KUYA SILVER CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(Expressed in US Dollars)

(Unaudited)

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars)
(Unaudited)
As at

	June 30, 2022	December 31, 2021
ASSETS		
Current		
Cash	$ 272,295	$ 2,152,611
Receivables	127,821	155,145
Prepaids and advances	102,001	129,009
	502,117	2,436,765
Facilities and equipment (Note 5)	171,995	231,863
Exploration and evaluation assets (Note 6)	24,105,743	24,473,974
	$ 24,779,855	$ 27,142,602
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 7 and 10)	$ 1,362,486	$ 1,244,629
Obligation to issue shares (Note 6)	400,000	400,000
	1,762,486	1,644,629
Reclamation provision (Note 6)	2,109,743	2,114,555
	3,872,229	3,759,184
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	33,552,065	33,172,493
Reserves (Notes 8 and 9)	1,924,522	1,546,716
Deficit	(14,568,961)	(11,335,791)
	20,907,626	23,383,418
	$ 24,779,855	$ 27,142,602

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 16)
Subsequent events (Note 17)

Approved on behalf of the board by:

/s/ "David Stein"
David Stein, Director

/s/ "Dale Peniuk"
Dale Peniuk, Director

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

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in US Dollars)
(Unaudited)

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Property expenses				
Exploration and evaluation expenditures (Notes 6 and 9)	$ 566,085	$ 1,440,156	$ 1,210,952	$ 1,652,784
	566,085	1,440,156	1,210,952	1,652,784
Administrative expenses				
Administrative costs	10,573	10,988	21,235	21,652
Consulting fees (Note 10)	6,211	20,992	6,211	90,400
Directors' fees (Note 10)	26,356	25,263	50,412	49,778
Filing fees	8,824	12,394	16,213	19,162
Management fees (Note 10)	16,447	105,135	33,032	205,177
Marketing and investor relations	94,719	78,114	151,980	134,925
Office and miscellaneous	108,116	74,198	214,615	156,333
Professional fees (Note 10)	118,402	105,938	196,496	161,920
Share-based compensation (Notes 9 and 10)	278,618	281,422	508,282	339,907
Shareholder communication	7,083	9,248	10,005	10,038
Transfer agent	5,536	3,688	7,326	6,554
Travel	42,272	58,195	93,913	82,325
Wages and benefits (Note 10)	326,267	145,509	650,842	222,693
	(1,049,424)	(931,084)	(1,960,562)	(1,500,864)
Operating loss	(1,615,509)	(2,371,240)	(3,171,514)	(3,153,648)
Accretion expense (Note 6)	(12,270)	-	(24,642)	-
Equity (loss) in CobalTech (Note 4)	-	(110,845)	-	(110,845)
Foreign exchange gain (loss)	(30,502)	220,458	(41,811)	94,693
Gain on settlement of accounts payable and accrued liabilities (Note 8)	4,797	-	4,797	-
Interest income	-	1,177	-	6,443
	(37,975)	110,790	(61,656)	(9,709)
Loss for the period	(1,653,484)	(2,260,450)	(3,233,170)	(3,163,357)
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit and loss				
Foreign currency translation adjustment	(652,360)	232,384	(309,968)	475,178
Comprehensive loss for the period	$ (2,305,844)	$ (2,028,066)	$ (3,543,138)	$ (2,688,179)
Loss per common share – basic and diluted	$ (0.04)	$ (0.06)	$ (0.07)	$ (0.08)
Weighted average number of common shares outstanding – basic and diluted	45,635,685	40,473,298	45,457,833	39,572,542

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

KUYA SILVER CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US Dollars)

(Unaudited)

	Share Capital										
	Number of shares		Amount		Share-based reserves		Foreign currency translation reserves		Deficit		Total
December 31, 2020	37,902,096	$	22,837,377	$	472,133	$	537,855	$	(4,359,845)	$	19,487,520
Issuance of units for cash (Note 8)	4,842,650		7,184,875		357,260		-		-		7,542,135
Share issue costs	-		(567,961)		-		-		-		(567,961)
Issuance of common shares on acquisition of CobalTech (Note4)	1,437,470		2,668,079		-		-		-		2,668,079
Issuance of common shares on exercise of options (Notes 8 and 9)	50,000		63,607		(28,430)		-		-		35,177
Issuance of common shares on exercise of performance warrants (Note 8)	276,624		85,016		(84,878)		-		-		138
Warrants expired (Note 8)	-		-		(100)		-		100		-
Share-based compensation (Note 9)	-		-		339,907		-		-		339,907
Foreign currency translation	-		-		-		475,178		-		475,178
Loss for the period	-		-		-		-		(3,163,357)		(3,163,357)
June 30, 2021	44,508,840		32,270,993		1,055,892		1,013,033		(7,523,102)		26,816,816
Issuance of common shares on acquisition of exploration and evaluation assets (Note 6)	671,141		771,916		-		-		-		771,916
Issuance of common shares on exercise of options (Notes 8 and 9)	100,000		129,584		(56,859)		-		-		72,725
Options forfeited or expired (Note 9)	-		-		(35,686)		-		35,686		-
Share-based compensation (Note 9)	-		-		183,763		-		-		183,763
Foreign currency translation	-		-		-		(613,427)		-		(613,427)
Loss for the period	-		-		-		-		(3,848,375)		(3,848,375)
December 31, 2021	45,279,981	$	33,172,493	$	1,147,110	$	399,606	$	(11,335,791)	$	23,383,418

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

KUYA SILVER CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd…)

(Expressed in US Dollars)

(Unaudited)

	Share Capital										
	Number of shares		Amount		Share-based reserves		Foreign currency translation reserves		Deficit		Total
December 31, 2021	45,279,981	$	33,172,493	$	1,147,110	$	399,606	$	(11,335,791)	$	23,383,418
Issuance of units for cash (Note 8)	804,334		378,908		177,921		-		-		556,829
Share issue costs	-		(11,034)		-		-		-		(11,034)
Issuance of common shares on settlement of accounts payable and accrued liabilities (Note 8)	26,000		11,698		1,571		-		-		13,269
Share-based compensation (Note 9)	-		-		508,282		-		-		508,282
Foreign currency translation	-		-		-		(309,968)		-		(309,968)
Loss for the period	-		-		-		-		(3,233,170)		(3,233,170)
June 30, 2022	46,110,315	$	33,552,065	$	1,834,884	$	89,638	$	(14,568,961)	$	20,907,626

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

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)
(Unaudited)

		Six months ended June 30, 2022		Six months ended June 30, 2021
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Loss for the period	$	(3,233,170)	$	(3,163,357)
Adjust for items not involving cash:				
Depreciation		57,161		743
Accretion expense		24,642		-
Share-based compensation		508,282		339,907
Equity loss in CobalTech		-		110,845
Unrealized foreign exchange loss (gain)		14,691		35,605
Gain on settlement of accounts payable and accrued liabilities		(4,797)		-
Change in non-cash working capital items:				
Receivables		28,216		(46,400)
Prepaids and advances		23,761		(124,386)
Accounts payable and accrued liabilities		153,689		(465,105)
Net cash used in operating activities		(2,427,525)		(3,312,148)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Investment in and advances to CobalTech (Note 4)		-		(821,904)
Advances to suppliers for capital expenditures		-		(325,897)
Additions to facilities and equipment		-		(281,985)
Additions to exploration and evaluation assets		-		(293,500)
Net cash used in investing activities		-		(1,723,286)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITY				
Proceeds from issuance of share capital		556,829		7,577,450
Share issue costs		(11,034)		(509,082)
Repayment of related party loans		-		(158,012)
Net cash provided by financing activity		545,795		6,910,356
Change in cash		(1,881,730)		1,874,922
Effect of foreign exchange on cash		1,414		(49,469)
Cash, beginning of period		2,152,611		4,904,562
Cash, end of period	$	272,295	$	6,730,015

Supplemental cash flow information (Note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Kuya Silver Corporation (the "Company") is a mineral exploration and development company with a focus on acquiring, exploring and advancing precious metal assets in Peru and Canada. The Company's head office and principal address is located at 150 King Street West, Suite 200, Toronto, ON, M5J 1J9. The Company's registered and records office is located at 40440 Thunderbird Ridge, Squamish, BC, V8B 0G1. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol KUYA.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's continuation as a going concern is dependent upon its ability to complete financings sufficient to meet current and future obligations, the successful results from its business activities, and its ability to operate profitably and generate funds. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Although the Company raised capital in the previous and subsequent (Note 17) reporting periods through private placements of its common shares and exercise of stock options and warrants, additional funding will be required to continue current operations and further advance its existing exploration and evaluation assets in the upcoming 12 months. These factors indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. Since the declaration, the COVID-19 pandemic has adversely affected workforces, economies, and financial markets globally. The spread of COVID-19, as well as the Government efforts to curtail the spread of COVID-19 resulted in temporary travel restriction to Peru and office closures both in Peru and Canada, which made working more challenging, however, disruptions were minimal to our business in 2021 and 2022. The extent to which COVID-19 may impact the Company's business and operations will depend on future developments that are highly uncertain and cannot be accurately estimated at this time, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

The Company's operating costs, and capital costs are affected by the cost of commodities and goods such as fuel and supplies, which have been assumed to be available for purchase. It has also been assumed that the Company will have access to the required amount of sufficiently skilled labour as required for operations. Certain factors are outside the Company's control and an increase in the costs of (due to inflation, impacts of the Russia and Ukraine conflict, or otherwise), or a lack of availability of, commodities, goods and labour may have an adverse impact on the Company's financial condition and results of operations.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021, prepared in accordance with IFRS as issued by the IASB.

Approval of the consolidated financial statements

These condensed interim consolidated financial statements were authorized by the Board of Directors ("Board") of the Company on August 18, 2022.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value.

Functional and presentation currency

The condensed interim financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Kuya Silver Corporation, is the Canadian dollar, and the functional currency of each of the Company's subsidiaries is the Canadian dollar. The presentation currency of the Company is the United States ("US") dollar. Canadian dollars are represented by CAD $.

Principles of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities which the Company controls, either directly or indirectly, where control is defined as the power to govern an entity's financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that may arise upon the exercise or conversion of non-voting securities are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are deconsolidated from the date on which control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

2. BASIS OF PRESENTATION (cont'd…)

Principles of consolidation (cont'd…)

Name of subsidiary	Country of incorporation	Percentage of ownership	Principal activity
CobalTech Mining Inc. ("CobalTech")	Canada	100%	Exploration in Canada
Kuya Silver Inc.	Canada	100%	Holding company
Puno Gold Corporation	Canada	100%	Holding company (inactive)
Minera Toro del Plata S.A.C. ("MTP")	Peru	100%	Exploration in Peru
Kuya Silver S.A.C.	Peru	100%	Holding company
Kuya Servicios Mineros S.A.C.	Peru	100%	Service company
Minera Puno Gold S.A.C.	Peru	100%	Exploration in Peru (inactive)
Kuya Silver Panama, S.A.	Panama	100%	Holding company (inactive)

Significant estimates

The preparation of these condensed interim consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

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

Valuation of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of compensatory options and warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

Accounting for acquisitions

The determination of fair value as of the acquisition date requires management to make certain estimates about future events, including, but not restricted to, fair value of assets including acquired mineral reserves and resources and ore stockpiles, exploration potential, reclamation provisions, future operating costs and capital expenditures, future metal prices, long-term foreign exchange rates and discount rates as well as the determination of fair value of consideration provided.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

Estimated reclamation and closure costs

The Company's provision for reclamation and closure cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs directly attributable to remediating the liability, inflation, movements in foreign exchange rates, and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognized by the Company. To the extent the carrying value of the related mining property is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties.

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are, but are not limited to, the following:

Carrying value and the recoverability of exploration and evaluation assets

Management has determined that expenditures incurred on exploration and evaluation assets which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities, and existing permits.

Determination of functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment. The Company has determined the functional currency of each entity to be the Canadian dollar.

Business combinations

Determination of whether a set of assets acquired, and liabilities assumed, constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction with CobalTech was determined to constitute an acquisition of assets (Note 4).

2. BASIS OF PRESENTATION (cont'd…)

Significant judgments (cont'd…)

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Classification of investments as subsidiaries, joint ventures, associated companies or portfolio investments

Classification of investments requires judgement as to whether the Company controls, has joint control of, or has significant influence over the strategic financial and operating decisions relating to the activities of the investee. In assessing the level of control or influence that the Company has over an investee, management considers ownership percentages of the securities of the investee, board representation of the investee as well as other relevant provisions in shareholder or other agreements. If an investor holds or has the ability to hold 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

Going concern

The Company has exercised judgment in determining whether its available funds are sufficient to continue operations for 12 months from the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended December 31, 2021, except as noted below.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based compensation

The Company determines the fair value of the restricted share units ("RSUs") and performance share units ("PSUs") on the date of grant. This fair value is charged to profit or loss over the vesting period of the RSUs or PSUs, with a corresponding credit to reserves if equity-settled. If the RSUs or PSUs are cash-settled and recorded as an obligation, the obligation is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in share-based compensation expense in profit or loss.

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2023 which have not been applied in preparing these consolidated financial statements as they are not yet effective. The standards and amendments to standards that would be applicable to the consolidated financial statements of the Company are the following:

IAS 12, Income Taxes

The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. This amendment is effective for financial statements beginning on or after January 1, 2023, with early adoption permitted.

While management does not currently anticipate these amendments having a material effect on the Company's consolidated financial statements for 2023, they may have an effect in periods beyond 2023.

4. ACQUISITION OF COBALTECH

On February 26, 2021, the Company entered into a share purchase and option agreement (the "Purchase Agreement") with Electra Battery Metals Corporation ("Electra", formerly known as First Cobalt Corp.), a Canadian public company that owned certain silver mineral exploration assets (the "Kerr Assets"), located in north-eastern Ontario, Canada. On March 1, 2021, the transaction was completed, and the Company paid CAD $1,000,000 ($789,827) and issued a total of 1,437,470 common shares, at a value of $2,668,079 or CAD $2.35 ($1.86) per share, for a total cost of $3,457,906 for 100% of the issued and outstanding common shares and preferred shares of CobalTech. 1,000 class A shares were retained by Electra to facilitate the flow through share expenditure arrangements detailed below.

(Expressed in US Dollars)

4. ACQUISITION OF COBALTECH (cont'd…)

As part of the Purchase Agreement, Electra agreed to provide CobalTech with CAD $500,000 at the time of closing, for the Company to utilize on flow-through eligible expenditures prior to December 31, 2021. In order to facilitate these flow-through expenditure arrangements, Electra subscribed for 1,000 Class A shares of CobalTech. On closing, Electra maintained ownership of the Class A shares, which granted Electra the ability to appoint a majority of the directors of CobalTech, until such time as the Class A shares are redeemed, as described below. Accordingly, the Company was not considered to have control over CobalTech and instead, was considered to have significant influence over the financial and operating decisions of CobalTech until the Class A shares are redeemed. The Company initially recorded its interest in CobalTech as an equity investment.

The Class A shares were redeemable at the option of CobalTech at a price of CAD $0.001 per Class A share. As a condition of the Purchase Agreement, the Class A shares could not be redeemed until CobalTech incurred CAD $500,000 of flow through eligible expenditures on the mineral properties comprising the Kerr Assets described above. As at September 30, 2021, CobalTech incurred the CAD $500,000 of flow-through eligible expenditures, renounced these flow-through eligible expenditures to Electra and redeemed the Class A shares. As a result, the Company obtained control and consolidated CobalTech effective September 30, 2021.

The Company's share of the equity loss of CobalTech from acquisition on March 1, 2021 until consolidation effective September 30, 2021 was $208,172. A reconciliation of the equity investment for 2021 is as follows:

		CobalTech
Equity investment		
December 31, 2020	$	-
Additions		3,457,906
Equity (loss) for the period from acquisition on March 1 to September 29, 2021		(208,172)
Adjustment on currency translation		(9,987)
Adjustment on consolidating CobalTech		(3,239,747)
Total equity investment as at December 31, 2021		-
Advances		
December 31, 2020		-
Additions		303,034
Adjustment on currency translation		(18,676)
Adjustment on consolidating CobalTech		(284,358)
Total advances as at December 31, 2021		-
Total equity investment and advances as at December 31, 2021	**$**	**-**

(Expressed in US Dollars)

4. ACQUISITION OF COBALTECH (cont'd…)

As at June 30, 2021, CobalTech's aggregate assets, aggregate liabilities and loss for the period from acquisition on March 1 to June 30, 2021 are as follows:

	CobalTech
Current assets	$ 74,258
Non-current assets	4,602,402
Total assets	$ 4,676,660
Liabilities	$ 153,504
Non-current liabilities	1,223,517
Total liabilities	$ 1,377,021
Loss for the period from acquisition on March 1 to June 30, 2021	$ 110,845
The Company's common share ownership percentage	100%
The Company's share of the loss for the period	$ 110,845

Effective September 30, 2021, CobalTech redeemed the Class A shares held by Electra, thereby providing the Company with control over 100% of the issued and outstanding shares of CobalTech.

CobalTech did not meet the definition of a business for accounting purposes in accordance with IFRS 3. For accounting purposes, the transition from CobalTech being an equity investment to consolidating 100% of CobalTech into the consolidated financial statements of the Company was treated as an asset acquisition. As such, effective on the redemption of the class A shares, the fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:	
Equity investment	$ 3,239,747
Advances	284,358
	$ 3,524,105
Allocated as follows:	
Cash	$ 7,555
Receivables	61,820
Prepaids and advances	17,703
Exploration and evaluation assets	4,606,463
Accounts payable and accrued liabilities	(7,672)
Reclamation provision	(1,161,764)
	$ 3,524,105

(Expressed in US Dollars)

5. FACILITIES AND EQUIPMENT

	Construction in progress	Facilities and leasehold improvements	Vehicles	Field equipment	Total
COST					
December 31, 2020	$ -	$ -	$ -	$ 11,789	$ 11,789
Additions	253,464	-	28,521	-	281,985
Transfer	(253,464)	253,464	-	-	-
Adjustment on currency translation	-	(2,556)	(1,061)	41	(3,576)
December 31, 2021	-	250,908	27,460	11,830	290,198
Adjustment on currency translation	-	(3,775)	(413)	(178)	(4,336)
June 30, 2022	**$ -**	**$ 247,133**	**$ 27,047**	**$ 11,652**	**$ 285,832**
ACCUMULATED DEPRECIATION					
December 31, 2020	$ -	$ -	$ -	$ 363	$ 363
Depreciation	-	54,558	2,787	1,479	58,824
Adjustment on currency translation	-	(792)	(40)	(20)	(852)
December 31, 2021	-	53,766	2,747	1,822	58,335
Depreciation	-	53,691	2,742	728	57,161
Adjustment on currency translation	-	(1,543)	(79)	(37)	(1,659)
June 30, 2022	**$ -**	**$ 105,914**	**$ 5,410**	**$ 2,513**	**$ 113,837**
NET BOOK VALUE					
December 31, 2021	$ -	$ 197,142	$ 24,713	$ 10,008	$ 231,863
June 30, 2022	**$ -**	**$ 141,219**	**$ 21,637**	**$ 9,139**	**$ 171,995**

Construction in progress was related to capital costs incurred in connection with constructing buildings and leasehold improvements at an exploration camp at Bethania (Note 6). No depreciation is recorded on assets under construction. Construction of these facilities were considered completed as at June 30, 2021 and the associated costs were transferred to facilities and leasehold improvements. Deprecation is included in operations and supplies in exploration and evaluation expenditures.

(Expressed in US Dollars)

6. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets include assets in Peru and in Canada.

Project	Bethania Silver Project	Kerr	Silver Kings JV	Total
December 31, 2020	$ 16,726,267	$ -	$ -	$ 16,726,267
Additions	1,457,500	-	-	1,457,500
Additions from acquisition of CobalTech (Note 4)	-	4,606,463	-	4,606,463
Issuance of common shares	-	-	771,916	771,916
Reclamation provision adjustment	-	904,799	-	904,799
Adjustment on currency translation	8,079	4,440	(5,490)	7,029
December 31, 2021	18,191,846	5,515,702	766,426	24,473,974
Adjustment on currency translation	(273,711)	(82,988)	(11,532)	(368,232)
June 30, 2022	**$ 17,918,135**	**$ 5,543,714**	**$ 754,894**	**$ 24,105,743**

Bethania Silver Project, Peru

The Company's Bethania Silver Project consists of three properties in the same area of interest, Bethania, Carmelita, and Tres Banderas.

Bethania

In fiscal 2020, the Company completed the acquisition of MTP, whose principal asset is its interest in Bethania. The acquisition value attributed to Bethania was $16,755,385.

As at June 30, 2022, the Company has recorded a reclamation provision in the amount of $48,866 (December 31, 2021 - $46,873) as an estimate for potential future reclamation and rehabilitation obligations at Bethania, based on activities to date. The estimated costs to be incurred have been adjusted for inflation of 3% (December 31, 2021 - 2%) and then discounted using current market-based pre-tax discount rate of 5% (December 31, 2021 - 5%).

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Bethania Silver Project, Peru (cont'd…)

Carmelita

In fiscal 2021, the Company acquired mining concessions located in the district of Acobambilla, department of Huancavelica, Peru, west of Bethania, known as the Carmelita concessions for a total purchase price of $892,500, consisting of $492,500 in cash and $400,000 in common shares. Upon signing of the agreements, $293,500 was paid. The remaining $199,000 was due on May 14, 2022 and the vendor has agreed to extend the due date to later in 2022. The $400,000 in common shares in the capital of the Company is due to be issued on November 14, 2022 at a deemed price per common share equal to the 10-day average closing price of the common shares on the CSE, ending on the day prior to issuance.

The $199,000 has been recorded in accounts payable and accrued liabilities (Note 7) and the $400,000 in common shares has been reflected as an obligation to issue shares and classified as a liability since the obligation will be settled with a variable number of shares.

Tres Banderas

The Company has mining concessions located in the district of Acobambilla, department of Huancavelica, Peru, south of Bethania, known as the Tres Banderas Concessions. In fiscal 2021, the Company acquired additional concessions in the district via a sealed-bid auction for total cash payments of $565,000.

Kerr, Canada

On September 30, 2021, the Company commenced consolidating CobalTech, whose principal asset was its interest in the Kerr Project. The acquisition value attributed to the project was $4,606,463 (Note 4).

As at June 30, 2022, the Company has recorded a reclamation provision in the amount of $2,060,877 (December 31, 2021 - $2,067,682) as an estimate for potential future reclamation and rehabilitation obligations on Kerr, based on the historical activities on the project to date. The estimated costs to be incurred have been adjusted for inflation of 3% (December 31, 2021 - 2%) and then discounted using current market-based pre-tax discount rate of 2.4% (December 31, 2021 - 1.4%). Subsequent to the closing date of the acquisition of CobalTech in fiscal 2021, the Company recorded a change in estimate related to the reclamation provision of $904,799, which was recorded as an increase to exploration and evaluation assets. During the six months ended June 30, 2022, the Company recorded accretion related to the reclamation provision of $24,642 (2021 - $nil), which was recorded as an increase to the reclamation provision, with an offsetting amount to accretion expense.

Silver Kings JV, Canada

The Purchase Agreement with Electra (Note 4) also provides the Company with an option (the "Option") to acquire up to a 70% interest in Electra's remaining silver mineral assets (the "Remaining Assets") in the Cobalt, Ontario area and to form a joint venture.

(Expressed in US Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Silver Kings JV, Canada (cont'd…)

In fiscal 2021, the Company issued 671,141 common shares to Electra, valued at $771,916 (CAD $973,154), for the initial earn-in payment under the Option. To fully exercise the Option, the Company must make cash payments totaling CAD $2,000,000 and complete work commitments of CAD $4,000,000, as follows:

	Acquisition in cash (in CAD)	Work commitments (in CAD)
Requirements on or before:		
September 1, 2021 ("Initial Earn-In") - completed	$ 1,000,000	$ -
September 1, 2022 (49% interest)	300,000	2,000,000
September 1, 2023 (additional 11% interest)	350,000	1,000,000
September 1, 2024 (additional 10% interest)	350,000	1,000,000
	$ 2,000,000	$ 4,000,000

The Purchase Agreement provides that the Company may issue an equivalent value in common shares of the Company at the 20-day volume-weighted average price in lieu of making the cash payments. Following the completion of the Initial Earn-In payment, the Company and Electra are negotiating the terms of a joint venture agreement for the joint exploration and development of the Remaining Assets. The Company is currently negotiating an amendment with Electra to extend the deadline of the work commitments.

<u>Exploration and evaluation expenditures</u>

Exploration and evaluation expenditures for the six months ended June 30, 2022 are as follows:

Project	Bethania Silver Project	Kerr	Silver Kings JV	Total
Civil works and engineering	$ 315,957	$ -	$ -	$ 315,957
Geology and drilling	146,982	-	-	146,982
Operations and supplies	195,141	12,681	11,145	218,967
Property maintenance, licences and rights	9,295	9,927	-	19,222
Safety and environment	83,375	1,841	-	85,216
Value-added tax	146,523	-	-	146,523
Wages and benefits	203,615	24,228	50,242	278,085
Total	$ 1,100,888	$ 48,677	$ 61,387	$ 1,210,952

(Expressed in US Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Exploration and evaluation expenditures (cont'd…)

Exploration and evaluation expenditures for the six months ended June 30, 2021 are as follows:

Project	Bethania Silver Project	Kerr[(1)]	Silver Kings JV [(2)]	Total
Civil works and engineering	$ 418,561	$ -	$ -	$ 418,561
Geology and drilling	475,167	-	-	475,167
Operations and supplies	179,439	-	-	179,439
Property maintenance, licences and rights	134,857	-	-	134,857
Safety and environment	30,732	-	-	30,732
Value-added tax	266,058	-	-	266,058
Wages and benefits	147,970	-	-	147,970
Total	$ 1,652,784	$ -	$ -	$ 1,652,784

1) Exploration and evaluation expenditures incurred on Kerr until September 30, 2021 (date of consolidation of CobalTech) are not reflected in this table.

2) Following the Silver Kings JV Initial Earn-In payment on September 1, 2021, the Company started incurring exploration and evaluation expenditures on that project.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2022	December 31, 2021
Accounts payable	$ 1,031,875	$ 877,286
Carmelita agreement (Note 6)	199,000	199,000
Accrued liabilities	131,611	168,343
	$ 1,362,486	$ 1,244,629

8. SHARE CAPITAL

Authorized share capital

The Company's authorized capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at June 30, 2022, the Company had not issued any preferred shares.

Issued share capital

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

a) 4,842,650 units at a price of CAD $1.90 per unit, on a "bought deal" private placement basis, for total proceeds of $7,542,135 (CAD $9,201,035). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD $2.60 per common share for a period of 24 months from the date of issue. The 2,421,325 warrants were valued at $357,260. The Company paid a total of $567,961 for fees and other share issue costs.
b) 1,437,470 common shares, valued at $2,668,079, pursuant to the acquisition of CobalTech (Note 4);
c) 671,141 common shares, valued at $771,916, pursuant to the acquisition of Silver Kings JV (Note 6);
d) 150,000 common shares, for proceeds of $107,902, on the exercise of options; and
e) 276,624 common shares, for proceeds of $138, on the exercise of performance warrants.

During the six months ended June 30, 2022, the Company issued:

a) 804,334 units at a price of CAD $0.90 per unit by way of a private placement that closed in two tranches, for total proceeds of $556,829 (CAD $723,901). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD $1.20 per common share for a period of 24 months from the date of issue. The 402,166 warrants were valued at $177,921. The Company paid a total of $11,034 for fees and other share issue costs; and
b) 26,000 units, valued at $13,269, for the settlement of accounts payable, which resulted in a gain on settlement of accounts payable and accrued liabilities of $4,797. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD $1.20 per common share for a period of 24 months from the date of issue. The common shares were valued at $11,698 and the warrants were valued at $1,571, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.10%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 84%.

Escrow shares

On October 7, 2020, the Company entered into an escrow agreement pursuant to which 8,869,165 common shares were placed in escrow. These shares are subject to release in tranches over time; 10% of the securities were released on October 7, 2020 and the remaining escrowed securities will be released in six tranches of 15% every six months thereafter. As at June 30, 2022, there are 3,991,123 (December 31, 2021 - 5,321,498) shares held in escrow.

(Expressed in US Dollars)

8. SHARE CAPITAL (cont'd…)

Share purchase warrants

The continuity of share purchase warrants of the Company was as follows:

	Number of warrants		Weighted average exercise price (in CAD)
Balance as at December 31, 2020	479,665	$	5.00
Issued	2,421,325		2.60
Expired	(479,665)		5.00
Balance as at December 31, 2021	2,421,325		2.60
Issued	415,166		1.20
Balance as at June 30, 2022	2,836,491	$	2.40

As at June 30, 2022, the Company had outstanding share purchase warrants enabling the holder to acquire common shares as follows:

Number of share purchase warrants		Exercise price (in CAD)	Weighted average remaining life (years)	Expiry date
2,421,325	$	2.60	0.96	June 16, 2023
326,666	$	1.20	1.87	May 12, 2024
88,500	$	1.20	2.00	June 30, 2024
2,836,491				

Performance warrants

During the six months ended June 30, 2022, nil (2021 - 276,624) performance warrants were exercised; accordingly, the $nil (2021 - $84,878) issue-date fair value associated with the warrants was reclassified from reserves to share capital.

(Expressed in US Dollars)

8. SHARE CAPITAL (cont'd…)

Performance warrants (cont'd…)

The continuity of performance warrants of the Company was as follows:

	Number of warrants		Weighted average exercise price
Balance as at December 31, 2020	276,624	$	0.0005
Exercised	(276,624)		0.0005
Balance as at December 31, 2021 and June 30, 2022	-	$	-

9. SHARE-BASED COMPENSATION

The Company's shareholders approved an amended equity incentive plan ("the Plan") on June 29, 2022, which provides for the grant of stock options and awards ("Awards") that enable the acquisition of common shares of the Company. Awards include RSUs and PSUs. The purpose of the Plan is to attract, retain and motivate directors, officers, employees and external service providers by providing them with the opportunity to acquire a proprietary interest in the Company. The options are equity-settled awards, while the RSUs and PSUs can be cash-settled or equity-settled awards as determined by the Company's Board or a committee thereof ("Committee"), at the time of grant. This Plan replaces the 2016 Stock Option Plan of the Company (the "Original Plan"). The maximum number of common shares that may be issued pursuant to options and Awards under this Plan shall be determined from time to time but shall not together with any other share compensation arrangement adopted by the Company in the aggregate exceed 10% of the outstanding common shares of the Company.

Stock options

The Company has a shareholder-approved rolling stock option plan under which the committee appointed by the Board to administer this Plan may, from time to time in its discretion, grant options to acquire common shares of the Company to its directors, officers, employees, consultants and advisors with an expiry date of a maximum of five years from the date of grant. The exercise price of each option is determined by the Committee but shall not be less than the greater of the fair market value on the trading day prior to the date of grant and the date of grant. At the time of grant, the Committee may determine when an option will become exercisable, subject to the rules of the CSE. The vesting schedule of the options is determined at the discretion of the Committee, but generally vest over equally over a three-year period, starting on the date of grant and the first and second anniversaries of date of grant, provided that the participant's termination date does not occur prior to the applicable vesting date.

(Expressed in US Dollars)

9. SHARE-BASED COMPENSATION (cont'd…)

Stock options (cont'd…)

Under the Original Plan, the exercise price of each option could not be less than the market price of the Company's shares on the date prior to the date of grant less any discounts permitted by the CSE under its policies and could be granted for a maximum term of 10 years with vesting provisions as determined by the Board.

During the six months ended June 30, 2022, the Company granted 577,500 (2021 - 625,000) stock options with a fair value of $290,061 (2021 - $533,071) using the Black-Scholes option pricing model assuming a life expectancy of 5 years (2021 - 4.5 years), a risk-free interest rate of 1.64% (2021 - 0.88%), a forfeiture rate of nil (2021 - nil), and volatility of 86% (2021 - 93%).

During the six months ended June 30, 2022, the Company expensed $319,017 (2021 - $339,907) for the fair value of options, which was recorded in share-based compensation.

During the six months ended June 30, 2022, nil (2021 - 50,000) incentive stock options were exercised; accordingly, the $nil (2021 - $28,430) fair value associated with the options was reclassified from reserves to share capital.

The continuity of option transactions of the Company was as follows:

	Number of options		Weighted average exercise price (in CAD)
Balance as at December 31, 2020	1,222,500	$	1.63
Granted	625,000		1.69
Forfeited	(155,000)		2.98
Exercised	(150,000)		0.90
Balance as at December 31, 2021	1,542,500		1.59
Granted	577,500		0.94
Balance as at June 30, 2022	2,120,000	$	1.41
Exercisable as at June 30, 2022	1,470,000	$	1.55

(Expressed in US Dollars)

9. SHARE-BASED COMPENSATION (cont'd…)

Stock options (cont'd…)

As at June 30, 2022, the Company had outstanding options enabling the holder to acquire common shares as follows:

Number of options	Number of exercisable options		Exercise price (in CAD)	Weighted average remaining life (years)	Expiry date
30,000	30,000	$	3.70	0.68	March 6, 2023
125,000	125,000	$	3.75	0.88	May 17, 2023
100,000	100,000	$	1.55	0.98	June 24, 2023
62,500	62,500	$	4.15	1.65	February 21, 2024
770,000	556,667	$	0.90	3.26	October 1, 2025
275,000	183,333	$	1.55	3.99	June 24, 2026
180,000	120,000	$	1.90	3.99	June 24, 2026
577,500	292,500	$	0.94	4.59	January 31, 2027
2,120,000	1,470,000				

Restricted share units and performance share units

During the six months ended June 30, 2022, following approval of the Plan by the shareholders, the Company granted 700,000 (2021 - nil) RSUs with a fair value of $326,208 (2021 - $nil), which vest over a period of up to 18 months. As at June 30, 2022, the Company had not issued any PSUs.

During the six months ended June 30, 2022, the Company expensed $189,265 (2021 - $nil) for the fair value of RSUs, which was recorded in share-based compensation.

(Expressed in US Dollars)

9. SHARE-BASED COMPENSATION (cont'd…)

Restricted share units and performance share units (cont'd…)

The continuity of RSUs transactions of the Company was as follows:

	Number of RSUs
Balance as at December 31, 2020 and 2021	-
Granted	700,000(1
Balance as at June 30, 2022	700,000
Vested as at June 30, 2022	400,000(1)

(1) As at June 30, 2022, there were 400,000 RSUs that had vested but had not yet been issued (Note 17).

10. RELATED PARTY TRANSACTIONS

The Company considers key management personnel to consist of its directors and officers. The following expenses were incurred in transactions with key management personnel and their spouses:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Consulting fees	$ 5,957	$ -
Directors' fees	48,265	48,115
Management fees	-	94,225
Professional fees	-	28,769
Share-based compensation	445,560	198,804
Wages and benefits	281,723	-
	$ 781,505	$ 369,913

During the six months ended June 30, 2022, administrative and exploration and evaluation expenditures of $180,177 (2021 - $nil) were paid or accrued to a related entity, which provides engineering and subcontractor services for the Bethania Silver Project. As at June 30, 2022, included in accounts payable and accrued liabilities was $82,397 (December 31, 2021- $nil) owing to this entity.

As at June 30, 2022, included in accounts payable and accrued liabilities was $80,389 (December 31, 2021- $19,643) owing to officers and directors.

(Expressed in US Dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash financing and investing activities are as follows:

		Six months ended June 30, 2022		Six months ended June 30, 2021
Share issue costs included in accounts payable and accrued liabilities	$	-	$	58,879
Reclassification of reserves to share capital on exercise of options	$	-	$	28,430
Reclassification of reserves to share capital on exercise of warrants	$	-	$	84,878
Reclassification of reserves to deficit on expiry of warrants	$	-	$	100
Residual value of warrants issued in private placement	$	177,921	$	357,260
Units issued for settlement of accounts payable and accrued liabilities	$	13,269	$	-
Shares issued on acquisition of CobalTech	$	-	$	2,668,079
Obligation to issue shares for Carmelita concessions	$	-	$	400,000
Cost of Carmelita concessions included in accounts payable and accrued liabilities	$	-	$	199,000

12. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment being the acquisition and exploration of exploration and evaluation assets located in Canada and Peru. Geographic information is as follows:

		Canada		Peru		Total
As at June 30, 2022						
Exploration and evaluation assets	$	6,187,608	$	17,918,135	$	24,105,743
Other assets		415,417		258,695		674,112
Total assets	$	6,603,025	$	18,176,830	$	24,779,855
For the three months ended June 30, 2022						
Loss	$	(563,189)	$	(1,090,295)	$	(1,653,484)
For the six months ended June 30, 2022						
Loss	$	(1,267,450)	$	(1,965,720)	$	(3,233,170)

(Expressed in US Dollars)

12. SEGMENTED INFORMATION (cont'd…)

	Canada	Peru	Total
As at December 31, 2021			
Exploration and evaluation assets	$ 6,282,128	$ 18,191,846	$ 24,473,974
Other assets	2,253,370	415,258	2,668,628
Total assets	$ 8,535,498	$ 18,607,104	$ 27,142,602
For the three months ended June 30, 2021			
Loss	$ (683,957)	$ (1,576,493)	$ (2,260,450)
For the six months ended June 30, 2021			
Loss	$ (1,022,734)	$ (2,140,623)	$ (3,163,357)

13. FINANCIAL INSTRUMENT RISKS

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at June 30, 2022, the Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets, being cash and receivables. The Company's primary bank accounts are held with major Canadian banks and funds are transferred to the subsidiary's foreign bank accounts as required to cover current expenditures, minimizing the risk to the Company. Receivables are primarily due from a government agency.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have sufficient cash as at June 30, 2022 to settle its current liabilities as they come due and additional funds are required to continue current operations for the upcoming twelve months (Notes 1 and 17).

13. FINANCIAL INSTRUMENT RISKS (cont'd…)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes:

Foreign currency exchange risk

This risk relates to any changes in foreign currencies in which the Company transacts. The Company incurs costs for goods and services denominated in currencies other than the presentation currency and is subject to foreign currency risk on assets and liabilities denominated in currencies other than the United States dollar. The effect of a 10% change in the foreign exchange rate on monetary balances held in United States dollar and Peruvian soles accounts would be approximately $103,000 recorded in profit or loss for the six months ended June 30, 2022. The effect of a 10% change in the foreign exchange rate on monetary balances held in CAD dollar and Peruvian soles accounts would be approximately $79,000 recorded in other comprehensive income or loss for the six months ended June 30, 2022.

Interest rate risk

This risk relates to the change in the borrowing rates affecting the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% increase or decrease in the interest rates would have a nominal impact in interest income for the six months ended June 30, 2022.

Price risk

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company does not currently use financial instruments designed to hedge these market risks.

14. FAIR VALUE HIERARCHY

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1

Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2

Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3

Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and obligation to issue shares. The fair value of these financial instruments approximates their carrying values. Obligation to issue shares is measured at fair value using level 1 inputs.

15. CAPITAL MANAGEMENT

The Company defines capital as cash, debt, and the components of shareholders' equity. The Company's objectives when managing capital are to identify, pursue, and complete the exploration and development of its exploration and evaluation assets, to maintain financial strength, to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors. The Company does not have any externally imposed capital requirements. There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the six months ended June 30, 2022.

16. COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2022, the Company has a commitment to pay a monthly fee of $5,000 for advisory services provided to the Company in Peru to a shareholder of the Company. This commitment remains in place for as long as this shareholder maintains a share ownership position of more than five percent of the Company.

Contingencies

As at June 30, 2022, the Company has the following contingency: MTP withheld an accrued payment of $140,000 due to Compañía Minera San Valentín S.A.C. ("San Valentin") and an arbitration was initiated by San Valentin against the Company before an arbitration panel. The Company was ordered to pay $93,597 plus penalties, interest and legal fees to the courts per a judicial order in settlement for the $140,000. In November 2021, the Company paid $93,597 towards the settlement. There is currently $46,403 included in accounts payable and accrued liabilities as at June 30, 2022 with respect to San Valentin.

17. SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the Company:

a) closed a brokered private placement and issued 5,718,000 units at a price of CAD $0.45 per unit for total proceeds of CAD $2,573,100 and a non-brokered private placement and issued 1,320,000 units at a price of CAD $0.45 per unit for total proceeds of CAD $594,000, for aggregate gross proceeds of CAD $3,167,100. Each unit consisted of one common share and one transferrable common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of CAD $0.70 per common share for a period of five years from the date of issue. The Company paid a total of CAD $190,026 cash and issued 422,280 warrants for finders' fees in connection with this private placement. The Company concurrently signed a services agreement, contingent on the closing of the private placement, in the amount of CAD $315,000 with Goldspot Discoveries Corp. ("GoldSpot") to provide exploration related services, which may include geological, geophysical and geochemical work, as well as marketing and advertising related services with a wholly owned subsidiary of Goldspot, CEO.CA Technologies Ltd.;

b) received an unsecured term loan financing with two non-arm's-length related parties of the Company for aggregate proceeds of CAD $300,000. The loan has a 12-month term and has an interest rate of 4%, accrued monthly, with interest becoming due and payable on repayment of the principal or at the end of the term. Additionally, the Company has agreed to issue these lenders 450,000 common share purchase warrants. Each warrant will entitle the holder to purchase one common share of the Company at a price of CAD $0.47 for a period of 12 months from the date of issue; and

c) issued 400,000 common shares for settlement of vested RSUs.