



**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2023**  
(Expressed in Canadian Dollars)

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

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## **Introduction**

This Management's Discussion and Analysis ("**interim MD&A**") of the financial condition and results of the operations of AbraSilver Resource Corp. has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since the Management Discussion & Analysis ("**Annual MD&A**") for the fiscal year ended December 31, 2022. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, the audited annual consolidated financial statements of the Company for the years ended December 31, 2022 and December 31, 2021 ("**FY 2022**" and "**FY 2021**", respectively) and the unaudited condensed interim consolidated financial statements (the "**Interim Financial Statements**") for the three and six months ended June 30, 2023 ("**Q2 2023**"), together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of August 28, 2023 unless otherwise indicated.

The unaudited condensed interim consolidated financial statements for Q2 2023, have been prepared using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of AbraSilver's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on SEDAR at [www.abrasilver.com](http://www.abrasilver.com) and [www.sedar.com](http://www.sedar.com).

## **1. OVERVIEW OF THE COMPANY**

AbraSilver Resource Corp. ("**AbraSilver**" or the "**Company**") is a Canadian-based precious metals exploration company headquartered in Toronto, Canada. The Company was originally incorporated on August 31, 1993 under the Alberta Business Corporations Act. On September 30, 2015, the Company's incorporation jurisdiction was moved to British Columbia. The Company changed its name to Angel Bioventures Inc. on August 28, 2013. Subsequently on March 23, 2017 the Company changed its name to AbraPlata Resource Corp. and on March 4, 2021 to AbraSilver Resource Corp. The Company's registered office is located at Suite 550, 220 Bay Street, Toronto, ON, M5J 2W4.

The Company's common shares are listed on TSX Venture Exchange ("**TSX-V**", or the "**Exchange**") under the symbol "**ABRA**", and on the OTCQX under the symbol "**ABBRF**".

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

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## 2. HIGHLIGHTS

The Company's key events and highlights from April 1 to June 30, 2023, include the following:

- Throughout the quarter, the Company announced multiple high-grade assay results from the recently discovered silver-rich JAC zone as part of the Phase III drill program at the Diablillos project.
- On June 1, 2023, the Company reported positive preliminary metallurgical test results for the JAC and Fantasma zones. Overall recoveries at JAC and Fantasma range between 86% - 93% for silver and 82% - 91% for gold.
- During the quarter ended June 30, 2023 the Company issued 29,057,272 shares after 29,057,272 warrants were exercised at a weighted average exercise price of \$0.214 for net proceeds of \$6,213,878.
- During the quarter ended June 30, 2023 the Company issued 4,803,750 shares after 4,803,750 options were exercised at a weighted average exercise price of \$0.14 for net proceeds of \$673,540.
- During the quarter ended June 30, 2023 a total of 5,000 options expired unexercised.
- During the quarter ended June 30, 2023 a total of 5,140,473 warrants expired unexercised.

## 3. EXPLORATION AND EVALUATION

### Diablillos Project

The Diablillos project was acquired by the Company from SSR Mining Inc. in 2016 and covers an area of approximately 79km<sup>2</sup> in the Salta Province of northwestern Argentina. Diablillos hosts epithermal precious metal mineralization in multiple mineral occurrences. The main deposit is known as Oculito and this silver-gold deposit is surrounded by various satellite occurrences including the newly-discovered silver-rich JAC Zone, located southwest of the Oculito deposit (the "**JAC Zone**"). To the west of Oculito, lie the Fantasma and Alpaca targets. South of Oculito is the South Target, and north of Oculito lies the Cerro Viejo – Cerro Blanco copper-gold mineralized zone and its related Northern Arc of gold-rich occurrences.

The Diablillos project lies within the border zone between the Province of Salta and the Province of Catamarca. For many years, the definitive border line between Salta and Catamarca has been in dispute and the Diablillos project falls within territory claimed by both provinces. In 1984, the government of Salta granted mineral rights to the Diablillos project to one of the Company's predecessors-in-title. In the early 2000s, the government of Catamarca granted overlapping mineral rights in the same area to a third party, thereby creating the potential for conflicting titles pending the resolution of the border dispute, a matter falling within the jurisdiction of the federal government under the Constitution of Argentina. Additional details respecting the provincial border dispute and the potentially conflicting titles to the Diablillos project can be found in the Company's Filing Statement dated March 1, 2017, a copy of which is filed under the Company's profile on SEDAR ([www.sedarplus.ca](http://www.sedarplus.ca))

The Company reached an agreement with the shareholders of Minera Cerro Bayo SA ("**Cerro Bayo**"), the owner of the conflicting mineral rights granted by the government of Catamarca, to acquire a 100% equity interest in Cerro Bayo, thereby indirectly acquiring ownership and control of the conflicting mineral interests. As consideration, the Company will pay US\$3,325,000 in cash and issue 500,000 common shares of the Company to the shareholders of Cerro Bayo in instalments over an eight-year period. As at the date of this MD&A, US\$2,155,000 has been paid and 500,000 shares have been issued.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

**Oculito Updated Mineral Resource Estimate**

On November 3, 2022, the Company announced an updated, conceptual open pit constrained, Mineral Resource estimate for the Oculito deposit. The updated Mineral Resource estimate is the result of 104,888 metres of drilling in 457 drill holes. The Mineral Resource estimate is based only on the Oculito deposit within the broader Diablillos property and is reported inside a conceptual Whittle open pit shell with a cut off grade of 35g/t silver equivalent. A full Technical Report dated November 28, 2022 in respect of the new Oculito Mineral Resource estimate was prepared and filed on SEDAR in accordance with NI 43-101. Accordingly, the new Oculito Mineral Resource estimate supersedes and replaces all prior PEAs or other forward-looking economic information on the Diablillos project. The Oculito Mineral Resource estimate is summarized in the Table below:

**Oculito Mineral Resource Estimate – October 31, 2022**

| Zone            | Category                        | Tonnes (000)  | Ag (g/t)  | Au (g/t)    | AgEq (g/t) | Contained Ag (k oz Ag) | Contained Au (k oz Au) | AgEq (k oz AgEq) |
|-----------------|---------------------------------|---------------|-----------|-------------|------------|------------------------|------------------------|------------------|
| Oxides          | Measured                        | 18,092        | 101       | 0.85        | 171        | 58,655                 | 496                    | 99,280           |
|                 | Indicated                       | 30,226        | 49        | 0.71        | 107        | 47,502                 | 688                    | 103,852          |
|                 | <b>Measured &amp; Indicated</b> | <b>48,318</b> | <b>68</b> | <b>0.76</b> | <b>130</b> | <b>106,157</b>         | <b>1,184</b>           | <b>203,132</b>   |
|                 | Inferred                        | 2,090         | 31        | 0.50        | 72         | 2,085                  | 33                     | 4,788            |
| Transition Zone | Measured                        | 1,244         | 50        | 1.21        | 149        | 1,979                  | 49                     | 5,992            |
|                 | Indicated                       | 1,752         | 22        | 1.13        | 115        | 1,235                  | 64                     | 6,477            |
|                 | <b>Measured &amp; Indicated</b> | <b>2,996</b>  | <b>33</b> | <b>1.17</b> | <b>129</b> | <b>3,214</b>           | <b>113</b>             | <b>12,469</b>    |
|                 | Inferred                        | 127           | 7         | 0.80        | 73         | 29                     | 3                      | 275              |
| Total           | Measured                        | 19,336        | 98        | 0.88        | 170        | 60,634                 | 544                    | 105,190          |
|                 | Indicated                       | 31,978        | 47        | 0.73        | 107        | 48,737                 | 752                    | 110,329          |
|                 | <b>Measured &amp; Indicated</b> | <b>51,314</b> | <b>66</b> | <b>0.79</b> | <b>131</b> | <b>109,370</b>         | <b>1,297</b>           | <b>215,520</b>   |
|                 | Inferred                        | 2,216         | 30        | 0.51        | 72         | 2,114                  | 37                     | 5,144            |

**Notes for October 31, 2022 Mineral Resource Estimate:**

1. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability.
2. The Mineral Resource estimate is reported inside a conceptual Whittle open pit shell derived using US \$25.00/oz Ag price, US \$1,750/oz Au price, 73.5% process recovery for Ag, and 86% process recovery for Au. The constraining open pit optimization parameters used were \$3.00/t mining cost, \$24.45/t processing cost, \$2.90/t G&A cost, and average 54-degree open pit slopes.
3. The formula for calculating AgEq is as follows: Silver Eq Oz = Silver Oz + Gold Oz x (Gold Price/Silver Price) x (Gold Recovery/Silver Recovery).
4. The Mineral Resource estimate has been categorized in accordance with the CIM Definition Standards (CIM, 2014).
5. All figures are rounded to reflect the relative accuracy of the estimates. Minor discrepancies may occur due to rounding to appropriate significant figures.
6. The Mineral Resource was estimated by Mr. Peralta, B.Sc., FAusIMM CP(Geo), an independent Qualified Person within the meaning of NI 43-101.
7. The mineralisation estimated in the Mineral Resource estimate is sub-horizontal with sub-vertical feeders and has a reasonable prospect for eventual economic extraction by open pit methods.
8. A cut off grade of 35 gt AgEq was used for the Mineral Resource estimate.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

9. The Mineral Resource estimate models used Ordinary Kriging grade estimation within a three-dimensional block model and mineralized zones defined by wireframed solids, which are a combination of lithology and alteration domains. Constrained by a Whittle open pit shell. The 1m composite grades were capped where appropriate.
10. All tonnages reported are dry metric tonnes and ounces of contained gold and silver are troy ounces.
11. In-situ bulk density were assigned to each model domain, according to sample averages of each lithology domain, separated by alteration zones and subset by oxidation.
12. Mining recovery and dilution factors have not been applied to the Mineral Resource estimates.
13. Mr. Peralta is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues that could materially affect the potential development of the Mineral Resource.

**JAC Zone: New High-Grade Silver Discovery at Diablillos**

The discovery hole at the JAC zone was announced in August 2022. Since the initial discovery hole, the Company has announced multiple high-grade results from the JAC zone. Highlights of selected high-grade drill results reported to date from the JAC zone are summarized below:

**JAC Zone – Highlights of Phase III Intercepts Reported to Date**

| Drill Hole | From (m) | To (m) | Type       | Interval (m) | Ag (g/t) | Au (g/t) | AgEq <sup>1</sup> (g/t) |
|------------|----------|--------|------------|--------------|----------|----------|-------------------------|
| DDH-22-019 | 89.0     | 176.0  | Oxides     | 87.0         | 346.0    | 0.15     | 356.5                   |
| DDH-22-044 | 121.0    | 179.0  | Oxides     | 58.0         | 208.8    | 0.20     | 222.8                   |
| DDH-22-046 | 123.0    | 165.5  | Oxides     | 42.5         | 400.5    | 0.11     | 408.2                   |
| DDH-22-052 | 139.5    | 164.5  | Oxides     | 25.0         | 754.4    | 0.12     | 764.2                   |
| DDH-22-053 | 140.5    | 168.5  | Oxides     | 28.0         | 266.4    | 0.64     | 318.8                   |
| DDH-22-056 | 110.0    | 167.5  | Oxides     | 57.5         | 141.4    | 0.27     | 163.5                   |
| DDH-22-057 | 144.0    | 164.0  | Oxides     | 20.0         | 498.6    | 0.10     | 506.8                   |
| DDH-22-058 | 138.0    | 152.5  | Transition | 14.5         | 176.2    | -        | 176.2                   |
| DDH-22-060 | 114.0    | 154.0  | Oxides     | 40.0         | 203.4    | -        | 203.4                   |
| DDH-22-061 | 65.0     | 168.0  | Oxides     | 103.0        | 138.7    | -        | 138.7                   |
| DDH-22-062 | 119.0    | 170.0  | Oxides     | 51.0         | 169.4    | 0.20     | 185.8                   |
| DDH-22-063 | 56.0     | 85.0   | Oxides     | 33.0         | 143.4    | -        | 143.4                   |
| DDH-22-063 | 135.0    | 169.0  | Oxides     | 34.0         | 118.6    | 0.08     | 125.2                   |
| DDH-22-067 | 143.0    | 179.0  | Oxides     | 36.0         | 463.3    | 0.71     | 521.5                   |
| DDH-22-067 | 179.0    | 206.0  | Sulphides  | 27.0         | 745.0    | 1.54     | 871.1                   |
| DDH-22-075 | 151.0    | 167.0  | Oxides     | 16.0         | 604.4    | 0.82     | 671.5                   |
| DDH-22-076 | 147.0    | 169.0  | Oxides     | 22.0         | 476.8    | 0.20     | 493.2                   |
| DDH-22-076 | 169.0    | 177.5  | Oxides     | 8.5          | 1,952.8  | 6.66     | 2,498.3                 |
| DDH-22-077 | 60.0     | 92.0   | Oxides     | 32.0         | 121.9    | -        | 121.9                   |
| DDH-22-078 | 58.0     | 99.0   | Oxides     | 41.0         | 103.5    | -        | 103.5                   |
| DDH-22-079 | 144.0    | 179.0  | Oxides     | 35.0         | 199.2    | 0.36     | 228.7                   |
| DDH-22-080 | 50.0     | 102.0  | Oxides     | 52.0         | 125.1    | -        | 125.1                   |
| DDH-22-081 | 128.0    | 165.0  | Oxides     | 37.0         | 179.3    | -        | 179.3                   |
| DDH-22-082 | 154.5    | 181.0  | Transition | 26.5         | 311.4    | 0.43     | 346.6                   |
| DDH-22-083 | 159.0    | 184.0  | Transition | 25.0         | 773.8    | 0.28     | 796.7                   |
| DDH-22-086 | 158.0    | 167.0  | Sulphides  | 9.0          | 342.3    | -        | 342.3                   |
| DDH-23-002 | 148.0    | 165.0  | Transition | 17.0         | 288.6    | 0.14     | 300.1                   |
| DDH-23-003 | 155.8    | 161.5  | Sulphides  | 5.8          | 502.2    | -        | 502.2                   |
| DDH-23-004 | 136.0    | 150.0  | Oxides     | 14.0         | 3,024.5  | 0.21     | 3,041.7                 |

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

|            |       |       |        |      |         |      |         |
|------------|-------|-------|--------|------|---------|------|---------|
| DDH-23-007 | 115.0 | 119.0 | Oxides | 4.0  | 2,320.0 | -    | 2,320.0 |
| DDH-23-009 | 161.0 | 169.5 | Oxides | 8.5  | 479.2   | 0.15 | 491.5   |
| DDH-23-010 | 132.0 | 177.5 | Oxides | 45.5 | 233.4   | -    | 233.4   |
| DDH-23-014 | 127.0 | 173.5 | Oxides | 46.5 | 185.0   | 0.50 | 226.0   |
| DDH-23-017 | 92.0  | 104.0 | Oxides | 12.0 | 876.1   | -    | 876.1   |
| DDH-23-021 | 161.5 | 193.5 | Oxides | 32.0 | 530.8   | 0.60 | 579.9   |
| DDH-23-024 | 144.0 | 161.0 | Oxides | 17.0 | 828.9   | -    | 828.9   |
| DDH-23-025 | 100.0 | 179.0 | Oxides | 79.0 | 237.6   | 0.15 | 249.9   |
| DDH-23-036 | 140.0 | 150.0 | Oxides | 10.0 | 520.0   | 0.04 | 523.3   |
| DDH-23-039 | 105.0 | 124.0 | Oxides | 19.0 | 253.4   | -    | 253.4   |
| DDH-23-046 | 157.0 | 160.0 | Oxides | 3.0  | 2,070.0 | 0.27 | 2,092.1 |
| DDH-23-050 | 156.5 | 167.0 | Oxides | 10.5 | 281.4   | -    | 281.4   |
| DDH-23-061 | 134.0 | 153.5 | Oxides | 19.5 | 272.8   | -    | 272.8   |

Note: All results are rounded. Assays are uncut and undiluted. Widths are drilled widths, not true widths. True widths are estimated to be approximately 80% of the interval widths.

<sup>1</sup> AgEq based on 81.9(Ag):1(Au) calculated using long-term prices of US\$25.00/oz Ag and US\$1,750/oz Au, and 73.5% process recovery for Ag, and 86.0% process recovery for Au as demonstrated in the Company's PEA in respect of Diablillos dated January 13, 2022, using formula:  $AgEq\ g/t = Ag\ g/t + Au\ g/t \times (Gold\ Price/Silver\ Price) \times (Gold\ Recovery/Silver\ Recovery)$ .

### Diablillos Phase III Exploration Campaign

The 22,000-metre Phase III drill program at the Diablillos project has been successfully completed. The drill program achieved all of the main objectives, which are summarized below:

- Systematically drill off silver-dominant mineralisation at the JAC zone in order to estimate Measured and Indicated Mineral Resources that can be incorporated into the planned overall Mineral Resource estimate ("MRE") and Pre-Feasibility Study ("PFS") on Diablillos.
- Delineate the margins of the JAC zone mineralization and conduct geotechnical drilling necessary for a conceptual open pit design.
- Conduct reconnaissance drilling at other targets on the Diablillos land package (including JAC North, Fantasma and Alpaca).

All Phase III drill holes from the JAC zone will be incorporated into an updated MRE and will be included in a Pre-Feasibility Study on the Diablillos project, which the Company expects to complete by the end of 2023.

On August 9, 2023, the Company announced the discovery of a promising new silver zone, called the JAC North zone. The newly discovered JAC North zone is located over 900 metres beyond the limit of the conceptual open pit that defines the current Mineral Resource estimate at Oculito and approximately 100 metres northwest of the high-grade JAC zone. To date, the highest-grade intercept at the new JAC North zone is hole DDH 22-064, which intersected a high-grade intercept of 12 metres at 1,042 g/t Ag in oxides starting at a down-hole depth of only 69 metres. The discovery of a second northeast trending zone parallel to the main JAC zone demonstrates the potential for multiple mineralised zones, as is the case at the Oculito deposit.

Our next phase of drilling (Phase IV) will explore additional targets which will be prioritized based on distance from the probable porphyry progenitor beneath Oculito and favourability of structural trends reflected in magnetic surveys, with special reference to any historical drill data. Current priority targets in the area west of Oculito include JAC North, Alpaca and Fantasma, with additional targets also being developed to the east and north of Oculito.

### **Maiden Mineral Resource Estimate on JAC Zone and Pre-Feasibility Study in H2/2023**

The high-grade JAC zone is a new discovery and was not part of any prior MRE or Technical Report completed by the Company. The recently completed Phase III exploration campaign, focused on defining the dimensions of the main JAC zone. As a result, an updated MRE and a PFS on the Diablillos project are expected to be completed in Q4/2023 and will incorporate all assay results from the expanded Phase III drill program.

The Company continues to progress key aspects of the PFS, including advancing additional metallurgical testwork, optimizing process design and engineering, equipment sizing, advancing renewable power generation alternatives, and updating capital and operating cost estimates with market-sourced quotations.

The PFS on the Diablillos project will be supported by a total of more than 120,000 metres of drilling in approximately 500 drill holes. To date, the Company has spent approximately \$11.0 million (before the hyperinflation adjustment) on its Phase III drilling campaign at the Diablillos project. The expected remaining cost of the maiden MRE for the JAC Zone and the Diablillos PFS is \$1.25 million.

### **La Coipita Project, San Juan, Argentina**

The La Coipita project is located in the San Juan province of Argentina adjacent to the Chilean border. The Company has an option agreement to acquire a 100% interest in the La Coipita project which encompasses a large area, totaling approximately 70,000 hectares, in the western portion of the Calingasta Department.

The project is located in a geological setting similar to world-class deposits in the same belt, including the Filo del Sol and Los Azules projects, where porphyry style mineralisation is found immediately beneath epithermal mineralization.

Last year, on June 28, 2022, the Company announced the discovery of a significant new copper-gold-molybdenum porphyry system at La Coipita project based on results from two initial deep drill holes. The discovery hole, DDHC 22-002, returned broad intervals of copper-gold-molybdenum porphyry mineralization including 226 metres grading 0.34% copper, 0.07 g/t gold and 66 ppm molybdenum. The hole also encountered a separate interval of 146 metres grading 0.27% copper and 75 ppm molybdenum, with the hole ending in mineralization at a down-hole depth of 1,202.5 metres.

This year, on July 12, 2023, the Company announced results of an additional deep drill hole, DDHC 23-001 which intersected a broad zone of continuous copper-molybdenum mineralization totaling 694m grading 0.16% Cu and 81 ppm Mo at the Yaretas target from a downhole depth of 548.0 metres. This large intersection demonstrates the substantial size potential of the Yaretas porphyry system.

Additionally, aside from drilling the Yaretas target, the Company conducted reconnaissance surface geochemical sampling and geological mapping over other target areas within the La Coipita concession block which encountered multiple anomalous results. At the Valle Hermoso target, located approximately 25 kilometres south of Yaretas, a high-grade grab sample contained 3.49% copper, 0.42 g/t gold and 20.6 g/t silver. The samples at Valle Hermoso are interpreted as being part of a high sulphidation system related to an underlying porphyry body and represent a valid exploration target for potential future drilling.

As of June 30, 2023, the Company has spent approximately \$8.4 million (before the hyperinflation adjustment) on its maiden drill campaign at the La Coipita project.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

**4. SELECTED QUARTERLY INFORMATION**

| Quarter Ended                | Cash and Cash equivalents and term deposits | Total Assets | Total Liabilities | Net (loss) for the period | Earnings (loss) per share - basic & diluted |
|------------------------------|---|--------------|-------------------|---------------------------|---|
| June 30,2023                 | \$10,901,372                                | \$34,275,646 | \$7,824,170       | (\$7,027,553)             | (\$0.01)                                    |
| March 31,2023                | \$10,669,288                                | \$34,463,516 | \$7,638,005       | (\$6,213,302)             | (\$0.01)                                    |
| December 31,2022             | \$15,823,197                                | \$39,130,518 | \$7,530,875       | (\$5,371,901)             | (\$0.01)                                    |
| September 30,2022 (Restated) | \$10,749,573                                | \$33,100,364 | \$6,720,543       | (\$4,884,582)             | (\$0.01)                                    |
| June 30,2022 (Restated)      | \$13,090,769                                | \$33,388,695 | \$6,252,951       | (\$6,548,711)             | (\$0.01)                                    |
| March 31,2022 (Restated)     | \$16,925,434                                | \$36,209,860 | \$6,108,786       | (\$4,099,038)             | (\$0.01)                                    |
| December 31,2021 (Restated)  | \$19,016,003                                | \$37,323,277 | \$5,944,441       | (\$8,073,672)             | (\$0.02)                                    |
| September 30,2021 (Restated) | \$19,861,295                                | \$41,129,585 | \$5,132,541       | (\$3,765,850)             | (\$0.01)                                    |

While the information set out in the foregoing table is mandated by National Instrument 51-102 – *Continuous Disclosure Obligations*, it is management's view that the variations in financial results that occur from quarter to quarter are not particularly helpful in analyzing the Company's performance. It is in the nature of the business of junior exploration companies that unless they sell a mineral interest for a sum greater than the costs incurred in acquiring such interest, they have no significant net sales or total revenue.

Like most other companies in the mineral exploration sector, the Company anticipates that significant variances in the Company's reported loss from quarter to quarter will most commonly arise from factors that are difficult to anticipate in advance or to predict from past results. They are as follows: (i) decisions to write off deferred exploration costs when management concludes there has been an impairment in the carrying value of a mineral property, or the property is abandoned, (ii) the granting of incentive stock options, which results in the recording of amounts for stock-based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given quarter, (iii) the effect of inflation in Argentina as further discussed under the heading Effect of Inflation below; and (iv) the effect of exchange rate variations between the Canadian dollar, the United States dollar and the Argentinian Pesos.

**5. RESULTS OF OPERATIONS**

The operating results of junior mining companies can fluctuate significantly from period to period. The Company is in the exploration stage and has no revenue from operations.

Three months ended June 30, 2023 ("**Q2 2023**") is compared to the three months ended June 30, 2022 ("**Q2 2022**").

During Q2 2023 the net loss increased by \$478,842 to \$7,027,553 compared to the net loss recorded during Q2 2022 due mainly to the following:

- The main driver in Q2 2023 loss increases are Evaluation and Exploration expenses ("**EE**"). Although there are no seasonal variations, comparing the expenditures with the same period last year, the EE were \$9,826,675 during Q2 2023 compared to \$7,356,795 for Q2 2022. The increase of \$2,469,880 breaks down as follow:

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

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- *Diablillos Project.* During Q2 2023 the EE increased by \$1,758,041 due to the ongoing Phase III diamond drilling program in which a total of 42 holes were drilled for a total of 7,519 meters; during the same period last year 18 holes and 5,335 meters were drilled for the Phase II and 1 hole for a total of 245 meters were drilled to the ongoing Phase III diamond drilling program . The drilling cost increased to \$5,722,688 in Q2 2023 compared with \$3,161,008 in Q2 2022; the Geology and Lab cost increased to \$394,969 in Q2 2023 compared with \$171,580 in Q2 2022 in connection with the new MRE on the JAC Zone and the Diablillos PFS indicated in the Exploration and Evaluation section. The Personnel cost increased to \$539,674 in Q2 2023 compared with \$365,912 in Q2 2022 and the Camp cost decreased to \$495,540 in Q2 2023 compared with \$819,936 in Q2 2022 in connection with the completion of the Camp implementation last year. The impact of hyperinflation adjustment decreased to \$Nil in Q2 2023 compared with \$796,800 in Q2 2022 in connection with the change in the Company Functional Currency from Argentinian peso to US dollar, implemented in Q4 2022 as indicated in the section 6: Effect of the inflation in this MD&A.
- *La Coipita Project.* The EE increased \$724,768 due to the drill campaign at the La Coipita project. During Q2 2023 one hole was drilled for a total of 455 meters compared with one hole during the same period last year for a total of 623 meters. The driver for the expenditure were: the drilling cost \$1,649,401 in Q2 2023 compared with \$614,397 in Q2 2022 and the Camp costs increased to \$383,176 in Q2 2023 compared with \$166,944 in Q2 2023 in connection with the increased EE local costs due to a higher demand for exploration equipment compared with same period last year The impact of hyperinflation adjustment decreased to \$Nil in Q2 2023 compared with \$576,153 in Q2 2022 in connection with the change in the Company Functional Currency from Argentinian peso to US dollar, implemented in Q4 2022 as indicated in the section 6: Effect of the inflation in this MD&A. Please note that the change in the Functional currency explains partially the difference in the comparatives.
- Gain on sale of marketable securities increased by \$1,722,259 during Q2 2023 compared with Q2 2022. From time to time, the Company acquires and transfers marketable securities as a mechanism to facilitate intragroup funding transfers between its Canadian headquarters and its Argentine operating subsidiary. The use of marketable securities for the purposes of facilitating intragroup funding transfers, which represents the net benefit of having used this funding mechanism over traditional methods. The increase in the gains is primarily the result of more funds provided to its Argentine subsidiary and is related to the \$5,469,298 transferred to the Argentina subsidiaries in Q2 2023 compared with \$4,091,101 transferred in Q2 2022.
- Loss in Monetary position decreased by \$84,241 to \$nil during Q2 2023 compared to Q2 2022 after the Company changed the functional currency of its Argentine Subsidiaries from Argentine peso to US dollar and stopped the application of hyperinflation accounting in its Argentine Subsidiaries.
- Depreciation, Office and Administrative expenses increased by \$206,831 during Q2 2023 compared to Q2 2022. The drivers of the increase are the bank and broker fees in connection with the funds transfer from AbraSilver Resource Corp. to its subsidiaries in Argentina using the equity market. During Q2 2023 \$5,469,298 was transferred to Argentina compared with \$4,091,101 in Q2 2022.

Six months ended June 30, 2023 (“**YTD 2023**”) is compared to the six months ended June 30, 2022 (“**YTD 2022**”).

During YTD 2023 the net loss increased by \$2,593,106 to \$13,240,855 compared to the net loss recorded during YTD 2022 due mainly to the following:

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

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- The main driver in YTD 2023 loss increases are Evaluation and Exploration expenses (“**EE**”). Although there are no seasonal variations, comparing the expenditures with the same period last year, the EE were \$17,612,204 during YTD 2023 compared to \$12,331,402 for YTD 2022. The increase of \$5,280,802 breaks down as follow:
  - *Diablillos Project.* During YTD 2023 the EE increased by \$4,791,200 due to the Phase II and the ongoing Phase III diamond drilling program in which a total of 71 holes were drilled for a total of 12,900 meters; during the same period last year 31 holes and 8,532 meters were drilled for the Phase II and 1 hole for a total of 245 meters were drilled to the ongoing Phase III diamond drilling program . The drilling cost increased to \$9,676,566 in YTD 2023 compared with \$4,976,581 in YTD 2022; the Geology and Lab cost increased to \$1,085,058 in YTD 2023 compared with \$293,717 in YTD 2022 in connection with the new MRE on the JAC Zone and the Diablillos PFS indicated in the Exploration and Evaluation section. The Personnel cost increased to \$1,018,574 in YTD 2023 compared with \$633,037 in YTD 2022 and the Camp cost decreased to \$954,433 in YTD 2023 compared with \$1,125,198 in YTD 2022 in connection with the completion of the Camp implementation last year. The impact of hyperinflation adjustment decreased to \$Nil in YTD 2023 compared with \$985,366 in YTD 2022 in connection with the change in the Company Functional Currency from Argentinian peso to US dollar, implemented in Q4 2022 as indicated in the section 6: Effect of the inflation in this MD&A.
  - *La Coipita Project.* The EE increased \$498,016 due to the maiden drill campaign at the La Coipita project. During YTD 2023 two holes were drilled for a total of 1,391 meters compared with two holes during the same period last year for a total of 2,071 meters. The driver for the expenditure were: the professional and access fees \$1,017,708 in YTD 2023 compared with \$870,145 in YTD 2022; the drilling cost \$2,107,088 in YTD 2023 compared with \$1,391,859 in YTD 2022 and the Camp costs increased to \$961,232 in YTD 2023 compared with \$636,000 in YTD 2022 in connection with the increased EE local costs due to a higher demand for exploration equipment compared with same period last year. The impact of hyperinflation adjustment decreased to \$Nil in YTD 2023 compared with \$704,689 in YTD 2022 in connection with the change in the Company Functional Currency from Argentinian peso to US dollar, implemented in Q4 2022 as indicated in the section 6: Effect of the inflation in this MD&A.
- Gain on sale of marketable securities increased by \$2,484,323 during YTD 2023 compared with YTD 2022. From time to time, the Company acquires and transfers marketable securities as a mechanism to facilitate intragroup funding transfers between its Canadian headquarters and its Argentine operating subsidiary. The use of marketable securities for the purposes of facilitating intragroup funding transfers, which represents the net benefit of having used this funding mechanism over traditional methods. The increase in the gains is primarily the result of more funds provided to its Argentine subsidiary and are related to the \$10,105,818 transferred to the Argentina subsidiaries in YTD 2023 compared with \$7,585,901 transferred in YTD 2022.
- Loss in Monetary position decreased by \$190,007 to \$nil during YTD 2023 compared to YTD 2022 after the Company changed the functional currency of its Argentine Subsidiaries from Argentine peso to US dollar and stopped the application of hyperinflation accounting in its Argentine Subsidiaries.
- Depreciation, Office and Administrative expenses increased by \$428,528 during YTD 2023 compared to YTD 2022. The drivers of the increase are the bank and broker fees in connection with the funds transfer from AbraSilver Resource Corp. to its subsidiaries in Argentina using the equity market. During YTD 2023 \$10,105,818 was transferred to Argentina compared with \$7,585,901 in YTD 2022.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

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## 6. EFFECT OF INFLATION

Argentina was designated a hyperinflationary economy as of July 1, 2018. The effect of the Argentinian inflation and specific price changes in the Company operations are minimum since the inflation relates to the cost and prices in Argentinian Pesos and not in the currency in which the Company keeps its funds.

As described in the note 11 of the Interim Financial Statements, the Company acquire and transfer marketable securities to facilitate intragroup funding transfers between the Canadian parent and its Argentine operating subsidiaries and minimize the timing in which the funds are kept in Argentinian Pesos mitigating the inflationary effects.

The application of hyperinflation accounting requires restatement of the Argentine subsidiaries' non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Wholesale Price Index (Indice de Precios Mayoristas or "IPIM") for periods up to December 31, 2016, and the Retail Price Index (Indice de Precios al Consumidor or "IPC") thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE").

As the consolidated financial statements of the Company have been previously presented in Canadian dollars, a stable currency, the comparative period amounts do not require restatement.

On October 1, 2022, the Company changed the functional currency of its Argentine Subsidiaries from Argentine peso to US dollar and stopped the application of hyperinflation accounting in its Argentine Subsidiaries during the period from October 1, 2022 to December 31, 2022, as described in Note 4 of the audited consolidated financial statements.

## 7. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive loss and those measured at amortized cost. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Company's financial instruments as of June 30, 2023, and December 31, 2022 are as follows:

|                               | June 30, 2023        | December 31, 2022    |
|-------------------------------|----------------------|----------------------|
| <b>Financial assets</b>       |                      |                      |
| Cash and cash equivalents     | \$ 6,901,372         | \$ 13,823,197        |
| Term deposit                  | 4,000,000            | 2,000,000            |
| <b>Total financial assets</b> | <b>\$ 10,901,372</b> | <b>\$ 15,823,197</b> |

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

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| <b>Financial liabilities</b>             |           |                  |                     |
|--|-----------|------------------|---------------------|
| Accounts payable and accrued liabilities | \$        | 898,438          | \$ 910,981          |
| Lease liabilities                        |           | 3,138            | 12,528              |
| Consideration payable                    |           | 6,922,594        | 6,607,366           |
| <b>Total financial liabilities</b>       | <b>\$</b> | <b>7,824,170</b> | <b>\$ 7,530,875</b> |

Additional financial instruments disclosure, including an analysis of risks associated with financial instruments, are contained in Note 4 of the Company's Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023 and 2022.

## **8. LIQUIDITY AND CAPITAL RESOURCES**

### **(a) Liquidity**

The Company's working capital as of June 30, 2023, was \$10,441,672 as compared to working capital of \$15,293,893 on December 31, 2022. Included in working capital was cash and cash equivalents of \$6,901,372 and term deposits \$4,000,000 (December 31, 2022 - \$13,823,197 in cash and cash equivalents and term deposits \$2,000,000).

Except as disclosed, the Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the Company's exploration programs and the Company's ability to raise additional capital as required.

The Company is not now and does not expect in the future, to be engaged in currency hedging to offset any risk of currency fluctuations.

### **(b) Capital Resources**

The Company's focus for the recently completed fiscal period and going forward is the advancement and development of its exploration projects. The major expenses that will be incurred by the Company in the next twelve months will be costs associated with its exploration activities and general and administrative activities.

As at June 30, 2023, the Company had a working capital of \$10,441,672, has never had profitable operations, has accumulated deficit at June 30, 2023 of \$73,879,644 and expects to continue to incur losses in the development of its business, all of which casts significant doubt on the Company's ability to continue as a going concern without securing additional future sources of financing to continue with its regular exploration activities and to honor the commitments as indicated in the "Commitments" section below for the next twelve months. Additional funding will be required by the Company to complete its strategic and long-term objectives.

The Company depends on external financing to fund its activities and there can be no guarantee that external financing will be available at terms acceptable to the Company. The Company will be relying on further equity financing, debt financing, strategic partnerships or joint-venture partnerships as the most likely source of funds for the advancement of the Company's exploration assets to a resource delineation or feasibility stage. In the future the Company may also receive additional funds through the exercise of stock options and warrants. If

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

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adequate funds are not available when required, the Company may, based on the Company's cash position, delay, scale back or eliminate various programs.

There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that future additional financing will be available to the Company at acceptable terms.

**c) Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements other than those disclosed under Mineral Interests.

**d) Commitments**

As of June 30, 2023, the Company has mineral interest commitments at its Diablillos and La Coipita projects in the form of option payments, although, as at the current date, the Company had the commitments shown in the table below, some of these commitments could be reduced, deferred or eliminated pending the outcome of the strategic review. The Company also has operating expenses in Buenos Aires, Santiago de Chile and Toronto.

| <b>Commitments</b>                 | <b>Years ended December 31</b> |              |              |              |
|------------------------------------|--------------------------------|--------------|--------------|--------------|
|                                    | <b>2023</b>                    | <b>2024</b>  | <b>2025</b>  | <b>2026</b>  |
| Diablillos                         | \$ 1,324,000                   | \$ -         | \$ 1,549,080 | \$ -         |
| La Coipita                         | 132,400                        | 1,986,000    | 4,369,200    | 1,986,000    |
| Total Mineral interest commitments | 1,456,400                      | 1,986,000    | 5,918,280    | 1,986,000    |
| Minimun Office Rental in Argentina | 1,589                          | -            | -            | -            |
| Total Commitments                  | \$ 1,457,989                   | \$ 1,986,000 | \$ 5,918,280 | \$ 1,986,000 |

**Note:** Amounts expressed in Canadian dollars, using a USD/CAD exchange rate of 1.324.

**9. RELATED PARTY TRANSACTIONS**

Key management personnel include the members of the Board of Directors and officers of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Company.

Amounts paid and accrued to directors, former director, officers and companies in which directors and officers are shareholders or partners are described in the following table. The business purpose for director fees and salaries is to compensate directors and officers of the Company in their capacities as directors or officers. The business purpose for the payments made to Zaballa & Carchio Abogados is for corporate, mining and legal advice, which arrangement can be terminated at any time. The business purpose for consulting fees paid to Robert Bruggeman is for investor relations and marketing advice, which arrangement was terminated by mutual agreement effective March 1, 2023. The payments made to John Miniotis and Carlos Pinglo are made in accordance with a written employment agreement, each of which can be terminated by the Company on 30 days written notice.

The fair value of the share-based compensation was determined using the Black-Scholes pricing model based on, among other things, 5 years expected life; share price at the grant date; 100% volatility; and a dividend yield of 0%.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

| Name                           | Position | Director Fees | Salary     | Professional /Consulting Fees | Share Base Compensation | Q2 -2023   |
|--------------------------------|----------|---------------|------------|-------------------------------|-------------------------|------------|
| Robert Bruggeman               | Director | \$ 6,250      | \$ -       | \$ -                          | \$ 34,703               | \$ 40,953  |
| Flora Wood                     | Director | 6,250         | -          | -                             | 26,028                  | 32,278     |
| Jens Mayer                     | Director | 6,250         | -          | -                             | 23,858                  | 30,108     |
| Sam Leung                      | Director | 6,250         | -          | -                             | 21,690                  | 27,940     |
| Hernan Zaballa                 | Director | 6,250         | -          | -                             | 23,858                  | 30,108     |
| Zaballa & Carchio Abogados (1) | NA       | -             | -          | 43,255                        | -                       | 43,255     |
| Nicholas Teasdale              | Director | 6,250         | -          | -                             | 31,466                  | 37,716     |
| Stephen Gatley                 | Director | 6,250         | -          | -                             | 35,112                  | 41,362     |
| John Miniotis                  | CEO      | -             | 66,200     | -                             | 98,534                  | 164,734    |
| Carlos Pinglo                  | CFO      | -             | 50,000     | -                             | 26,556                  | 76,556     |
|                                |          | \$ 43,750     | \$ 116,200 | \$ 43,255                     | \$ 321,805              | \$ 525,010 |

(1) Legal firm controlled by Hernan Zaballa.

| Name                           | Position | Director Fees | Salary     | Professional /Consulting Fees | Share Base Compensation | YTD 2023   |
|--------------------------------|----------|---------------|------------|-------------------------------|-------------------------|------------|
| Robert Bruggeman               | Director | \$ 12,500     | \$ -       | \$ 5,000                      | \$ 57,381               | \$ 74,881  |
| Flora Wood                     | Director | 12,500        | -          | -                             | 43,036                  | 55,536     |
| Jens Mayer                     | Director | 12,500        | -          | -                             | 39,449                  | 51,949     |
| Sam Leung                      | Director | 12,500        | -          | -                             | 35,864                  | 48,364     |
| Hernan Zaballa                 | Director | 12,500        | -          | -                             | 39,449                  | 51,949     |
| Zaballa & Carchio Abogados (1) | NA       | -             | -          | 87,467                        | -                       | 87,467     |
| Nicholas Teasdale              | Director | 12,500        | -          | -                             | 52,003                  | 64,503     |
| Stephen Gatley                 | Director | 12,500        | -          | -                             | 60,691                  | 73,191     |
| John Miniotis                  | CEO      | -             | 129,354    | -                             | 167,542                 | 296,896    |
| Carlos Pinglo                  | CFO      | -             | 96,667     | -                             | 45,474                  | 142,141    |
|                                |          | \$ 87,500     | \$ 226,021 | \$ 92,467                     | \$ 540,890              | \$ 946,878 |

(1) Legal firm controlled by Hernan Zaballa.

| Name                             | Position | Director Fees | Salary     | Professional /Consulting Fees | Share Base Compensation | Q2 2022    |
|----------------------------------|----------|---------------|------------|-------------------------------|-------------------------|------------|
| Robert Bruggeman                 | Director | \$ 6,250      | \$ -       | \$ -                          | \$ 30,386               | \$ 36,636  |
| Alpha Advisory Services Inc. (2) | NA       | -             | -          | 7,500                         | -                       | 7,500      |
| Flora Wood                       | Director | 6,250         | -          | -                             | 22,790                  | 29,040     |
| Jens Mayer                       | Director | 6,250         | -          | -                             | 20,891                  | 27,141     |
| Sam Leung                        | Director | 6,250         | -          | -                             | 18,992                  | 25,242     |
| Hernan Zaballa                   | Director | 6,250         | -          | -                             | 20,891                  | 27,141     |
| Zaballa & Carchio Abogados (1)   | NA       | -             | -          | 41,540                        | -                       | 41,540     |
| Nicholas Teasdale                | Director | 6,250         | -          | -                             | 25,597                  | 31,847     |
| Stephen Gatley                   | Director | 6,250         | -          | -                             | 14,281                  | 20,531     |
| John Miniotis                    | CEO      | -             | 56,250     | -                             | 106,069                 | 162,319    |
| Carlos Pinglo                    | CFO      | -             | 45,000     | -                             | 45,012                  | 90,012     |
|                                  |          | \$ 43,750     | \$ 101,250 | \$ 49,040                     | \$ 304,908              | \$ 498,948 |

(1) Legal firm controlled by Hernan Zaballa.

(2) Consulting firm controlled by Robert Bruggeman

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

| Name                             | Position | Director Fees | Salary     | Professional /Consulting Fees | Share Base Compensation | YTD 2022   |
|----------------------------------|----------|---------------|------------|-------------------------------|-------------------------|------------|
| Robert Bruggeman                 | Director | \$ 12,500     | \$ -       | \$ -                          | \$ 54,838               | \$ 67,338  |
| Alpha Advisory Services Inc. (2) | NA       | -             | -          | 15,000                        | -                       | 15,000     |
| Flora Wood                       | Director | 12,500        | -          | -                             | 41,088                  | 53,588     |
| Jens Mayer                       | Director | 12,500        | -          | -                             | 37,671                  | 50,171     |
| Sam Leung                        | Director | 12,500        | -          | -                             | 34,255                  | 46,755     |
| Hernan Zaballa                   | Director | 12,500        | -          | -                             | 37,671                  | 50,171     |
| Zaballa & Carchio Abogados (1)   | NA       | -             | -          | 83,080                        | -                       | 83,080     |
| Nicholas Teasdale                | Director | 12,500        | -          | -                             | 55,232                  | 67,732     |
| Stephen Gatley                   | Director | 12,500        | -          | -                             | 21,814                  | 34,314     |
| John Miniotis                    | CEO      | -             | 112,500    | -                             | 189,056                 | 301,556    |
| Carlos Pinglo                    | CFO      | -             | 90,000     | -                             | 77,179                  | 167,179    |
|                                  |          | \$ 87,500     | \$ 202,500 | \$ 98,080                     | \$ 548,803              | \$ 936,883 |

(1) Legal firm controlled by Hernan Zaballa.

(2) Consulting firm controlled by Robert Bruggeman

As of June 30, 2023, \$Nil (December 31, 2022 – \$136,755) was payable to directors, officers and companies in which directors and officers are shareholders or partners of the Company. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

## 10. IMPACT OF COVID-19

On March 2020, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures.

As a result of those measures in April 2020 the Company office in Toronto was temporarily closed and its officers and outsourced services were working remotely.

When the Covid-19 pandemic was decreed worldwide, the Company paused its projects in Argentina for approximately 30-40 days. On April 3, 2020, the Argentinian government stated that mining was an essential task and allowed workers in the field to return to their activity under preventive and hygienic conditions. The Company implemented a biosafety protocol for its projects, which were guided by the guidelines created by the World Health Organization. Such protocols consisted of carrying out preventive isolation and testing of personnel travelling to and from the project.

In 2021, Covid-19 vaccines and campaigns for vaccine distribution to the entire Argentine population were developed. This made it possible to remove the preventive isolation protocols previously implemented by the Company.

In 2022, with the majority of the population vaccinated against the Covid-19 virus, the Company's testing protocol changed whereby testing was only required on personnel with evident symptoms.

Effective September 20, 2022 the following general prevention measures are recommended by the Argentinian Government:

- a. Continue with the proper use of the chinstrap in indoor spaces, including work, educational, social settings and public transport.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

- b. Ensure the ventilation of the environments.
- c. Maintain proper and frequent hand hygiene.
- d. In the presence of symptoms, avoid contact with other people, do not go to work, social, educational activities, public places and avoid the use of public transport.

The mandatory use of the mask, the social distancing of two metres and the self-reporting of symptoms in the public health application are without effect.

Each jurisdiction may adopt the pertinent recommendations based on its particular epidemiological situation and the planned health strategy.

The economic effect of Covid-19 to the Company's projects was minimal and consisted of increased costs associated with testing and accommodation. Giving the new general prevention measures implemented in September 2022, there was no cost in Q2 2023.

Please find below a summary of those costs in FY 2021 and FY 2022.

| Project      | Q1/2021          | Q2/2021          | Q3/2021          | Q4/2021          | FY-2021          | Q1/2022          | Q2/2022         | Q3/2022         | Q4/2022     | FY-2022          |
|--------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-------------|------------------|
| Diablillos   | \$ 11,419        | \$ 13,973        | \$ 15,857        | \$ 10,119        | \$ 51,368        | \$ 14,301        | \$ 2,973        | \$ 5,593        | \$ -        | \$ 22,867        |
| La Coipita   | -                | 100              | -                | 1,339            | 1,439            | 9,640            | 2,936           | 528             | -           | 13,104           |
| <b>Total</b> | <b>\$ 11,419</b> | <b>\$ 14,073</b> | <b>\$ 15,857</b> | <b>\$ 11,458</b> | <b>\$ 52,807</b> | <b>\$ 23,941</b> | <b>\$ 5,908</b> | <b>\$ 6,121</b> | <b>\$ -</b> | <b>\$ 35,971</b> |

## 11. OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As of August 28 2023, the Company has 564,312,365 common shares issued and outstanding.

As of August 28, 2023, the Company has 20,780,575 warrants outstanding:

| Number of warrants | Exercise Price | Expiry Date      |
|--------------------|----------------|------------------|
| 4,090,000          | \$ 0.10        | April 8, 2024    |
| 1,650,000          | \$ 0.10        | April 18, 2024   |
| 1,527,075          | \$ 0.37        | June 6, 2024     |
| 13,513,500         | \$ 0.50        | December 6, 2024 |

As of August 28, 2022, the Company has:

- 23,959,375 stock options outstanding with the weighted average exercise price of \$0.24; 16,196,875 of which are exercisable with the weighted average exercise price of \$0.19.
- 2,371,671 restricted shares units Nil of which are exercisable.

## **12. RISKS AND UNCERTAINTIES**

The Company's exploration activities and related results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding uncertainty due to COVID-19, receiving required permits in Argentina, exploration results, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk.

The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

A summary of the Company's financial instruments risk exposure was provided in Note 4 of the Company's consolidated financial statement for the year ended December 31, 2022 and in the Annual MD&A for the fiscal year ended December 31, 2022. Described below are some additional risk factors, which are considered to be significant to the Company's business and financial condition.

### **Risks Related to Operations in Emerging Markets**

#### ***Investing in an emerging market entails certain inherit risks.***

The Company conducts or participates in mining, development, exploration, and other activities in Argentina, which is an emerging market. Investing in emerging markets generally involves risks, which may include: (i) expropriation or nationalization of property; (ii) changes in laws or policies or increasing legal and regulatory requirements of particular countries, including those relating to taxation, royalties, imports, exports, duties, currency, in-country beneficiation or other claims by government entities, including retroactive claims and/or changes in the administration of laws, policies and practices; (iii) uncertain political and economic environments, war, terrorism, sabotage and civil disturbances; (iv) lack of certainty with respect to legal systems, corruption and other factors that are inconsistent with the rule of law; (v) delays in obtaining or the inability to obtain or maintain necessary governmental permits or to operate in accordance with such permits or regulatory requirements; (vi) import and export regulations, including restrictions on the export of gold or other minerals; (vii) limitations on the repatriation of earnings; (viii) underdeveloped industrial or economic infrastructure; (ix) internal security issues; (x) increased financing costs; (xi) renegotiation, cancellation or forced modification of existing contracts; and (xii) risk of loss due to disease, and other potential medical endemic or pandemic issues, as a result of the potential related impact to employees, disruption to operations, supply chain delays, trade restrictions and impact on economic activity in affected countries or regions.

#### ***Argentina may experience economic problems that could affect the Company's business, financial condition and result of operations***

The Company's material project is located in Argentina, and it depends upon local economic and social conditions. As a result, the Company's business, financial position and results of operations may be affected by the general conditions of the Argentine economies, price instability, inflation, interest rates, regulation, taxation, social instability, political unrest and other developments in or affecting Argentina, over which the Company has no control. Economic and political instability that has been caused by many different factors, including the following: (i) adverse external economic factors; (ii) inconsistent fiscal and monetary policies; (iii) dependence of governments on external financing; (iv) changes in governmental economic policies; (v) high levels of inflation; (vi) abrupt changes in currency values; (vii) high interest rates; (viii) volatility of exchange rates; (ix) political and social tensions; (x) exchange controls; (xi) wage and price controls; (xii) the imposition of trade

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

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barriers; and (xiii) trade shock. Any of these factors could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

***The economy of Argentina is vulnerable to external shocks caused by significant economic difficulties of their respective trading partners, or by more general "contagion" effects.***

Weak, flat or negative economic growth or changes in international trade policy of the major trading partners of Argentina could adversely affect its balance of payments and, consequently, its economic growth. Decreased growth affecting such major trading partners could have a material adverse effect on the markets for exports from Argentina, and, in turn, adversely affect economic growth. The Argentine economy may be affected by "contagion" effects. International investors' reactions to events occurring in one developing country sometimes appear to follow a "contagion" pattern, in which an entire region or investment class is disfavored by international investors. In particular, Argentina has been adversely affected by such contagion effects on a number of prior occasions, including the 1994 Mexican financial crisis, the 1997 Asian financial crisis, the 1998 Russian financial crisis, the 1999 devaluation of the Brazilian real, and the 2001 collapse of Turkey's fixed exchange rate regime. Additionally, economic growth was negatively affected as a result of the 2008 global financial crisis, and more recently, the COVID-19 pandemic. Similar developments can be expected to affect the Argentine economy in the future, and may accordingly affect the Company's business, financial position, operations, and results of operations.

***We have operations a country known to experience high levels of corruption and any violation of anti-corruption laws could subject us to penalties and other adverse consequences.***

We are subject to anti-corruption, anti-bribery, anti-money laundering and other international laws and regulations and are required to comply with the applicable laws and regulations of Argentina and Canada. In general, these laws prohibit improper payments or offers of payments to governments and their officials, political parties, state-owned or controlled enterprises, and/or private entities and individuals for the purpose of obtaining or retaining business. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. Our primary operations are located in Argentina, which is perceived as having relatively high levels of corruption. Our activities in this country create the risk of unauthorized payments or offers of payments by one of our employees, contractors, agents, or users that could be in violation of various laws, including anti-bribery laws in these countries. In addition, our ability to secure permits, renewals or other government approvals required to maintain our operations could be negatively impacted by corruption in one or more governmental institutions in Argentina. We have adopted various measures which mandate compliance with these anti-corruption, anti-bribery, and anti-money laundering laws, and have implemented training programs, compliance controls and procedures, and reviews and audits to ensure compliance with such laws. However, there can be no assurance that our internal controls, and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of such laws, regulations and requirements by our affiliates, employees, directors, officers, partners, agents and service providers, or that any such persons will not take actions in violation of our policies and procedures, for which we may be ultimately responsible. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition. We cannot predict the nature, scope or effect of future anti-corruption regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

---

***Argentina has experienced significant political and socio-economic instability in the past, and may experience further instability in the future.***

Argentina has experienced significant political and social economic instability in the past and may experience further instability in the future. In 2001 and 2002, Argentina suffered a major political, economic and social crisis, which resulted in institutional instability and a severe contraction of the economy with significant increases in unemployment and poverty rates. Among other consequences, the crisis caused a large currency devaluation and led to the government of Argentina defaulting on its external debt. In response, the government of Argentina implemented a series of emergency measures, including strict foreign exchange restrictions and monthly limits on bank withdrawals, which affected public companies and other sectors of the Argentine economy. The Argentine economy experienced a recovery after the 2001 – 2002 crisis, however, since 2008, it has struggled to curb strong inflationary pressures and growth stagnated starting in 2012.

During the first half of 2018, the Argentine economy entered into an acute economic recession, which deepened in 2019, with a sharp decrease in international reserves, a material loss in the value of the Argentine peso vis-à-vis the US dollar, high inflation and unemployment rates and an increase in poverty and extreme poverty rates. Against this economic backdrop, in December 2019, the Argentine congress enacted legislation declaring a state of public emergency in economic, financial, fiscal, administrative, pensions, tariff, energy, health and social matters, which was in force until December 31, 2020, and was further extended in terms of health until December 31, 2021.

Argentine economic conditions are dependent on a variety of factors, including (but not limited to) the following: (i) international demand for Argentina's principal exports; (ii) international prices for Argentina's principal commodity exports; (iii) stability and competitiveness of the Argentine Peso with respect to foreign currencies; competitiveness and efficiency of domestic industries and services; (iv) levels of domestic consumption and foreign and domestic investment and financing; and (v) the rate of inflation.

Argentina's ability to obtain financing from international markets is limited. Without renewed access to the financial market the Argentine government may not have the financial resources to implement reforms and boost growth, which could have a significant adverse effect on the country's economy and, consequently, on our activities. In addition, the Argentine government has engaged in conversations with the International Monetary Fund in order to renegotiate the principal maturities of certain amounts disbursed in 2018 and 2019, and it is uncertain whether the Argentine government will be successful in the negotiations with that agency.

The ultimate impact of each of these measures on the Argentine economy as well as the ability to implement all announced measures as currently contemplated, cannot be assured. If the government of Argentina's agenda cannot be successfully implemented, the result may further weaken confidence in and adversely affect the Argentine economy and financial condition. Any worsening in the Argentine economy or financial condition could have a material adverse effect on companies operating in Argentina, including the Company.

***Argentina is subject to frequent and unpredictable changes in tax rates, capital controls, and foreign exchange restrictions, which may restrict or affect the profitability of the Company's operations in Argentina.***

In the past, Argentine tax laws have changed frequently and dramatically. In 2018, the government of Argentina introduced a decree imposing a temporary tax on all exports from Argentina. The tax was introduced as an emergency measure due to the significant peso devaluation during the year. In December 2019, the government of Argentina approved a law delaying a scheduled corporate tax rate decrease from 30% to 25% to the end of 2020 (after that the government submitted a bill in order to maintain the 30% rate until the end of 2021) and extending the temporary export tax introduced in September 2018 to the end of 2021. Furthermore, the decree

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

---

suspended the increase in the dividend withholding tax from 7% to 13% until January 2021. Recently, the National Government submitted a bill by which it would permanently increase the corporate tax rate to 35% for certain types of companies and maintain the 7% rate for dividends (the bill is expected to be approved by the National Congress and it would be effective for fiscal year 2021).

Argentine federal, provincial and other local taxation authorities may apply tax rules and regulations in an inconsistent and unpredictable manner. In addition, tax rules and regulations may change over time. If any taxation authority takes a position or adopts an interpretation that differs from those adopted by Company, we could become subject to unanticipated tax liabilities and cost increases, which could negatively affect our financial condition and results of operations.

Argentina has also been subject to exchange controls and restrictions. In 2001 and 2002, following a run on the financial system triggered by the public's lack of confidence in the continuity of the convertibility regime that resulted in massive capital outflows, the government of Argentina introduced exchange controls and restrictions on the transfer of foreign currency in an attempt to prevent capital flight and a further depreciation of the Argentine peso. Several of those exchange controls and transfer restrictions were subsequently suspended or terminated. However, in June 2005, the government of Argentina established new controls on capital flows. From 2011 until December 2015, the government of Argentina increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. Regulations were introduced in 2012 that subjected certain foreign exchange transactions to prior approval by Argentine tax authorities or the Central Bank of Argentina. In August 2016, the government of Argentina eliminated all foreign exchange restrictions imposed since 2011. In September 2019 and in May and June 2020, the Central Bank of Argentina imposed further restrictions on foreign exchange transactions. To date, these controls and regulations have included, but are not limited to, a requirement that proceeds of exports be repatriated at the applicable exchange rate; restrictions on payment of dividends without the approval of the Argentinian Central Bank; and restrictions on debt from foreign lenders, unless such debt is brought into Argentina at the applicable exchange rate. The government of Argentina may expand these controls or introduce new restrictions.

Changes in taxes, capital controls, and foreign exchange regulations in Argentina are beyond the Company's control. Increased tax rates, or the imposition of stricter capital controls or foreign exchange regulations and could increase the operating costs at the Diablillos Project, prevent or restrict exploration, development, and production at the Diablillos Project, and may constrain the Company's ability to receive distributions from its Argentine subsidiaries.

***Risk of nationalization of mining assets in Argentina***

In May 2012, the previous government of Argentina re-nationalized Repsol YPF SA, the country's largest oil and gas company. There can be no assurance that the government of Argentina will not nationalize other businesses operating in the country, including the business of the Company. If any portion of the Company's assets are expropriated or nationalized, there can be no assurance that the Company would receive payment equal to their fair market value. Nationalization of any of the Company's assets in Argentina could have a material adverse effect on the Company's business, operations, cash flows, and financial condition. The Company has not purchased any "political risk" insurance coverage and currently has no plans to do so.

***Changes in Argentinean environmental legislation could have adverse effects on our operations.***

The Company's exploration activities and future mining operations in Argentina are and will be subject to laws and regulations relating to the protection and remediation of the environment. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

---

association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. These laws, regulations and the governmental policies for implementation of such laws and regulations change from time to time and are generally becoming more restrictive. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations and changes to existing laws and regulations (including the imposition of higher taxes and mining royalties) could cause additional expenses or capital expenditure, or result in restrictions or delays in the Company's development plans.

***Title to Assets***

Searches of mining records are carried out in accordance with mining industry practices to confirm satisfactory title to properties in which the Company holds or intends to acquire an interest, but the Company does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of the properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims or concessions. The ownership and validity of mining claims and concessions are often uncertain and may be contested. The Company has taken and will continue to take all reasonable steps, in accordance with the laws and regulations of the jurisdictions in which their properties are located, to ensure proper title to its properties and to properties it may acquire in the future, either at the time of acquisition or prior to any major expenditures thereon. This, however, should not be construed as a guarantee of title. There are no assurances that the Company will obtain title. Both presently owned and after-acquired properties may be subject to prior unregistered agreements, transfers, land claims or other claims or interests. In addition, third parties may dispute the rights of the Company to its respective mining and other interests. The Company will attempt to clear title and obtain legal opinions commensurate to the intended level of expenditures required on areas that show promise. There can be no assurance, however, that it will be successful in doing so.

**Risks Related to the Business**

***Negative Operating Cash Flow***

The Company had negative operating cash flow in its most recent interim financial period and financial year. The Company's ability to generate positive operating cash flow will depend on the Company's ability to commence production at its mining properties. To the extent the Corporation has negative cash flows in future periods, the Company may use a portion of its general working capital or seek additional equity financing to fund such negative cash flows. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all.

**13. FORWARD LOOKING STATEMENTS**

Certain of the statements made and information contained herein are considered "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

---

The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- the impact of currency fluctuations in Argentina and Chile;
- the impact of increasing competition in gold, silver and copper business;
- unpredictable changes to the market prices for gold, silver and copper;
- exploration and development costs for its properties;
- availability of additional financing or joint-venture partners;
- anticipated results of exploration activities; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A including, uncertainty due to COVID-19, uncertainties relating to receiving mining and exploration permits in Argentina; volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral exploration; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and/or joint venture partners and unpredictable weather conditions.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

#### **14. DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by consolidated financial statements; and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI- 52-109. In particular, the

**ABRASILVER RESOURCE CORP.**  
**Management's Discussion and Analysis**  
**Three and Six Months Ended June 30, 2023**  
*(In Canadian Dollars unless otherwise stated)*

---

certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### **15. SUBSEQUENT EVENTS**

- Subsequent to June 30, 2023, the Company paid US\$1,000,000 for the Diablillos project according to the payment schedule (note 6(a)(2)) in the unaudited condensed interim consolidated financial statements for Q2 2023.
- On August 11, 2023, the Company and the Yaretas Project owners amended the US\$ 200,000 cash amount to be paid to the optionors in August 2023. As per the amendment, the Company will pay US\$ 100,000 on or before August 31, 2023 and the remaining US\$ 100,000 will be paid in August 2024.