♦ the consolidated statements of loss and comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the 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 consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$96,895, during the year ended December 31, 2020 and as at that date has an accumulated deficit of \$566,467. As stated in Note 1, these conditions, along with other matters as set out 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.

#### *Other Information*

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

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits 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, and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditors' 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 auditors' 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 the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 29, 2021

**SILVERTON METALS CORP.**  
**(formerly Plymouth Realty Capital Corp.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As at December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

	Note	December 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
Current Assets			
Cash		253,877	1,559
GST receivable		6,399	2,119
Prepays		2,252	-
<b>Total current assets</b>		<b>262,528</b>	<b>3,678</b>
Non-Current Assets			
Deferred acquisition costs	<b>10</b>	114,669	-
Deferred financing costs	<b>10</b>	25,710	-
<b>Total assets</b>		<b>402,907</b>	<b>3,678</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	<b>6</b>	53,706	33,473
Promissory notes payable	<b>7</b>	1,265	20,099
Due to shareholders	<b>6</b>	2,697	2,697
<b>Total liabilities</b>		<b>57,668</b>	<b>56,269</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>			
Common shares	<b>4</b>	911,706	416,981
Deficit		(566,467)	(469,572)
<b>Total shareholders' equity (deficit)</b>		<b>345,239</b>	<b>(52,591)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>		<b>402,907</b>	<b>3,678</b>

Nature of operations and going concern (Note 1)  
Subsequent events (Note 10)

Approved and authorized on behalf of the Board of Directors:

"Gunther Roehlig"  
Director

"Barry Girling"  
Director

**SILVERTON METALS CORP.**  
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**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
For the years ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

	Note	2020 \$	2019 \$
<b>Expenses</b>			
Accounting and audit		41,241	24,691
Advisory fees		3,000	-
Filing fees		9,542	11,795
Investor relations and marketing		3,033	-
Legal and professional fees		22,904	17,802
Transfer agent fees		4,417	7,486
Rent	6	10,500	-
Bank charges and interest	7	1,559	193
Other		699	10
<b>Total Expenses</b>		<b>(96,895)</b>	<b>(61,977)</b>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(96,895)</b>	<b>(61,977)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING DURING THE YEAR</b>			
	4	5,551,462	492,500
<b>LOSS PER SHARE - BASIC AND DILUTED</b>		<b>(0.02)</b>	<b>(0.13)</b>

**SILVERTON METALS CORP.**  
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**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
(Expressed in Canadian dollars, except for share figures)

	Number of shares #	Amount \$	Deficit \$	Total \$
Balance - December 31, 2018	622,500	416,981	(407,595)	9,386
Net and comprehensive loss for the year	-	-	(61,977)	(61,977)
<b>Balance - December 31, 2019</b>	<b>622,500</b>	<b>416,981</b>	<b>(469,572)</b>	<b>(52,591)</b>
Private placement	10,000,000	500,000	-	500,000
Shares issued as finder's fee	765,000	38,250	-	38,250
Share issuance costs	-	(43,525)	-	(43,525)
Net and comprehensive loss for the year	-	-	(96,895)	(96,895)
<b>Balance - December 31, 2020</b>	<b>11,387,500</b>	<b>911,706</b>	<b>(566,467)</b>	<b>345,239</b>

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

**SILVERTON METALS CORP.**  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
Net loss for the year	(96,895)	(61,977)
<i>Item not affecting cash:</i>		
Interest expense	1,166	99
	(95,729)	(61,878)
<i>Changes in non-cash working capital related to operations:</i>		
GST receivable	(4,280)	(2,119)
Prepays	(2,252)	-
Accounts payable and accrued liabilities	(12,958)	14,517
<b>Net cash used in operating activities</b>	<b>(115,219)</b>	<b>(49,480)</b>
Investing activity:		
Deferred acquisition costs	(95,568)	-
<b>Net cash used in investing activity</b>	<b>(95,568)</b>	<b>-</b>
Financing activities:		
Proceeds on shares issued	500,000	-
Share issuance costs	(5,275)	-
Proceeds from promissory notes	3,500	20,000
Repayment of promissory notes	(23,500)	-
Deferred financing fee	(11,620)	-
<b>Net cash from financing activities</b>	<b>463,105</b>	<b>20,000</b>
Increase (decrease) in cash during the year	252,318	(29,480)
Cash – beginning of the year	1,559	31,039
<b>Cash – end of the year</b>	<b>253,877</b>	<b>1,559</b>
Supplemental cash flow information:		
	<b>2020</b>	<b>2019</b>
Deferred acquisition costs included in accounts payable and accrued liabilities	\$19,101	\$-
Deferred financing fees included in accounts payable and accrued liabilities	\$14,090	\$-

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Silverton Metals Corp., formerly Plymouth Realty Capital Corp., (“Silverton” or the “Company”) was incorporated under the Business Corporation Act (Ontario) on July 15, 2013. On March 21, 2019, the Company was continued under the British Columbia Business Corporations Act, and on March 3, 2021, in conjunction with the closing of its qualifying transaction (“Qualifying Transaction”), the Company changed its name to Silverton Metals Corp. From incorporation to the date of these consolidated financial statements, there have been no significant operations. The Company is a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (“TSX-V”); the principal business of which is the identification and evaluation of assets or businesses for the purpose of completing a qualifying transaction (“Qualifying Transaction”). On June 24, 2016, the Company was transferred to the NEX Board. On July 14, 2020, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share (the “Consolidation”). All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the Consolidation. The head office of the Company is located at 704-595 Howe Street, Vancouver, British Columbia, V6C 2T5.

On March 3, 2021, the Company completed its Qualifying Transaction with the acquisition of three silver-focused Mexican mineral properties, being Peñasco Quemado, Sonora; La Frazada, Nayarit; and Pluton, Durango (the “Silver Properties”), from Silver One Resources Inc. (“Silver One”), a TSX-V listed company, acquire from Silver One all of the issued and outstanding shares of KCP Minerals Inc. (“KCP”), which holds a 100% interest in the Silver Properties (see Note 10).

*Going Concern*

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company’s ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements.

During 2020, significant changes in the stock market have occurred for various reasons linked to the COVID-19 global pandemic. The impacts to the Company of further market changes, arising from COVID-19 are not determinable at this date, however these could be material to the Company’s ability to raise new capital and thus the Company’s financial position, results of operation and cash flows. The Company’s liquidity and ability to continue as a going concern may also be impacted. As at December 31, 2020, COVID-19 has not had a material impact on the Company’s operations or ability to raise finance.

The Company has incurred operating losses since inception and has a net loss for the year ended December 31, 2020 of \$96,895 (2019 - \$61,977) and an accumulated deficit of \$566,467 (2019 - \$469,572) at that date. The Company’s continued operations are dependent on its ability to complete a Qualifying Transaction (see Note 10), generate future cash flows and obtain additional financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain

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adequate financing in the future or that such financing will be on terms acceptable to the Company. These conditions create material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

### **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 are presented in Canadian dollars, which is the functional currency of the Company and are prepared on a going concern basis. The consolidated financial statements were approved by the Board of Directors of the Company on April 29, 2021.

### **Basis of presentation and consolidation**

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and include the Company's inactive wholly owned subsidiary 1269171 B.C. Ltd. (see Note 10), incorporated on October 8, 2020.

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

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amount of expenses during each year. Actual results may differ from these estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Such estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties the Company believes will materially affect the methodology or assumptions in making those estimates and judgments in these consolidated financial statements.

#### *Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year. Critical accounting estimates include, but are not limited to, the following:

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*Critical Accounting Judgments*

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include, but are not limited to, the following:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Deferred acquisition and financing costs

Deferred acquisition and financing costs are deferred until completion of the applicable transactions, or subsequently expensed should the applicable transaction not be completed. In deferring these costs, management judgement is required in assessing the probability of the successful completion of the applicable transactions.

**Share issuances**

Common shares are classified as equity. Incremental costs that are directly attributable to the issue of new common shares are deducted from the share issuance proceeds. Where such incremental costs are incurred prior to the issuance of the related shares, these costs are recorded as deferred financing costs and subsequently deducted from the share issuance proceeds upon the issuance of the related shares. The costs of an equity transaction that is abandoned are recognised as an expense.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a component of reserves. If the warrants expire unexercised, the amount recorded is transferred to share capital.

**Loss per share**

Basic loss per share is calculated by dividing net loss for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The diluted weighted average number of common shares is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Outstanding

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ordinary shares that are contingently returnable (including escrowed shares) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall. Potential ordinary shares that are anti-dilutive are excluded from the calculation of diluted loss per share.

**Deferred acquisition costs**

Costs incurred in the acquisition of an asset are capitalized and included in the carrying cost of the asset. Where costs of acquisition are incurred prior to the acquisition of the asset, such costs are deferred and included in the carrying cost of the asset at the time of acquisition of the underlying asset.

**Financial instruments**

*Recognition and classification*

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

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 financial asset 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.

*Measurement*

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 profit or 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 profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in profit or loss.

Financial assets at 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 income (loss).

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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 using the effective interest method, less any impairment.

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 profit or 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.

*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 profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

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

The Company has made the following designations of its financial instruments:

Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory note payable	Amortized cost
Due to shareholders	Amortized cost

**Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Income tax is recognized in profit or loss except to the extent it relates to items recognized in equity, in which case the income tax is also recognized in equity. Current tax assets and liabilities are measured at the amount expected to be paid or received from tax authorities using rates enacted or substantively enacted at the statement of financial

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position date. Deferred tax assets and liabilities are measured at the tax rates enacted or substantively enacted at the reporting date that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be generated and available for the asset to be utilized.

### **3. FINANCIAL INSTRUMENTS**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, promissory note payable and due to shareholders; the fair value of which approximates carrying value due to the short-term nature of these instruments.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will have difficulties in paying its financial liabilities. The Company manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. Accounts payable are due under normal commercial terms. As at December 31, 2020, the Company had cash of \$253,877 (2019 - \$1,559) to settle liabilities of \$57,668 (2019 - \$56,269) due within 12 months. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer to Note 1 for more information regarding the Company's liquidity risk.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until the completion of a Qualifying Transaction by the Company, as defined under the policies of the TSX-V (see Note 10). As the Company did not originally complete a Qualifying Transaction in the expected time period, additional costs have been incurred to cover the Company's general expenses. This has resulted in the Company exceeding this restriction.

#### **Interest rate risk**

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash balances are not held in investment accounts,

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therefore, is not exposed to the risk from interest rate fluctuations. Promissory notes payable have a fixed interest rate of 10% compounded annually (see Note 7). The Company is not exposed to significant interest rate risk.

**Credit risk**

Credit risk is the risk one party to a financial instrument will cause a financial loss for the party by failing to pay for its obligations. The Company is subject to credit risk with respect to its cash balances. The Company mitigates credit risk by depositing cash with a Canadian schedule I chartered bank and monitoring the bank's credit ratings.

**4. COMMON SHARES**

**Authorized and issued**

Unlimited common shares, without par value – 11,387,500 issued and outstanding.

On July 14, 2020, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share (the "Consolidation"). All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the Consolidation.

During the year ended December 31, 2020, the Company closed a private placement of 10,000,000 common shares at \$0.05 per share for gross proceeds of \$500,000. The Company paid cash issue costs of \$5,275 and issued 765,000 common shares valued at \$38,250 as finder's fee in connection with the private placement.

Subsequent to December 31, 2020 the Company issued an aggregate 15,949,000 common shares in conjunction with the closing of its Qualifying Transaction (see Note 10).

There were no equity issuances during the year ended December 31, 2019.

**Escrowed shares**

On November 28, 2018, Gunther Roehlig was appointed as Chief Executive Officer, Chief Financial Officer and director of the Company. Mr. Roehlig purchased a total of 120,000 escrow common shares at a price of \$1.00 per share from certain escrow shareholders. All of these shares remain in escrow at December 31, 2020.

The total shares held in escrow at December 31, 2020 was 130,000 (2019 – 130,000). These shares are excluded from the calculation of loss per share, resulting in 5,551,462 common shares being included in the calculation of weighted average number of shares outstanding for year December 31, 2020 (2019 – 492,500). These escrow shares were released subsequent to December 31, 2020 upon the completion of a Qualifying Transaction (see Note 10).

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### **Stock options**

The Company adopted a share option plan (the “Plan”) on August 6, 2013 for certain employees and non-employees. The Plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX-V. The exercise price of option grants will be determined by the Board of Directors, but cannot be lower than the price permitted by the TSX-V. The Plan provides that the number of common shares that may be reserved for issuance to any one individual upon exercise of all share options held by such individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. Subject to earlier termination, all share options granted under the Plan will expire not later than the date that is five years from the date that such share options are granted. In the event that an optionee ceases to be a director, officer, employee or consultant, the option will terminate within ninety days. In the event of the death of an optionee, the options will only be exercisable within 12 months of such death. Options granted under the Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

As at December 31, 2020 and December 31, 2019, the Company has no share options outstanding. Subsequent to December 31, 2020 the Company granted 2,350,000 stock options to directors, officers and consultants. The stock options are exercisable at \$1.00 per common share, entitle the holder to acquire one common share per stock option, and expire on March 2, 2026.

## **5. CAPITAL MANAGEMENT**

The Company defines its capital as its shareholders’ equity (deficit), net of deficit, which as at December 31, 2020, totaled \$345,239 (2019 – deficit of \$52,591). The Company manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets. Until the Company completes its Qualifying Transaction, the amount of capital it is permitted to raise is limited to \$5 million by the Capital Pool Company Policy of the TSX-V.

The Company’s capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2020 and 2019. Other than as noted above, the Company is not subject to externally imposed capital requirements.

## **6. RELATED PARTY TRANSACTIONS**

Amounts due to shareholders represent overpayments made for the initial issuance of common shares. These amounts are non-interest bearing and have no set terms of repayment.

Compensation paid or accrued to key management or companies controlled by key management personnel during the year ended December 31, 2020 was \$nil (2019 - \$nil). On June 1, 2020 the Company entered into an office rental agreement with a company with a common director. The rental agreement is on a monthly recurring basis for a monthly charge of \$1,500 and may be terminated by either party on 30 days’ notice to

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the other party. As at December 31, 2020, a balance owing to a company with a common director of \$1,575 (2019 - \$nil) is included in accounts payable and accrued liabilities. All transactions with related parties have occurred in the normal course of operations.

**7. PROMISSORY NOTE**

On December 13, 2019, the Company entered into a promissory note payable with a third party for a principal amount of \$20,000. The note payable bears interest at 10% per annum, calculated and compounded annually. The principal amount and the interest accrued are due on demand. Included in bank charges and interest is \$997 representing interest expense on the promissory note for the year ended December 31, 2020, respectively (2019 - \$99). As at December 31, 2020, the promissory note principal was repaid.

On January 6, 2020, the Company entered into a promissory note payable with a third party for a principal amount of \$3,500. The note payable bears interest at 10% per annum, calculated and compounded annually. The principal amount and the interest accrued are due on demand. Included in bank charges and interest is \$169 representing interest expense on the promissory note for the year ended December 31, 2020, respectively (2019 - \$nil). As at December 31, 2020 the promissory note principal was repaid.

Interest payable of \$1,265 remains outstanding as at December 31, 2020.

**8. INCOME TAX**

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Net loss before tax	(96,895)	(61,977)
Statutory tax rate	27.00%	27.00%
Expected income tax recovery at statutory rate	(26,162)	(16,734)
Change in deferred tax asset not recognized	26,162	16,734
Total tax expense (recovery)	-	-

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Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. The significant components of the Company's net deferred income tax assets as at December 31, 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Non-capital losses carried forward	178,066	151,904
Property, plant and equipment	3,804	3,804
<b>Net deferred tax asset</b>	<b>181,870</b>	<b>155,708</b>

The Company has a capital asset pool of approximately \$14,090 and non-capital losses carried forward of approximately \$659,500, both available to reduce future taxable income. The remainder of the losses expire as follows:

	<b>\$</b>
2033	55,200
2034	257,800
2035	74,500
2036	58,700
2037	18,400
2038	36,000
2039	62,000
2040	96,900
	<b>659,500</b>

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit in the same entity will allow the deferred tax asset to be recovered.

**9. SEGMENTED INFORMATION**

The Company's operations comprise a single reporting segment. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements for expenses and loss for the period also represent segmented amounts.

All of the Company's operations and assets are in Canada.

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## 10. SUBSEQUENT EVENTS

On March 3, 2021, the Company and Silver One completed its previously announced Qualifying Transaction with the acquisition of the Silver Properties from Silver One by acquiring all of the issued and outstanding shares of KCP. As a result of the Transaction, Silverton became a Tier 2 Mining issuer under the policies of the TSX-V. In conjunction with the closing of the Transaction the Company changed its name to Silverton Metals Corp. Trading in the common shares of Silverton began on the TSX-V the new stock symbol "SVTN" on March 5, 2021.

### Qualifying Transaction

Under the terms of a share purchase agreement dated November 16, 2020, as amended January 4, 2021 and February 1, 2021, Silverton acquired from Silver One all of the issued and outstanding shares of KCP, which holds a 100% interest in the Silver Properties, and, in consideration of which, Silverton agreed to pay to Silver One \$6,000,000 in cash and shares as follows: (a) pay \$1,250,000 in cash on closing (paid March 3, 2021), (b) issue 4,375,000 common shares of Silverton (the "Consideration Shares", issued March 3, 2021), (c) pay \$750,000 in cash eighteen months after closing, and (d) pay \$500,000 in cash twenty four months after closing.

Silverton also granted a 1.5% net smelter return royalty (the "Royalty") on each of the Silver Properties. At the option of Silverton, Silverton may repurchase two-thirds (2/3) of the Royalty (being a 1% net smelter return royalty) with a payment equal to US \$500,000 for each of the Silver Properties.

In conjunction with the transaction, on November 19, 2020, Silverton, Finco and 1269171 B.C. Ltd. ("B.C. Subco") entered into an amalgamation agreement, as subsequently amended (the "Amalgamation Agreement"), whereby:

- each of Finco and B.C. SubCo agree to amalgamate under the provisions of the *Business Corporations Act* (British Columbia) and to continue as one company ("AmalCo") under the terms and conditions set out in the Amalgamation Agreement
- The issued shares of each of Finco and B.C. Subco shall be exchanged as follows:
  - a) each outstanding Finco Share shall be exchanged for one Silverton share, following which such Finco shares shall be cancelled;
  - b) Silverton shall receive one common share of AmalCo (an "Amalco Share") for each one common share of B.C. Subco (a "B.C. Subco Share") held by Silverton, following which all such B.C. Subco Shares shall be cancelled;
  - c) AmalCo shall issue to Silverton one Amalco Share for each one Silverton Share issued to the holders of Finco shares;
  - d) Silverton will issue warrants to acquire Silverton shares to the former holders of Finco Compensation Warrants, which will be substantially on the same terms and conditions as the

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Finco Compensation Warrants except the right to receive Silverton Shares in lieu of Finco Shares upon, among other things, payment of the applicable exercise price (the "Silverton Compensation Warrants"), following which such Finco Compensation Warrants shall be cancelled.

The Consideration Shares issued to Silver One are subject to the Tier 2 value escrow requirements under the rules of the Exchange.

As a result of closing of the Transaction, the Brokered Private Placement and the Non-Brokered Private Placement (as described further below), Silverton has 27,336,500 common shares issued and outstanding.

In conjunction with these transactions, the Company incurred \$124,669 in acquisition costs and \$15,710 in deferred financing costs which are each deferred as non-current assets as at December 31, 2020.

Brokered and Non-Brokered Private Placement

On January 8, 2021, Silverton, through Silverton Finco Inc. ("Finco"), completed its private placement offering through the issuance of 9,250,000 subscription receipts (each, a "Subscription Receipt") at a price of \$0.80 per Subscription Receipt for aggregate gross proceeds of \$7,400,000 (the "Brokered Private Placement"). The Brokered Private Placement was completed by a syndicate of underwriters (the "Agents"). As a result of closing of the Transaction, each Subscription Receipt automatically converted into one common share of Silverton and one Silverton common share purchase warrant (each a "Silverton Warrant"). Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of \$1.15 per share until March 2, 2024.

In connection with the closing of the Brokered Private Placement, the Agents received a cash commission equal to 6% of the gross proceeds from the Brokered Private Placement. In addition, the Agents received non-transferable common share purchase warrants equal to 6% of the number of Subscription Receipts issued under the Brokered Private Placement (each a "Broker Warrant"). Upon completion of the Transaction, each Broker Warrant will be exercisable into one Silverton Share at an exercise price of \$0.80 for a period of 24 months from the escrow release date.

On March 2, 2021, Silverton, through Finco, completed a non-brokered private placement for 2,324,000 units (each a "Unit") at a price of \$0.80 per Unit for total proceeds of \$1,859,200 (the "Non-Brokered Private Placement"). As a result of closing of the Transaction, each holder of the Units received one Silverton Share and one Silverton Warrant. Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of \$1.15 until March 2, 2024.