

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- ☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED January 31, 2022.
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number: 001-33125

SILVER BULL RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Nevada

State or other jurisdiction of incorporation or organization

91-1766677

(I.R.S. Employer Identification No.)

777 Dunsmuir Street, Suite 1610

Vancouver, B.C., Canada V7Y 1K4

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (604)-687-5800

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of March 16, 2022, there were 35,055,652 shares of the registrant's \$0.01 par value common stock outstanding, the registrant's only outstanding class of voting securities.

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

SILVER BULL RESOURCES, INC. (AN EXPLORATION STAGE COMPANY) CONDENSED CONSOLIDATED BALANCE SHEETS

	January 31, 2022 (Unaudited)	October 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 216,436	\$ 189,607
Value-added tax receivable, net of allowance for uncollectible taxes of \$420,982 (Note 7)	—	120,810
Other receivables	16,914	7,307
Prepaid expenses and deposits	78,298	196,178
Investments (Note 5)	669,687	1,166,770
Total Current Assets	981,335	1,680,672
Value-added tax receivable, net of allowance for uncollectible taxes of \$422,516 (Note 7)	119,581	—
Office and mining equipment, net (Note 8)	158,897	164,140
Property concessions (Note 9)	5,019,927	5,019,927
Goodwill (Note 10)	2,058,031	2,058,031
TOTAL ASSETS	\$ 8,337,771	\$ 8,922,770
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 179,484	\$ 465,865
Accrued liabilities and expenses	356,111	324,454
Income tax payable	2,000	1,000
Total Current Liabilities	537,595	791,319
Loan payable (Note 11)	47,174	48,450
TOTAL LIABILITIES	584,769	839,769
COMMITMENTS AND CONTINGENCIES (Note 16)		
STOCKHOLDERS' EQUITY (Notes 6, 12, 13 and 14)		
Common stock, \$0.01 par value; 150,000,000 shares authorized, 34,547,838 and 34,547,838 shares issued and outstanding, respectively	2,413,337	2,413,337
Additional paid-in capital	139,803,515	139,803,515
Accumulated deficit	(134,556,098)	(134,226,099)
Other comprehensive income	92,248	92,248
Total Stockholders' Equity	7,753,002	8,083,001
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,337,771	\$ 8,922,770

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended January 31,	
	2022	2021
REVENUES	\$ —	\$ —
EXPLORATION AND PROPERTY HOLDING COSTS		
Exploration and property holding costs	<u>108,288</u>	<u>334,047</u>
Depreciation (Note 8)	<u>5,243</u>	<u>10,427</u>
TOTAL EXPLORATION AND PROPERTY HOLDING COSTS	<u>113,531</u>	<u>344,474</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Personnel	<u>92,135</u>	<u>141,032</u>
Office and administrative	<u>34,848</u>	<u>128,961</u>
Professional services	<u>58,747</u>	<u>200,864</u>
Directors' fees	<u>18,916</u>	<u>30,489</u>
Provision for uncollectible value-added taxes (Note 7)	<u>6,435</u>	<u>8,572</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>211,081</u>	<u>509,918</u>
LOSS FROM OPERATIONS	<u>(324,612)</u>	<u>(854,392)</u>
OTHER EXPENSES		
Interest income	<u>6</u>	<u>54</u>
Foreign currency transaction loss	<u>(4,393)</u>	<u>(2,019)</u>
TOTAL OTHER EXPENSES	<u>(4,387)</u>	<u>(1,965)</u>
LOSS BEFORE INCOME TAXES	<u>(328,999)</u>	<u>(856,357)</u>
INCOME TAX EXPENSE	<u>1,000</u>	<u>2,037</u>
NET AND COMPREHENSIVE LOSS	<u>\$ (329,999)</u>	<u>\$ (858,394)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>33,547,838</u>	<u>33,453,738</u>

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Other Comprehensive Income</u>	<u>Total Stockholders' Equity</u>
	<u>Number of Shares</u>	<u>Amount</u>				
Three months ended January 31, 2022						
Balance, October 31, 2021	<u>33,547,838</u>	<u>\$ 2,413,337</u>	<u>\$ 139,803,515</u>	<u>\$ (134,226,099)</u>	<u>\$ 92,248</u>	<u>\$ 8,083,001</u>
Net loss for the three-month period ended January 31, 2022	<u>—</u>	<u>—</u>	<u>—</u>	<u>(329,999)</u>	<u>—</u>	<u>(329,999)</u>
Balance, January 31, 2022	<u>33,547,838</u>	<u>\$ 2,413,337</u>	<u>\$ 139,803,515</u>	<u>\$ (134,556,098)</u>	<u>\$ 92,248</u>	<u>\$ 7,753,002</u>

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Other Comprehensive Income</u>	<u>Total Stockholders' Equity</u>
	<u>Number of Shares</u>	<u>Amount</u>				
Three months ended January 31, 2021						
Balance, October 31, 2020	<u>33,165,945</u>	<u>\$ 2,399,518</u>	<u>\$ 138,613,286</u>	<u>\$ (132,019,148)</u>	<u>\$ 92,248</u>	<u>\$ 9,085,904</u>
Issuance of common stock as follows:						
- for cash at a price of \$0.47 per share with attached warrants, less offering costs of \$6,780 (Note 12)	<u>319,000</u>	<u>3,190</u>	<u>139,960</u>	<u>—</u>	<u>—</u>	<u>143,150</u>
Earn-in option agreement (Note 4)	<u>—</u>	<u>—</u>	<u>72,286</u>	<u>—</u>	<u>—</u>	<u>72,286</u>
Net loss for the three-month period ended January 31, 2021	<u>—</u>	<u>—</u>	<u>—</u>	<u>(858,394)</u>	<u>—</u>	<u>(858,394)</u>
Balance, January 31, 2021	<u>33,484,945</u>	<u>\$ 2,402,708</u>	<u>\$ 138,825,532</u>	<u>\$ (132,877,542)</u>	<u>\$ 92,248</u>	<u>\$ 8,442,946</u>

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended	
	January 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (329,999)	\$ (858,394)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	5,243	10,427
Provision for uncollectible value-added taxes	6,435	8,572
Foreign currency transaction loss (gain)	37,606	(2,525)
Changes in operating assets and liabilities:		
Value-added tax receivable	(6,289)	(14,529)
Income tax receivables	—	(133)
Other receivables	(9,665)	4,918
Prepaid expenses and deposits	110,143	36,904
Accounts payable	(285,534)	(201,580)
Accrued liabilities and expenses	35,423	197,260
Income tax payable	1,000	(3,500)
Net cash used in operating activities	(435,637)	(822,580)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments (Note 5)	469,484	—
Purchase of equipment	—	(10,180)
Loan receivable	—	(400,000)
Net cash provided by (used in) investing activities	469,484	(410,180)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Property concessions funding (Note 4)	—	72,286
Proceeds from loan financing (Note 11)	—	15,615
Proceeds from issuance of common stock, net of offering costs (Note 12)	—	143,091
Net cash provided by financing activities	—	230,992
Effect of exchange rates on cash and cash equivalents	(7,018)	2,825
Net increase (decrease) in cash and cash equivalents	26,829	(998,943)
Cash and cash equivalents beginning of period	189,607	1,861,518
Cash and cash equivalents end of period	\$ 216,436	\$ 862,575

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (CONTINUED)

		Three Months Ended January 31,	
		2022	2021
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Income taxes paid	\$	—	\$ <u>5,732</u>
Interest paid		—	\$ <u>—</u>
NON-CASH INVESTING AND FINANCING ACTIVITY:			
Offering costs included in accounts payable and accrued liabilities	\$	—	\$ <u>60,102</u>

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

NOTE 1 – ORGANIZATION, DESCRIPTION OF BUSINESS AND GOING CONCERN

Silver Bull Resources, Inc. (the “Company”) was incorporated in the State of Nevada on November 8, 1993 as the Cadgie Company for the purpose of acquiring and developing mineral properties. The Cadgie Company was a spin-off from its predecessor, Precious Metal Mines, Inc. On June 28, 1996, the Company’s name was changed to Metalline Mining Company. On April 21, 2011, the Company’s name was changed to Silver Bull Resources, Inc. The Company’s fiscal year-end is October 31. The Company has not realized any revenues from its planned operations and is considered an exploration stage company. The Company has not established any reserves with respect to its exploration projects and may never enter into the development stage with respect to any of its projects.

The Company engages in the business of mineral exploration. The Company currently owns a number of property concessions in Mexico (collectively known as the “Sierra Mojada Property”). The Company conducts its operations in Mexico through its wholly-owned subsidiary corporations, Minera Metalin S.A. de C.V. (“Minera Metalin”) and Minas de Coahuila SBR S.A. de C.V. (“Minas”). On August 26, 2021, the Company’s wholly-owned Mexican subsidiary, Contratistas de Sierra Mojada S.A. de C.V. (“Contratistas”) merged with and into Minera Metalin.

On April 16, 2010, Metalline Mining Delaware, Inc., a wholly-owned subsidiary of the Company incorporated in the State of Delaware, was merged with and into Dome Ventures Corporation (“Dome”), a Delaware corporation. As a result, Dome became a wholly-owned subsidiary of the Company. Dome has a wholly-owned subsidiary Dome Asia Inc., which is incorporated in the British Virgin Islands.

On August 12, 2020, the Company entered into an option agreement (the “Beskauga Option Agreement”) with Copperbelt AG, a corporation existing under the laws of Switzerland (“Copperbelt Parent”), and Dostyk LLP, an entity existing under the laws of Kazakhstan and a wholly-owned subsidiary of Copperbelt (the “Copperbelt Sub,” and together with Copperbelt Parent, “Copperbelt”), pursuant to which the Company has the exclusive right and option to acquire Copperbelt’s right, title and 100% interest in the Beskauga property located in Kazakhstan (the “Beskauga Property”), which consists of the Beskauga Main project (the “Beskauga Main Project”) and the Beskauga South project (the “Beskauga South Project,” and together the Beskauga Main Project, the “Beskauga Project”). The transaction contemplated by the Beskauga Option Agreement closed on January 26, 2021.

On February 5, 2021, Arras Minerals Corp. (“Arras”) was incorporated in British Columbia, Canada, as a wholly-owned subsidiary of the Company. On March 19, 2021, pursuant to an asset purchase agreement with Arras, the Company transferred its right, title and interest in and to the Beskauga Option Agreement, among other things, to Arras in exchange for 36,000,000 common shares of Arras. On September 24, 2021, the Company distributed to its shareholders one Arras common share for each Silver Bull share held by such shareholders, or 34,547,838 Arras shares in total. Upon completion of the distribution, the Company retained 1,452,162 Arras common shares, or approximately 4% of the outstanding Arras common shares, as a strategic investment (Note 5), and Arras became a stand-alone company. The Company included the financial results of Arras in its consolidated statement of operations for the period from February 5, 2021 to September 24, 2021, the date of the distribution.

The Company’s efforts and expenditures have been concentrated on the exploration of properties, principally in the Sierra Mojada Property located in Coahuila, Mexico. The Company has not determined whether its exploration properties contain ore reserves that are economically recoverable. The ultimate realization of the Company’s investment in exploration properties is dependent upon the success of future property sales, the existence of economically recoverable reserves, and the ability of the Company to obtain financing or make other arrangements for exploration, development, and future profitable production activities. The ultimate realization of the Company’s investment in exploration properties cannot be determined at this time.

Going Concern

Since its inception in November 1993, the Company has not generated revenue and has incurred an accumulated deficit of \$134,556,098. Accordingly, the Company has not generated cash flows from operations, and since inception the Company has relied primarily upon proceeds from private placements and registered direct offerings of the Company's equity securities, sales of investments and warrant exercises as the primary sources of financing to fund the Company's operations. As of January 31, 2022, the Company had cash and cash equivalents of approximately \$216,000. Based on the Company's limited cash and cash equivalents, and history of losses, there is substantial doubt as to whether the Company's existing cash resources are sufficient to enable the Company to continue its operations for the next 12 months as a going concern. Management plans to pursue possible financing and strategic options including, but not limited to, obtaining additional equity financing and selling its investments in Arras. However, there is no assurance that the Company will be successful in pursuing these plans.

These interim condensed consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary in the event the Company can no longer continue as a going concern. Such adjustments could be material.

NOTE 2 – BASIS OF PRESENTATION

The Company's interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules of the U.S. Securities and Exchange Commission (the "SEC") regarding interim reporting. All intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The consolidated balance sheet at October 31, 2021 was derived from the audited consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2021.

All figures are in United States dollars unless otherwise noted.

The interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, except for the recent accounting pronouncements adopted as disclosed in Note 3. In the opinion of management, the interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented. Uncertainties with respect to estimates and assumptions are inherent in the preparation of the Company's interim condensed consolidated financial statements. Accordingly, operating results for the three months ended January 31, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2022 or any future period.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are defined in the Company's Annual Report on Form 10-K for the year ended October 31, 2021 filed with the SEC on January 14, 2022, except as follows.

Recent Accounting Pronouncements Adopted in the Three-Month Period Ended January 31, 2022

On November 1, 2021, the Company adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Updated ("ASU") 2020-01, "Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." ASU 2020-01 is effective for interim and annual periods beginning after December 15, 2020. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the SEC did not or are not expected to have a material impact on the Company's present or future consolidated financial statements.

NOTE 4 – SOUTH32 OPTION AGREEMENT

On June 1, 2018, the Company and its subsidiaries Minera Metalin and Contratistas entered into an earn-in option agreement (the “South32 Option Agreement”) with South32 International Investment Holdings Pty Ltd (“South32”), a wholly-owned subsidiary of South32 Limited (ASX/JSE/LSE: S32), whereby South32 is able to obtain an option to purchase 70% of the shares of Minera Metalin and Contratistas (the “South32 Option”). As noted above, Contratistas has since merged with and into Minera Metalin. Minera Metalin owns the Sierra Mojada Property located in Coahuila, Mexico (the “Sierra Mojada Project”) and supplies labor for the Sierra Mojada Project. Under the South32 Option Agreement, South32 earns into the South32 Option by funding a collaborative exploration program on the Sierra Mojada Project. Upon the terms and subject to the conditions set forth in the South32 Option Agreement, in order for South32 to earn and maintain its four-year option, South32 must have contributed to Minera Metalin for exploration of the Sierra Mojada Project at least \$3 million by the end of Year 1, \$6 million by the end of Year 2, \$8 million by the end of Year 3 and \$10 million by the end of Year 4 (the “Initial Funding”). Funding is made on a quarterly basis based on the subsequent quarter’s exploration budget. South32 may exercise the South32 Option by contributing \$100 million to Minera Metalin (the “Subscription Payment”), less the amount of Initial Funding previously contributed by South32. The issuance of shares upon notice of exercise of the South32 Option by South32 is subject to antitrust approval by the Mexican government. If the full amount of the Subscription Payment is advanced by South32 and the South32 Option becomes exercisable and is exercised, the Company and South32 will be obligated to contribute funding to Minera Metalin on a 30/70 pro rata basis. If South32 elects not to continue with the South32 Option during the four-year option period, the Sierra Mojada Project will remain 100% owned by the Company. The exploration program will be initially managed by the Company, with South32 being able to approve the exploration program funded by it. The Company received funding of \$3,144,163 from South32 for Year 1 of the South32 Option Agreement. In April 2019, the Company received a notice from South32 to maintain the South32 Option Agreement for Year 2 by providing cumulative funding of \$6 million by the end of such period. The Company received funding of \$1,502,831, which included payments of \$319,430, \$1,100,731 and \$82,670 received during the years ended October 31, 2019, 2020 and 2021, respectively, from South32 for Year 2 of the South32 Option Agreement, the time period for which has been extended by an event of force majeure described in more detail below. As of January 31, 2022, the Company had received cumulative funding of \$4,646,994 under the South32 Option Agreement. During the three months ended January 31, 2022, the Company received \$nil payments for the extended Year 2 time period due to an event of force majeure. If the South32 Option Agreement is terminated by South32 without cause or if South32 is unable to obtain antitrust authorization from the Mexican government, the Company is under no obligation to reimburse South32 for amounts contributed under the South32 Option Agreement.

Upon exercise of the South32 Option, Minera Metalin is required to issue common shares to South32. Pursuant to the South32 Option Agreement, following exercise and until a decision has been made by the board of directors of Minera Metalin to develop and construct a mine on the Sierra Mojada Project, each shareholder holding greater than or equal to 10% of the shares may withdraw as an owner in exchange for a 2% net smelter royalty on products produced and sold from the Sierra Mojada Project. Any shareholder whose holdings are reduced to less than 10% must surrender its interest in exchange for a 2% net smelter royalty.

The Company has determined that Minera Metalin is a variable interest entity and that the South32 Option Agreement has not resulted in the transfer of control of the Sierra Mojada Project to South32. The Company has also determined that the South32 Option Agreement represents non-employee share-based compensation associated with the collaborative exploration program undertaken by the parties. The compensation cost is expensed when the associated exploration activity occurs. The share-based payments have been classified as equity instruments and valued based on the fair value of the cash consideration received, as it is more reliably measurable than the fair value of the equity interest. If the South32 Option is exercised and shares are issued prior to a decision to develop a mine, such shares would be classified as temporary equity as they would be contingently redeemable in exchange for a net smelter royalty under circumstances that are not wholly in control of the Company or South32 and are not currently probable.

No portion of the equity value has been classified as temporary equity as the South32 Option has no intrinsic value.

On October 11, 2019, the Company and its subsidiary Minera Metalin issued a notice of force majeure to South32 pursuant to the South32 Option Agreement. Due to a blockade by a cooperative of local miners called Sociedad Cooperativa de Exploración Minera Mineros Nortes, S.C.L. (“Mineros Nortes”), the Company has halted all work on the Sierra Mojada Property. The notice of force majeure was issued because of the blockade’s impact on the ability of the Company and its subsidiary Minera Metalin to perform their obligations under the South32 Option Agreement. Pursuant to the South32 Option Agreement, any time period provided for in the South32 Option Agreement will generally be extended by a period equal to the period of delay caused by the event of force majeure. As of March 16, 2022, the blockade by Mineros Nortes at, on and around the Sierra Mojada Property is ongoing.

The combined approximate carrying amount of the assets and liabilities of Minera Metalin (consolidated with its wholly-owned subsidiary) are as follows at January 31, 2022:

	Mexico
Assets:	
Cash and cash equivalents	\$ 33,000
Value-added tax receivable, net	120,000
Prepaid expenses and deposits	4,000
Office and mining equipment, net	159,000
Property concessions	5,020,000
Total assets	\$ 5,336,000
Liabilities:	
Accounts payable	\$ 23,000
Accrued liabilities and expenses	63,000
Payable to Silver Bull Resources, Inc. to be converted to equity upon exercise of the South32 Option	3,727,000
Total liabilities	\$ 3,813,000
Net advances and investment in the Company's Mexican subsidiary	\$ 1,523,000

The Company's maximum exposure to loss at January 31, 2022 is \$5,250,000, which includes the carrying value of the variable interest entity's net asset, excluding the payable to Silver Bull Resources, Inc.

NOTE 5 – INVESTMENTS

On August 12, 2020, the Company entered into the Beskauga Option Agreement with Copperbelt pursuant to which it had the exclusive right and option to acquire Copperbelt's right, title and 100% interest in the Beskauga property located in Kazakhstan. On March 19, 2021, the Company transferred its interest in the Beskauga Option Agreement, among other things, to its subsidiary, Arras, in exchange for 36,000,000 common shares of Arras.

On September 24, 2021, pursuant to a Separation and Distribution Agreement, the Company distributed to its shareholders one Arras common share for each Silver Bull share held by such shareholders, or 34,547,838 Arras common shares in total (the "Distribution"). Upon completion of the Distribution, the Company retained 1,452,162 Arras shares, or approximately 4% of the outstanding Arras common shares, as a strategic investment.

At the time of the Distribution, the Company determined that Arras was no longer a controlled subsidiary due to the dilution of its interest in Arras and the fact that Arras became a stand-alone company at the time of the Distribution. On the date control was lost, the Company recorded its interest retained in Arras at carrying value without gain or loss.

The Company determined that the Company's retained interest in Arras is accounted for using the fair value method for the period from September 24, 2021, onwards, and its investments in Arras is presented as an investment.

On December 6, 2021, the Company sold 600,000 common shares of Arras at a price of \$CDN 1.00 per share for proceeds of \$469,484 (\$CDN 600,000). As of January 31, 2022, the Company retained 852,162 Arras shares, or approximately 1.7% (October 31, 2021: 3.0%) of the outstanding Arras common shares.

A summary of the changes in investments for the year ended October 31, 2021 and the three months ended January 31, 2022 is as follows:

Equity security – October 31, 2020	\$ —
Carrying value of investment on deconsolidation	75,817
Gain on investment	1,090,953
Equity security – October 31, 2021	\$ 1,166,770
Sale of investment	(469,484)
Foreign currency translation adjustment	(27,599)
Equity security – January 31, 2022	\$ 669,687

Changes in the fair value of the Company's investments in equity securities are recognized each period in the interim condensed consolidated financial statement primarily using fair value method if the observable quoted market prices are not available.

NOTE 6 – NET LOSS PER SHARE

The Company had stock options and warrants outstanding at January 31, 2022 and 2021 that upon exercise were issuable into 2,015,039 and 4,015,039 shares of the Company's common stock, respectively. They were not included in the calculation of loss per share because they would have been anti-dilutive.

NOTE 7 – VALUE-ADDED TAX RECEIVABLE

Value-added tax ("VAT") receivable relates to VAT paid in Mexico. The Company estimates that net VAT of \$119,581 will be received and believes that it remains legally entitled to be refunded the full amount of the VAT receivable and intends to rigorously continue its VAT recovery efforts. While the Company continues to pursue recovery from the Mexican government, the Company reclassified the carrying value of the receivable to non-current assets as of January 31, 2022 based on the continued failure to recover the VAT receivable and a recent preliminary unfavorable ruling from the Mexican tax authority, which the Company is in the process of challenging. The allowance for uncollectible VAT was estimated by management based upon a number of factors, including the length of time the returns have been outstanding, responses received from tax authorities, general economic conditions in Mexico and estimated net recovery after commissions.

A summary of the changes in the allowance for uncollectible VAT for the three months ended January 31, 2022 is as follows:

Allowance for uncollectible VAT – October 31, 2021	\$	<u>420,982</u>
Provision for VAT receivable allowance		<u>6,435</u>
Foreign currency translation adjustment		<u>(4,901)</u>
Allowance for uncollectible VAT – January 31, 2022	\$	<u><u>422,516</u></u>

NOTE 8 – OFFICE AND MINING EQUIPMENT

The following is a summary of the Company's office and mining equipment at January 31, 2022 and October 31, 2021, respectively:

	<u>January 31, 2022</u>	<u>October 31, 2021</u>
Mining equipment	\$ <u>396,153</u>	\$ <u>396,153</u>
Vehicles	<u>92,873</u>	<u>92,873</u>
Buildings and structures	<u>185,724</u>	<u>185,724</u>
Computer equipment and software	<u>74,236</u>	<u>74,236</u>
Well equipment	<u>39,637</u>	<u>39,637</u>
Office equipment	<u>47,597</u>	<u>47,597</u>
	<u>836,220</u>	<u>836,220</u>
Less: Accumulated depreciation	<u>(677,323)</u>	<u>(672,080)</u>
Office and mining equipment, net	<u><u>\$ 158,897</u></u>	<u><u>\$ 164,140</u></u>

NOTE 9 – PROPERTY CONCESSIONS

The following is a summary of the Company's property concessions for the Sierra Mojada Property as at January 31, 2022 and October 31, 2021:

Property concessions – January 31, 2022 and October 31, 2021	\$ <u><u>5,019,927</u></u>
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NOTE 10 – GOODWILL

Goodwill represents the excess, at the date of acquisition, of the purchase price of the business acquired over the fair value of the net tangible and intangible assets acquired. On April 30, 2021, the Company elected to perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Based on this assessment, management determined it is not more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company performs its annual goodwill impairment test as of April 30th of each fiscal year.

The following is a summary of the Company's goodwill balance as at January 31, 2022 and October 31, 2021:

Goodwill – January 31, 2022 and October 31, 2021	\$ <u>2,058,031</u>
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NOTE 11 – LOAN PAYABLE

In June 2020, the Company received \$29,531 (SCDN 40,000) in the form of a Canada Emergency Business Account (“CEBA”) loan. CEBA is part of the economic assistance program launched by the Government of Canada to ensure that businesses have access to capital during the COVID-19 pandemic that can only be used to pay non-deferrable operating expenses. During the period from receipt of the CEBA loan to December 31, 2022 (the “Initial Term”), no interest will be charged on the principal amount outstanding. If at least SCDN 30,000 is repaid on or before the end of the Initial Term, the remaining SCDN 10,000 of principal will be forgiven pursuant to the terms of the CEBA loan. During the period from January 1, 2023 to December 31, 2025 (the “Extended Term”), if any portion of the loan remains outstanding, interest will be payable monthly at a rate of 5% per annum on the outstanding principal balance.

In January 2021, the Company received an additional \$15,615 (SCDN 20,000) CEBA loan. Fifty percent (50%) of the additional loan is forgivable if repaid by December 31, 2022. The loan accrues no interest before the end of the Initial Term, and thereafter converts to a three-year term loan with a 5% annual interest rate. Any portion of the loan is repayable without penalty at any time prior to December 31, 2025. The total CEBA loan amount stands at \$CDN 60,000 with \$CDN 20,000 forgivable if repaid by December 31, 2022. In January 2022, the repayment deadline for CEBA loan to qualify for loan forgiveness had been extended to December 31, 2023.

The balance of the CEBA loan is fully repayable on or before the end of the Extended Term, if not repaid on or before the end of the Initial Term. The Company anticipates repaying the CEBA loan prior to the Initial Term date. An income will be recognized in the period when the CEBA loan is forgiven.

Loan payable – October 31, 2021	\$ <u>48,450</u>
Foreign currency translation adjustment	<u>(1,276)</u>
Loan payable – January 31, 2022	\$ <u>47,174</u>

NOTE 12 – COMMON STOCK

No shares of common stock were issued during the three months ended January 31, 2022.

On November 9, 2020, the Company completed the second and final tranche of a two-tranche private placement (the “Private Placement”) for 319,000 units (each, a “Unit”) at a purchase price of \$0.47 per Unit for gross proceeds of \$149,930. Each Unit consists of one share of the Company's common stock and one half of one transferable common stock purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder thereof to acquire one share of common stock at a price of \$0.59 until November 9, 2025. The Company incurred other offering costs associated with the second and final tranche of the Private Placement of \$6,780. Subscribers of the second and final tranche of the Private Placement included management for a total 319,000 Units and gross proceeds of \$149,930.

NOTE 13 – STOCK OPTIONS

The Company has one stock option plan under which equity securities are authorized for issuance to officers, directors, employees and advisors: the 2019 Stock Option and Stock Bonus Plan (the “2019 Plan”). Under the 2019 Plan, the lesser of (i) 3,750,000 shares or (ii) 10% of the total shares outstanding are reserved for issuance upon the exercise of options or the grant of stock bonuses.

Options are typically granted with an exercise price equal to the closing market price of the Company’s stock at the date of grant, have a graded vesting schedule over two years and have a contractual term of five years.

No options were granted or exercised during the three months ended January 31, 2022 and 2021.

The following is a summary of stock option activity for the three months ended January 31, 2022:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at October 31, 2021	<u>43,750</u>	\$ <u>1.35</u>	<u>1.30</u>	\$ —
Outstanding at January 31, 2022	<u>43,750</u>	<u>1.35</u>	<u>1.05</u>	\$ —
Exercisable at January 31, 2022	<u>43,750</u>	<u>1.35</u>	<u>1.05</u>	\$ —

Summarized information about stock options outstanding and exercisable at January 31, 2022 is as follows:

Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ <u>1.35</u>	<u>43,750</u>	<u>1.05</u>	\$ <u>1.35</u>	<u>43,750</u>	<u>1.35</u>

NOTE 14 – WARRANTS

A summary of warrant activity for the three months ended January 31, 2022 is as follows:

Warrants	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding and exercisable at October 31, 2021	<u>1,971,289</u>	\$ <u>0.59</u>	<u>3.99</u>	\$ —
Outstanding and exercisable at January 31, 2022*	<u>1,971,289</u>	<u>0.59</u>	<u>3.74</u>	\$ —

* Pursuant to the terms of the Separation and Distribution Agreement, dated as of August 31, 2021, between Silver Bull and Arras entered into in connection with the Distribution (Note 5), 1,971,289 warrants with a weighted average exercise price of \$0.59 are exercisable into one share of common stock of the Company and one common share of Arras. The Company will receive \$0.34 of the proceeds from the exercise of each of these warrants and the remaining proceeds will be paid to Arras.

No warrants were issued or exercised during the three months ended January 31, 2022.

No warrants were exercised during the three months ended January 31, 2021.

During the three months ended January 31, 2021, the Company issued 159,500 warrants with an exercise price of \$0.59 in connection with the Private Placement.

Summarized information about warrants outstanding and exercisable at January 31, 2022 is as follows:

Warrants Outstanding and Exercisable			
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
<u>\$ 0.59</u>	<u>1,971,289</u>	<u>3.74</u>	<u>\$ 0.59</u>

NOTE 15 – FINANCIAL INSTRUMENTS

Fair Value Measurements

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of financial assets or the assumption of liabilities carried at amortized cost, in which case the transaction costs adjust the carrying amount.

The three levels of the fair value hierarchy are as follows:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; |
| Level 2 | Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and |
| Level 3 | Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity). |

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's financial instruments consist of cash and cash equivalents, investments, accounts payable and loan payable.

The carrying amounts of cash and cash equivalents and accounts payable approximate fair value at January 31, 2022 and October 31, 2021 due to the short maturities of these financial instruments. Investments and loan payable are classified as Level 2 in the fair value hierarchy.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. To mitigate exposure to credit risk on financial assets, the Company has established policies to ensure liquidity of funds and ensure that counterparties demonstrate acceptable levels of creditworthiness.

The Company maintains its U.S. dollar and Canadian dollar cash and cash equivalents in bank and demand deposit accounts with major financial institutions with high credit standings. Cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation (“CDIC”) for up to \$CDN 100,000. Certain Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they relate to U.S. dollar deposits held in Canadian financial institutions. As of January 31, 2022, and October 31, 2021, the Company’s cash and cash equivalent balances held in Canadian financial institutions included \$104,707 and \$98,671, respectively, which was not insured by the CDIC. The Company has not experienced any losses on such accounts, and management believes that using major financial institutions with high credit ratings mitigates the credit risk to cash and cash equivalents.

The Company also maintains cash in bank accounts in Mexico. These accounts are denominated in the local currency and are considered uninsured. As of January 31, 2022, and October 31, 2021, the U.S. dollar equivalent balance for these accounts was \$33,107 and \$10,239, respectively.

Interest Rate Risk

The Company holds substantially all of its cash and cash equivalents in bank and demand deposit accounts with major financial institutions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash and cash equivalent balances during the three months ended January 31, 2022, a 1% decrease in interest rates would have resulted in a reduction of approximately \$6 in interest income for the period.

Foreign Currency Exchange Risk

The Company is not subject to any significant market risk related to foreign currency exchange rate fluctuations.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as investments in Arras common shares. The Company does not hold or issue derivatives for trading or speculative purposes.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Compliance with Environmental Regulations

The Company’s exploration activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays or affect the economics of a project, and cause changes or delays in the Company’s activities.

Property Concessions in Mexico

To properly maintain property concessions in Mexico, the Company is required to pay a semi-annual fee to the Mexican government and complete annual assessment work.

Royalty

The Company has agreed to pay a 2% net smelter return royalty on certain property concessions within the Sierra Mojada Property based on the revenue generated from production. Total payments under this royalty are limited to \$6.875 million (the “Royalty”). To date, no royalties have been paid.

Litigation and Claims

Mineros Norteños Case

On May 20, 2014, Mineros Norteños filed an action in the Local First Civil Court in the District of Morelos, State of Chihuahua, Mexico, against the Company’s subsidiary, Minera Metalin, claiming that Minera Metalin breached an agreement regarding the development of the Sierra Mojada Property. Mineros Norteños sought payment of the Royalty, including interest at a rate of 6% per annum since August 30, 2004, even though no revenue has been produced from the applicable mining concessions. It also sought payment of wages to the cooperative’s members since August 30, 2004, even though none of the individuals were hired or performed work for Minera Metalin under this agreement and Minera Metalin did not commit to hiring them. On January 19, 2015, the case was moved to the Third District Court (of federal jurisdiction). On October 4, 2017, the court ruled that Mineros Norteños was time barred from bringing the case. On October 19, 2017, Mineros Norteños appealed this ruling. On July 31, 2019, the Federal Appeals Court upheld the original ruling. This ruling was subsequently challenged by Mineros Norteños and on January 24, 2020, the Federal Circuit Court ruled that the Federal Appeals Court must consider additional factors in its ruling. In March 2020, the Federal Appeals Court upheld the original ruling after considering these additional factors. In August 2020, Mineros Norteños appealed this ruling, which appeal the Company timely responded and objected to on October 5, 2020. On March 26, 2021, the Federal Circuit Court issued a final and conclusive resolution, affirming the Federal Appeals Court decision. The Company has not accrued any amounts in its interim condensed consolidated financial statements with respect to this claim.

On February 15, 2016, Messrs. Jaime Valdez Farias and Maria Asuncion Perez Alonso (collectively, “Valdez”) filed an action before the Local First Civil Court of Torreon, State of Coahuila, Mexico, against the Company’s subsidiary, Minera Metalin, claiming that Minera Metalin had breached an agreement regarding the development of the Sierra Mojada Property. Valdez sought payment in the amount of \$5.9 million for the alleged breach of the agreement. On April 28, 2016, Minera Metalin filed its response to the complaint, asserting various defenses, including that Minera Metalin terminated the agreement before the payment obligations arose and that certain conditions precedent to such payment obligations were never satisfied by Valdez. The Company and the Company’s Mexican legal counsel asserted all applicable defenses. In May 2017, a final judgment was entered finding for the Company, the defendant, acquitting the Company of all of the plaintiff’s claims and demands. However, due to a technicality in an early procedural act, Valdez was allowed to, and did, challenge the judgment before a local Appeals Court. On October 1, 2020, the Appeals Court entered a resolution overturning the previous judgment and entering a resolution in favor of Valdez in the amount of \$5 million, plus court costs. In November 2020, the judgment of the Appeals Court was timely challenged by the Company by means of an “Amparo” lawsuit (Constitutional protection) before a Federal Circuit Court. In June 2021, the Federal Circuit Court ruled in favor of the plaintiff. The Company believes these judgments are contrary to applicable law. No efforts have been made by the plaintiff to enforce the Appeals Court resolution, and in the event such efforts are undertaken, the Company intends to assert a variety of further defenses. The Company believes the likelihood of the plaintiff succeeding in collecting any amount on this claim is remote, as such the Company has not accrued any amounts in its interim condensed consolidated financial statements with respect to this claim.

From time to time, the Company is involved in other disputes, claims, proceedings and legal actions arising in the ordinary course of business. The Company intends to vigorously defend all claims against the Company and pursue its full legal rights in cases where the Company has been harmed. Although the ultimate outcome of these proceedings cannot be accurately predicted due to the inherent uncertainty of litigation, in the opinion of management, based upon current information, no other currently pending or overtly threatened proceeding is expected to have a material adverse effect on the Company’s business, financial condition or results of operations.

COVID-19

Global outbreaks of contagious diseases, including the December 2019 outbreak of a novel strain of coronavirus (COVID-19), have the potential to significantly and adversely impact our operations and business. On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic. Pandemics or disease outbreaks such as the currently ongoing COVID-19 outbreak may have a variety of adverse effects on our business, including by depressing commodity prices and the market value of our securities and limiting the ability of our management to meet with potential financing sources. The spread of COVID-19 has had, and continues to have, a negative impact on the financial markets, which may impact our ability to obtain additional financing in the near term. A prolonged downturn in the financial markets could have an adverse effect on our business, results of operations and ability to raise capital.

NOTE 17 – SEGMENT INFORMATION

The Company operates in a single reportable segment: the exploration of mineral property interests. The Company has mineral property interests in Sierra Mojada, Mexico.

Geographic information is approximately as follows:

	For the Three Months Ended January 31,	
	2022	2021
Net loss		
Canada	\$ (213,000)	\$ (514,000)
Mexico	(117,000)	(58,000)
Kazakhstan	—	(286,000)
Net Loss	<u>\$ (330,000)</u>	<u>\$ (858,000)</u>

The following table details the allocation of assets included in the accompanying balance sheet at January 31, 2022:

	Canada	Mexico	Total
Cash and cash equivalents	\$ 184,000	\$ 32,000	\$ 216,000
Other receivables	17,000	—	17,000
Prepaid expenses and deposits	74,000	4,000	78,000
Investments	670,000	—	670,000
Value-added tax receivable, net	—	120,000	120,000
Office and mining equipment, net	—	159,000	159,000
Property concessions	—	5,020,000	5,020,000
Goodwill	—	2,058,000	2,058,000
	<u>\$ 945,000</u>	<u>\$ 7,393,000</u>	<u>\$ 8,338,000</u>

The following table details the allocation of assets included in the accompanying balance sheet at October 31, 2021:

	Canada	Mexico	Total
Cash and cash equivalents	\$ 180,000	\$ 10,000	\$ 190,000
Value-added tax receivable, net	—	121,000	121,000
Other receivables	3,000	4,000	7,000
Prepaid expenses and deposits	96,000	100,000	196,000
Investments	1,167,000	—	1,167,000
Office and mining equipment, net	—	164,000	164,000
Property concessions	—	5,020,000	5,020,000
Goodwill	—	2,058,000	2,058,000
	<u>\$ 1,370,000</u>	<u>\$ 7,477,000</u>	<u>\$ 8,923,000</u>

The Company has significant assets in Coahuila, Mexico. Although Mexico is generally considered economically stable, it is always possible that unanticipated events in Mexico could disrupt the Company's operations. The Mexican government does not require foreign entities to maintain cash reserves in Mexico.

The following table details the allocation of exploration and property holding costs for the exploration properties:

	For the Three Months Ended January 31,	
	2022	2021
Exploration and property holding costs for the year		
Mexico	\$ (114,000)	\$ (58,000)
Kazakhstan	—	(286,000)
	<u>\$ (114,000)</u>	<u>\$ (344,000)</u>

NOTE 18 – SUBSEQUENT EVENTS

On February 17, 2022, the Company granted options to acquire 3,150,000 shares of common stock with an exercise price of \$CDN 0.32 per share of common stock.

On February 17, 2022, the Company issued 507,814 shares of common stock at an average of \$0.25 per share of common stock as payment of accrued management bonuses.

On March 3, 2022, the Company granted options to acquire 150,000 shares of common stock with an exercise price of \$CDN 0.32 per share of common stock.