KUYA SILVER CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Expressed in US Dollars)

(Unaudited)

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

		September 30, 2022		December 31, 2021
ASSETS				
Current				
Cash	$	771,828	$	2,152,611
Receivables		136,625		155,145
Prepaids and advances		307,191		129,009
		1,215,644		2,436,765
Facilities and equipment (Note 5)		134,936		231,863
Exploration and evaluation assets (Note 6)		22,676,411		24,473,974
	$	24,026,991	$	27,142,602
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Notes 7 and 11)	$	1,091,485	$	1,244,629
Obligation to issue shares (Note 6)		-		400,000
		1,091,485		1,644,629
Reclamation provision (Note 6)		1,992,389		2,114,555
		3,083,874		3,759,184
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		36,177,288		33,172,493
Reserves (Notes 9 and 10)		654,949		1,546,716
Deficit		(15,889,120)		(11,335,791)
		20,943,117		23,383,418
	$	24,026,991	$	27,142,602

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 17)
Subsequent event (Note 6)

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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Property expenses				
Exploration and evaluation expenditures (Notes 6 and 11)	$ 317,701	$ 1,391,228	$ 1,528,653	$ 3,044,012
	317,701	1,391,228	1,528,653	3,044,012
Administrative expenses				
Administrative costs	10,337	10,714	31,572	32,366
Consulting fees (Note 11)	-	-	6,211	90,400
Directors' fees (Note 11)	25,971	21,812	76,383	71,590
Filing fees	10,715	6,113	26,928	25,275
Warrants issued for loans payable (Note 8)	52,012	-	52,012	-
Management fees (Note 11)	16,079	16,078	49,111	221,255
Marketing and investor relations	71,389	97,986	223,369	232,911
Office and miscellaneous	178,432	64,154	393,047	220,487
Professional fees (Note 11)	59,313	129,458	255,809	291,378
Share-based compensation (Notes 10 and 11)	132,032	116,681	640,314	456,588
Shareholder communication	1,695	1,832	11,700	11,870
Transfer agent	2,310	1,531	9,636	8,085
Travel	54,890	79,378	148,803	161,703
Wages and benefits (Note 11)	308,640	304,631	959,482	527,324
	(923,815)	(850,368)	(2,884,377)	(2,351,232)
Operating loss	(1,241,516)	(2,241,596)	(4,413,030)	(5,395,244)
Accretion expense (Note 6)	(11,995)	-	(36,637)	-
Equity (loss) in CobalTech (Note 4)	-	(97,327)	-	(208,172)
Foreign exchange gain (loss)	(66,648)	34,158	(108,459)	128,851
Gain on settlement of accounts payable and accrued liabilities (Note 9)	-	132,196	4,797	132,196
Interest income	-	-	-	6,443
	(78,643)	69,027	(140,299)	59,318
Loss for the period	(1,320,159)	(2,172,569)	(4,553,329)	(5,335,926)
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit and loss				
Foreign currency translation adjustment	(1,384,222)	(647,681)	(1,694,190)	(172,503)
Comprehensive loss for the period	$ (2,704,381)	$ (2,820,250)	$ (6,247,519)	$ (5,508,429)
Loss per common share – basic and diluted	$ (0.03)	$ (0.05)	$ (0.10)	$ (0.13)
Weighted average number of common shares outstanding – basic and diluted	50,487,297	44,722,720	47,142,884	41,289,438

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 9)	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 (Note 4)	1,437,470		2,668,079		-		-		-		2,668,079
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 9 and 10)	50,000		63,607		(28,430)		-		-		35,177
Issuance of common shares on exercise of performance warrants (Note 9)	276,624		85,016		(84,878)		-		-		138
Warrants expired (Note 9)	-		-		(100)		-		100		-
Share-based compensation (Note 10)	-		-		456,588		-		-		456,588
Foreign currency translation	-		-		-		(172,503)		-		(172,503)
Loss for the period	-		-		-		-		(5,335,926)		(5,335,926)
September 30, 2021	45,179,981		33,042,909		1,172,573		365,352		(9,695,671)		24,885,163
Issuance of common shares on exercise of options (Notes 9 and 10)	100,000		129,584		(56,859)		-		-		72,725
Options forfeited or expired (Note 10)	-		-		(35,686)		-		35,686		-
Share-based compensation (Note 10)	-		-		67,082		-		-		67,082
Foreign currency translation	-		-		-		34,254		-		34,254)
Loss for the period	-		-		-		-		(1,675,806)		(1,675,806)
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 9)	7,842,334	2,837,837	177,921	-	-	3,015,758
Share issue costs	-	(432,311)	118,266	-	-	(314,045)
Issuance of common shares on acquisition of exploration and evaluation assets (Note 6)	1,084,490	399,910	-	-	-	399,910
Issuance of common shares on settlement of accounts payable and accrued liabilities (Note 9)	26,000	11,698	1,571	-	-	13,269
Issuance of common shares on settlement of RSUs (Notes 9 and 10)	400,000	187,661	(187,661)	-	-	-
Issuance of warrants for loans payable (Notes 8 and 9)	-	-	52,012	-	-	52,012
Share-based compensation (Note 10)	-	-	640,314	-	-	640,314
Foreign currency translation	-	-	-	(1,694,190)	-	(1,694,190)
Loss for the period	-	-	-	-	(4,553,329)	(4,553,329)
September 30, 2022	54,632,805	$ 36,177,288	$ 1,949,533	$ (1,294,584)	$ (15,889,120)	$ 20,943,117

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)

		Nine months ended September 30, 2022		Nine months ended September 30, 2021
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Loss for the period	$	(4,553,329)	$	(5,335,926)
Adjust for items not involving cash:				
Depreciation		84,985		29,781
Accretion expense		36,637		-
Share-based compensation		640,314		456,588
Warrants issued for loans payable		52,012		-
Equity loss in CobalTech		-		208,172
Unrealized foreign exchange loss (gain)		(35,404)		161,427
Gain on settlement of accounts payable and accrued liabilities		(4,797)		(132,196)
Change in non-cash working capital items:				
Receivables		13,289		(35,086)
Prepaids and advances		(207,424)		(26,794)
Accounts payable and accrued liabilities		(67,253)		(597,416)
Net cash used in operating activities		(4,040,970)		(5,271,450)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Investment in and advances to CobalTech (Note 4)		-		(1,213,072)
Advances to suppliers for capital expenditures		-		(263,512)
Additions to facilities and equipment		-		(281,985)
Additions to exploration and evaluation assets		(60,000)		(293,500)
Cash acquired through acquisition of CobalTech (Note 6)		-		7,555
Net cash used in investing activities		(60,000)		(2,044,514)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITY				
Proceeds from issuance of share capital		3,015,758		7,577,450
Share issue costs		(308,462)		(567,961)
Proceeds from loans payable		232,141		-
Repayment of loans payable		(232,141)		-
Repayment of related party loans		-		(158,012)
Net cash provided by financing activity		2,707,296		6,851,477
Change in cash		(1,393,674)		(464,487)
Effect of foreign exchange on cash		12,891		(293,480)
Cash, beginning of period		2,152,611		4,904,562
Cash, end of period	$	771,828	$	4,146,595

Supplemental cash flow information (Note 12)
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 was incorporated on July 15, 2015 under the Business Corporations Act (British Columbia). 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 current and previous 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.

The Company's operating 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, supply chain disruptions, or otherwise), or a lack of availability of, commodities, goods and labour or may have an adverse impact on the Company's financial condition and results of operations. The current global economic environment has caused significant volatility in foreign exchange rates, which may also 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 November 24, 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 September 30, 2021, CobalTech's aggregate assets, aggregate liabilities and loss for the period from acquisition on March 1 to September 29, 2021 are as follows:

		CobalTech
Current assets	$	206,253
Non-current assets		4,488,497
Total assets	$	4,694,750
Current liabilities	$	7,672
Advances		403,533
Reclamation provision		1,161,764
Total liabilities	$	1,572,969
Loss for the period from acquisition on March 1 to September 29, 2021	$	208,172
The Company's common share ownership percentage		100%
The Company's share of the loss for the period	$	208,172

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	-	(19,018)	(2,081)	(897)	(21,996)
September 30, 2022	**$ -**	**$ 231,890**	**$ 25,379**	**$ 10,933**	**$ 268,202**
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	-	79,826	4,077	1,082	84,985
Adjustment on currency translation	-	(9,366)	(478)	(210)	(10,054)
September 30, 2022	**$ -**	**$ 124,226**	**$ 6,346**	**$ 2,694**	**$ 133,266**
NET BOOK VALUE					
December 31, 2021	$ -	$ 197,142	$ 24,713	$ 10,008	$ 231,863
September 30, 2022	**$ -**	**$ 107,664**	**$ 19,033**	**$ 8,239**	**$ 134,936**

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
Additions	60,000	-	-	60,000
Adjustment on currency translation	(1,381,409)	(418,063)	(58,091)	(1,857,563)
September 30, 2022	**$ 16,870,437**	**$ 5,097,639**	**$ 708,335**	**$ 22,676,411**

Bethania Silver Project, Peru

The Company's Bethania Silver Project consists of three properties in the same area of interest, Bethania, Carmelitas, 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 September 30, 2022, the Company has recorded a reclamation provision in the amount of $47,218 (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…)

Carmelitas

In fiscal 2021, the Company acquired mining concessions located in the district of Acobambilla, department of Huancavelica, Peru, west of Bethania, known as the Carmelitas 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, with the remaining $199,000 due on May 14, 2022. On September 21, 2022, the Company amended the agreement, which increased the total purchase price from US$892,500 to US$952,500. The $199,000 due on May 14, 2022 was amended to be due as follows: $99,000 on October 15, 2022 (paid subsequent to September 30, 2022) and $100,000 on November 30, 2022. During the nine months ended September 30, 2022, an additional $60,000 was paid and the Company issued 1,084,490 common shares valued at $399,910 in settlement of the obligation to issue shares (Note 9). The $400,000 was previously recorded as an obligation to issue shares. The $199,000 has been recorded in accounts payable and accrued liabilities (Note 7).

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 September 30, 2022, the Company has recorded a reclamation provision in the amount of $1,945,171 (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 4% (December 31, 2021 - 2%) and then discounted using current market-based pre-tax discount rate of 3.3% (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 nine months ended September 30, 2022, the Company recorded accretion related to the reclamation provision of $36,637 (2021 - $nil), which was recorded as an increase to the reclamation provision, with an offsetting amount to accretion expense.

(Expressed in US Dollars)

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

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.

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. Per the current Purchase Agreement with Electra, 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. In advance of the commitments due on September 1, 2022, Electra provided a notice of waiver of the requirements of the Option schedule on a temporary basis, to allow sufficient time for the Company and Electra to negotiate, finalize and execute a new agreement in respect of the Remaining Assets. The waiver is due to expire on December 1, 2022 unless Electra notifies the Company that that the waiver has been extended.

(Expressed in US Dollars)

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

Exploration and evaluation expenditures

Exploration and evaluation expenditures for the nine months ended September 30, 2022 are as follows:

Project	Bethania Silver Project	Kerr	Silver Kings JV	Total
Civil works and engineering	$ 332,365	$ -	$ -	$ 332,365
Geology and drilling	151,498	-	-	151,498
Operations and supplies	277,805	28,027	13,940	319,772
Property maintenance, licences and rights	10,709	13,566	-	24,275
Safety and environment	149,484	1,841	-	151,325
Value-added tax	188,768	-	-	188,768
Wages and benefits	270,935	39,313	50,402	360,650
Total	$ 1,381,564	$ 82,747	$ 64,342	$ 1,528,653

Exploration and evaluation expenditures for the nine months ended September 30, 2021 are as follows:

Project	Bethania Silver Project	Kerr(1)	Silver Kings JV(2)	Total
Civil works and engineering	$ 672,602	$ -	$ -	$ 672,602
Geology and drilling	596,933	-	21,887	618,820
Operations and supplies	440,423	-	-	440,423
Property maintenance, licences and rights	287,801	-	-	287,801
Safety and environment	88,968	-	-	88,968
VAT	735,462	-	-	735,462
Wages and benefits	221,823	-	97,288	319,111
Expense recovery from Electra	-	-	(119,175)	(119,175)
Total	$ 3,044,012	$ -	$ -	$ 3,044,012

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.

(Expressed in US Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2022		December 31, 2021
Accounts payable	$	771,763	$	877,286
Carmelitas agreement (Note 6)		199,000		199,000
Accrued liabilities		120,722		168,343
	$	1,091,485	$	1,244,629

8. LOANS PAYABLE

On July 20, 2022, the Company entered into unsecured loan agreements with a director and an officer (the "lenders"), whereby the parties would provide CAD $250,000 and CAD $50,000, respectively. The loans had a 12-month term and 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, as further compensation, issued 450,000 warrants to the parties. Each warrant is exercisable at a price of CAD $0.47 for a period of twelve months from the date of issuance. The warrants were valued at $52,012, calculated using the Black-Scholes option pricing model assuming a life expectancy of one year, a risk-free interest rate of 3.06%, a dividend rate of nil%, a forfeiture rate of nil%, and volatility of 79%. During the three months ended September 30, 2022, the Company received CAD $300,000 ($232,141) (2021 - $nil) from the lenders and repaid CAD $300,000 ($232,141) (2021 - $nil) to the lenders. The lenders waived any and all interest amounts upon repayment.

9. 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 September 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, calculated using the residual value method. The Company paid a total of $567,961 for fees and other share issue costs.

9. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

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 nine months ended September 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, calculated using the residual value method. The Company paid a total of $11,034 for fees and other share issue costs;
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%;
c) 5,718,000 units at a price of CAD $0.45 per unit by way of a brokered private placement for total proceeds of $1,997,749 (CAD $2,573,100) and a non-brokered private placement of 1,320,000 units at a price of CAD $0.45 per unit for total proceeds of $461,180 (CAD $594,000), for aggregate gross proceeds of $2,458,929 (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 7,038,000 warrants were valued at $nil, calculated using the residual value method. The Company paid a total of $303,011 for fees and other share issue costs and issued 422,280 warrants for finders' fees in connection with this private placement. Each finder's fee warrant entitles the holder to acquire one common share at a price of CAD $0.45 per common share for a period of two years from the date of issue. The finders' fee warrants were valued at $118,266, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.28%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 88%. Goldspot Discoveries Corp. ("GoldSpot") participated in the private placement and the Company concurrently signed a services agreement in the amount of CAD $315,000 with 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;
d) 400,000 common shares, valued at $187,661, for settlement of vested RSUs; and
e) 1,084,490 common shares, valued at $399,910, for settlement of the obligation to issue shares pursuant to the acquisition of the Carmelitas concessions (Note 6).

(Expressed in US Dollars)

9. SHARE CAPITAL (cont'd…)

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 September 30, 2022, there are 3,991,123 (December 31, 2021 - 5,321,498) shares held in escrow.

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	8,325,446		0.70
Balance as at September 30, 2022	10,746,771	$	1.13

As at September 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	0.71	June 16, 2023
450,000	$	1.20	0.81	July 22, 2023
326,666	$	1.20	1.62	May 12, 2024
88,500	$	1.20	1.75	June 30, 2024
422,280	$	0.45	1.86	August 9, 2024
7,038,000	$	0.70	4.86	August 9, 2027
10,746,771				

(Expressed in US Dollars)

9. SHARE CAPITAL (cont'd…)

Performance warrants

During the nine months ended September 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.

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 September 30, 2022	-	$	-

10. 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.

10. SHARE-BASED COMPENSATION (cont'd…)

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.

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 nine months ended September 30, 2022, the Company granted 827,500 (2021 - 625,000) stock options with a fair value of $364,391 (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 2.09% (2021 - 0.88%), a forfeiture rate of nil (2021 - nil), and volatility of 87% (2021 - 93%).

During the nine months ended September 30, 2022, the Company expensed $406,091 (2021 - $456,588) for the fair value of options, which was recorded in share-based compensation.

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

(Expressed in US Dollars)

10. SHARE-BASED COMPENSATION (cont'd…)

Stock options (cont'd…)

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	827,500		0.83
Balance as at September 30, 2022	2,370,000	$	1.33
Exercisable as at September 30, 2022	1,553,333	$	1.50

As at September 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	0.43	March 6, 2023
125,000	125,000	$	3.75	0.63	May 17, 2023
100,000	100,000	$	1.55	0.73	June 24, 2023
62,500	62,500	$	4.15	1.39	February 21, 2024
770,000	556,667	$	0.90	3.01	October 1, 2025
275,000	183,333	$	1.55	3.73	June 24, 2026
180,000	120,000	$	1.90	3.73	June 24, 2026
577,500	292,500	$	0.94	4.34	January 31, 2027
250,000	83,333	$	0.57	4.89	August 19, 2027
2,370,000	1,553,333				

(Expressed in US Dollars)

10. SHARE-BASED COMPENSATION (cont'd…)

Restricted share units and performance share units

During the nine months ended September 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 September 30, 2022, the Company had not issued any PSUs.

During the nine months ended September 30, 2022, the Company expensed $234,223 (2021 - $nil) for the fair value of RSUs, which was recorded in share-based compensation.

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
Settled	(400,000)[1]
Balance as at September 30, 2022	300,000
Vested but not yet settled as at September 30, 2022	-

[1] If the officer to whom these RSUs were granted leaves the Company before December 31, 2022, the shares issued to settle the RSUs must be returned.

(Expressed in US Dollars)

11. 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:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Consulting fees	$ 5,957	$ -
Directors' fees	73,175	68,961
Management fees	-	93,901
Professional fees	-	20,678
Share-based compensation	536,310	288,567
Wages and benefits	419,741	140,277
	$ 1,035,183	$ 612,384

During the nine months ended September 30, 2022, administrative and exploration and evaluation expenditures of $190,022 (2021 - $104,917) were paid or accrued to a related entity, which provides engineering and subcontractor services for the Bethania Silver Project. As at September 30, 2022, included in accounts payable and accrued liabilities was $nil (December 31, 2021- $nil) owing to this entity.

During the nine months ended September 30, 2022, the Company entered into an unsecured loan agreement with a director (Note 8). During the nine months ended September 30, 2022, a director advanced the Company CAD $250,000 ($193,330) (2021 - $nil) and was repaid CAD $250,000 ($193,330) (2021 - $nil). 375,000 warrants, valued at $43,418, were issued to the director as compensation for the loan.

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

(Expressed in US Dollars)

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

		Nine months ended September 30, 2022		Nine months ended September 30, 2021
Share issue costs included in accounts payable and accrued liabilities	$	5,583	$	-
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
Settlement of RSUs	$	187,661	$	-
Warrants issued for loans payable	$	52,012	$	-
Units issued for settlement of accounts payable and accrued liabilities	$	13,269	$	-
Shares issued on acquisition of CobalTech	$	-	$	2,668,079
Shares issued on acquisition of exploration and evaluation assets (Note 9)	$	-	$	771,916
Shares issued for Carmelitas concessions (Note 9)	$	399,910	$	-
Obligation to issue shares for Carmelitas concessions	$	-	$	400,000
Cost of Carmelitas concessions included in accounts payable and accrued liabilities	$	-	$	199,000

(Expressed in US Dollars)

13. 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 September 30, 2022						
Exploration and evaluation assets	$	5,805,974	$	16,870,437	$	22,676,411
Other assets		1,019,263		331,317		1,350,580
Total assets	$	6,825,237	$	17,201,754	$	24,026,991
For the three months ended September 30, 2022						
Net income (loss)	$	482,626	$	(1,802,785)	$	(1,320,159)
For the nine months ended September 30, 2022						
Loss	$	(784,824)	$	(3,768,505)	$	(4,553,329)

		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 September 30, 2021						
Loss	$	(516,982)	$	(1,655,587)	$	(2,172,569)
For the nine months ended September 30, 2021						
Loss	$	(1,539,716)	$	(3,796,210)	$	(5,335,926)

14. 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 September 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 September 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 (Note 1).

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:

<u>Foreign currency exchange risk</u>

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 $76,000 recorded in profit or loss for the nine months ended September 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 $12,000 recorded in other comprehensive income or loss for the nine months ended September 30, 2022.

14. FINANCIAL INSTRUMENT RISKS (cont'd…)

Market risk (cont'd…)

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 nine months ended September 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.

15. 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.

15. FAIR VALUE HIERARCHY (cont'd…)

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

16. 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 nine months ended September 30, 2022.

17. COMMITMENTS AND CONTINGENCIES

Commitments

As at September 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 September 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 September 30, 2022 with respect to San Valentin for penalties, interest and legal fees.