Highlander Silver Corp. (formerly Lido Minerals Ltd.)

Consolidated Financial Statements

For the nine month period ended September 30, 2021 and year ended December 31, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Highlander Silver Corp.

Opinion

We have audited the accompanying consolidated financial statements of Highlander Silver Corp. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and December 31, 2020 and the consolidated statements of changes in equity, loss and comprehensive loss, and cash flows for the nine month period ended September 30, 2021 and the year ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and December 31, 2020, and its financial performance and its cash flows for the nine month period ended September 30, 2021 and the year ended December 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

January 26, 2022

Highlander Silver Corp. (formerly Lido Minerals Ltd.)

Consolidated Statements of Financial Position

As at nine month period ended September 30, 2021 and year ended December 31, 2020

	Note	**September 30, 2021 $**	December 31, 2020 $
Assets			
Current assets			
Cash and cash equivalents		3,502,840	1,081,160
Sales tax receivable		18,778	3,266
Prepaid expenses		14,660	-
		3,536,278	1,084,426
Non-current assets			
Mineral property interests	5	2,214,626	1,942,743
Property and equipment	4	26,389	37,770
		2,241,015	1,980,513
Total assets		**5,777,293**	3,064,939
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		70,908	46,919
Total liabilities		**70,908**	46,919
Equity			
Share capital	6	7,130,216	3,637,458
Contributed surplus	6	1,063,217	133,017
Commitment to issue shares	6	46,319	-
Foreign currency reserve		(279,466)	(62,717)
Deficit		(2,253,901)	(675,113)
Equity attributable to owners of the Company		5,706,385	3,032,645
Non-controlling interests		-	(14,625)
Total equity		**5,706,385**	3,018,020
Total liabilities and equity		**5,777,293**	3,064,939

Nature of operations and going concern	**1**
Events after the reporting period	**11**

Approved on behalf of the Board of Directors on January 26, 2021:

"Ronald Stewart" **Director** *"Fabian Baker"* **Director**

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

Highlander Silver Corp. (formerly Lido Minerals Ltd.)

Consolidated Statements of Changes in Equity

For the nine month period ended September 30, 2021 and year ended December 31, 2020

	Number of common shares	Share capital	Contributed surplus	Commitment to issue shares	Foreign currency reserve	Deficit	Attributable to owners	Non-controlling interests	Total equity
	#	$	$	$	$	$	$	$	$
January 1, 2020	20,157,594	1,060,018	37,467	-	90,619	(350,417)	837,687	(5,636)	832,051
Private placement units issued	14,362,254	2,177,950	-	-	-	-	2,177,950	-	2,177,950
Share issued for bonuses	85,000	17,330	41,412	-	-	-	58,742	-	58,742
Shares issued in settlement of debt	2,022,631	304,391	-	-	-	-	304,391	-	304,391
Units issued for exploration and evaluation assets	200,001	40,629	16,048	-			56,677	-	56,677
Units issued in settlement of debt	333,333	50,000	38,090	-	-	-	88,090	-	88,090
Shares issuance costs	-	(12,860)	-	-	-	-	(12,860)	-	(12,860)
Comprehensive loss for the year	-	-	-	-	(153,336)	(324,696)	(478,032)	(8,989)	(487,021)
December 31, 2020	37,160,813	3,637,458	133,017	-	(62,717)	(675,113)	3,032,645	(14,625)	3,018,020
January 1, 2021	37,160,813	3,637,458	133,017	-	(62,717)	(675,113)	3,032,645	(14,625)	3,018,020
Reverse acquisition transaction (Note 3):									
Issuance of shares pursuant to reverse acquisition	23,285,054	3,492,758	-	46,319	-	-	3,539,077	-	3,539,077
Replacement warrants issued	-	-	789,800	-	-	-	789,800	-	789,800
Replacement optoins issued	-	-	140,400	-	-	-	140,400	-	140,400
Comprehensive loss for the period	-	-	-	-	(216,749)	(1,578,788)	(1,795,537)	14,625	(1,780,912)
September 30, 2021	**60,445,867**	**7,130,216**	**1,063,217**	**46,319**	**(279,466)**	**(2,253,901)**	**5,706,385**	**-**	**5,706,385**

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

Highlander Silver Corp. (formerly Lido Minerals Ltd.)

Consolidated Statements of Loss and Comprehensive Loss

For the nine month period ended September 30, 2021 and year ended December 31, 2020,

	Note	**September 30, 2021** $	December 31, 2021 $
Expenses			
Advertising and promotion		9,825	-
Consulting fees	7	92,055	10,973
Depreciation	4	7,260	7,507
Foreign exchange		73,414	24,177
Office expenses		5,789	8,283
Professional fees	7	280,488	153,708
Transfer agent and filing fees		9,073	-
Loss from operating expenses		**(477,904)**	(204,648)
Interest income		864	-
Listing expense	3	(860,970)	-
Non-recoverable taxes		(10,778)	(92,395)
Loss on settlement of debt	6	-	(38,090)
Write-off of mineral property interests	5	(230,000)	-
Loss for the period/year before income taxes		**(1,578,788)**	(335,133)
Exchange differences on translating foreign operations, net of tax		(216,749)	(151,888)
Loss and comprehensive loss for the period/year		**(1,795,537)**	(487,021)
Loss and comprehensive loss for the period/year attributable to:			
Owners of the Company		**(1,578,788)**	(324,696)
Owners of the Company - Foreign exchange translation		**(216,749)**	(153,336)
Non-controlling interests		**-**	(8,989)
		(1,795,537)	(487,021)
Earnings (loss) per share			
Weighted average number of common shares outstanding			
- basic #		**41,340,182**	26,419,316
- diluted #		**41,340,182**	26,419,316
Basic loss per share $		**(0.04)**	(0.01)
Diluted loss per share $		**(0.04)**	(0.01)

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

Consolidated Statements of Cash Flows

For the nine month period ended September 30, 2021 and year ended December 31, 2020,

	Note	**2021** **$**	2020 $
Operating activities			
Loss for the period/year		(1,578,788)	(335,133)
Adjustments for non-cash items:			
Depreciation		7,260	7,507
Loss on settlement of debt		-	38,090
Bonuses paid with shares		-	58,742
Unrealized foreign exchange		-	4,843
Listing expense		860,970	-
Non-controlling interest		14,625	-
Write-off of mineral property interests		230,000	-
Net change in non-cash working capital items	9	(20,605)	72,432
		(486,538)	(153,519)
Financing activities			
Issue of shares/units for cash		-	2,177,950
Share issue costs		-	(12,860)
		-	2,165,090
Investing activities			
Cash aquired on reverse acquisition		3,378,808	-
Purchases of equipment		-	(27,798)
Deferred exploration and evaluation expenditures		(505,320)	(977,071)
		2,873,488	(1,004,869)
Net increase in cash and cash equivalents		2,386,950	1,006,702
Effects of foreign exchange		34,730	2,928
Cash and cash equivalents, beginning of period/year		1,081,160	71,530
Cash and cash equivalents, end of period/year		**3,502,840**	1,081,160
Supplemental cash flow information	9		

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

1. Nature of operations and going concern

Highlander Silver Corp. (formerly Lido Minerals Ltd.) (the "Company" or "Highlander") was incorporated under the laws of the Province of British Columbia, Canada. Head office is located at 605 - 130 Brew Street, Port Moody, British Columbia, Canada, V3H 0E3. Its records office is located at 1200 - 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8. Its main business activity is the acquisition, exploration and evaluation of mineral properties located in Peru. These consolidated financial statements (the "financial statements") of the Company as at the nine-month period ended September 30, 2021 and year ended December 31, 2020 comprise the Company and its subsidiaries. The Company's common shares trade on the Canadian Securities Exchange ("CSE").

The Company's main corporate strategy is to advance its mineral properties to a drill-ready stage and then conduct exploration and evaluation. The Company has not yet determined whether its mineral property interests contain mineral reserves that are economically viable. The Company's continued operations, and the underlying value and recoverability of the amounts shown for mineral property interests, are entirely dependent upon the existence of economically recoverable mineral reserves of the Company and those in which it holds a mineral property or shareholder interest. The continued exploration and development of projects will depend on it receiving future cash flows from its ability to obtain share capital financing.

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have traditional revenue sources, and historically has relied on property option or sale proceeds and share capital financing to cover its property acquisition, exploration and evaluation expenditures and operating expenses.

On August 12, 2021, 1303554 B.C. Ltd. ("Subco") acquired all of the issued and outstanding common shares of CAPPEX Mineral Ventures Inc. ("CAPPEX") a private British Columbia exploration and evaluation company incorporated on September 20, 2017. The acquisition was completed by entering into a Business Combination (the "Business Combination") with CAPPEX and Subco that resulted in a reverse takeover ("RTO") of the Company by CAPPEX. The Business Combination was structured as a three-cornered amalgamation, whereby CAPPEX and Subco amalgamated, and the securities of the amalgamated company were acquired by the Company in exchange for the issuance of securities of the Company to the former securityholders of CAPPEX. The Transaction was accounted for as an RTO of the Company by CAPPEX for accounting purposes, with CAPPEX being identified as the accounting acquirer, and accordingly, these financial statements are a continuation of CAPPEX. The net assets of the Company at the date of the RTO are deemed to have been acquired by CAPPEX (Note 3). These consolidated financial statements (the "financial statements") include the results of operations of the Company since August 12, 2021. The comparative figures are those of CAPPEX prior to the RTO. At the time of the transaction the Company continued its financial year end.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise capital or conduct exploration activities. There are travel restrictions and health and safety concerns in all areas in which the Company operates, including Peru, that may prohibit or delay exploration programs from proceeding. Operations will depend on obtaining necessary field supplies, obtaining contractor services and safeguarding all personnel during the outbreak, which may be prohibitive or too costly. Various Government wage and loan subsidies are available to qualified companies to assist them with operating costs during the pandemic. As at September 30, 2021, neither the Company nor its subsidiaries have qualified for assistance, but the various programs are constantly being expanded and relaxed, which may qualify the Company and its subsidiaries for future assistance.

As at September 30, 2021, the Company had equity attributable to owners of the Company of $5,706,385 (December 31, 2020 - $3,032,645) and working capital of $3,465,370 (December 31, 2020 - $1,037,507). Management has assessed that its overall working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") and have been applied consistently by the Company and its subsidiaries.

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

(b) Principles of consolidation

These financial statements include the financial information of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Company and are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

The financial statements include the following entities:

Highlander	100%	Parent company
Pacific West Exploration Services Inc.	100%	Exploration Company
CAPPEX	100%	Holding Company
Minera CAPPEX S.A.C.	100%	Exploration company

Inter-company balances and transactions, and any unrealized income (loss) and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

When control of a subsidiary is lost, the Company: (a) derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position; (b) recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs; and (c) and recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

(c) Non-controlling interest

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired. Subsequent to initial recognition, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributable to the owners of the Company.

(d) Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after October 1, 2021. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and therefore have been excluded from discussion within these significant accounting policies.

2. Significant accounting policies (continued)

(e) Financial instruments

The Company classifies its financial instruments in the following categories: as FVTPL, financial assets at amortized cost and other financial liabilities at amortized cost. The classification depends on the purpose for which the financial assets or liabilities were acquired or incurred. Management determines the classification of financial assets and liabilities at initial recognition.

(i) Non-derivative financial assets and liabilities

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities using the following measurement categories:

(a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and

(b) Those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Other receivables are classified as financial assets at amortized cost.

(ii) Other financial liabilities

The Company has the following other financial liabilities: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recorded to profit or loss.

2. Significant accounting policies (continued)

(f) Mineral property interests

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Mineral property interests that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements.

Proceeds received from a partial sale or option of any interest in a property are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the year the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the year the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value taking into consideration current year exploration results, or likely gains from the disposition or option of the property. If a property is abandoned or inactive for a prolonged period, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Once an economically viable resource has been determined for an area and the decision to proceed with development has been approved, mineral property interests attributable to that area are first tested for impairment and then reclassified to property and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

2. Significant accounting policies (continued)

(g) Impairment

(i) Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

(ii) Non-financial assets

Non-financial assets are reviewed quarterly by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed in note 2(f) above.

(h) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from contributed surplus.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as contributed surplus.

2. Significant accounting policies (continued)

(j) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed from contributed surplus and credited to retained earnings (deficit).

(k) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation using either the unit-of-production or the straight-line method. The related liability is adjusted at each reporting date for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged to profit or loss as extraction progresses. The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interests.

2. Significant accounting policies (continued)

(l) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(m) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion proves to be anti-dilutive.

(n) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction (historical rate). Assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates and any revenue and expenses are translated at the average exchange rate for the period. The resulting exchange differences are recognized in foreign currency reserves.

(o) Use of estimates and critical judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) The determination of the fair value of stock options or compensatory warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options and warrants.

2. Significant accounting policies (continued)

(n) Use of estimates and critical judgments (continued)

Judgments

(i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting date, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

3. Reverse acquisition

As described in note 1, on August 12, 2021, the Company and CAPPEX completed the Transaction which constituted a reverse acquisition.

The Transaction resulted in the shareholders of CAPPEX obtaining control of the combined entity by obtaining control of the voting rights, governance and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entity.

The transaction constitutes an RTO of the Company by CAPPEX and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based payments*. As the Company did not qualify as a business according to the definition in IFRS 3, the RTO does not constitute a business combination; rather it is treated as an issuance of common shares by CAPPEX for the net assets of the Company and the Company's public listing, with CAPPEX as the continuing entity. Accordingly, no goodwill was recorded with respect to the transaction as it does not constitute a business.

For accounting purposes, CAPPEX was treated as an accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these financial statements. As CAPPEX was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying values. The Company's results of operations have been included from August 12, 2021.

Net assets (liabilities) acquired:	August 12, 2021 $
Cash	3,378,808
Receivables	12,036
Other assets	237,179
Accounts payable	(19,716)
Net assets acquired	**3,608,307**

Consideration paid in RTO:	$
Common shares (fair value 23,285,054 common shares at $0.15 per share)	3,492,758
Replacement options	140,400
Replacement warrants	789,800
Commitment to issue shares	46,319
Total consideration paid	**4,469,277**
Listing expense	**860,970**

The transaction was measured at the fair value of the shares that CAPPEX would have had to issue to the shareholders of the Company, to give the shareholders of the Company the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of CAPPEX acquiring the Company.

4. Property and equipment

	Motorized vehicles $	Furniture $	Computing equipment $	TOTAL $
Balance, December 31, 2019	20,354	676	-	21,030
Acquisitions	26,854	-	944	27,798
Depreciation	(7,329)	(80)	(98)	(7,507)
Foreign exchange adjustment	(3,427)	(52)	(72)	(3,551)
Balance, December 31, 2020	36,452	544	774	37,770
Depreciation	(6,913)	(51)	(150)	(7,114)
Foreign exchange adjustment	(4,116)	(64)	(87)	(4,267)
Balance, September 30, 2021	**25,423**	**429**	**537**	**26,389**

5. Mineral property interests

	Nimpkish Property $	Alta Victoria Property $	Total $
January 1, 2020	230,000	1,140,994	1,370,994
Acquisitions/staking/assessments	-	189,610	189,610
Geological and related expenditures	-	556,527	556,527
Dues and fees	-	1,355	1,355
Legal expenses	-	21,217	21,217
Field equipment and related expenditures	-	44,207	44,207
Services	-	6,361	6,361
Personnel	-	144,532	144,532
Foreign exchange translation	-	(162,060)	(162,060)
December 31, 2020	230,000	1,942,743	2,172,743
January 1, 2021	230,000	1,942,743	2,172,743
Acquisitions/staking/assessments	-	163,179	163,179
Geological and related expenditures	-	159,885	159,885
Dues and fees	-	19,722	19,722
Legal expenses	-	27,532	27,532
Field equipment and related expenditures	-	30,362	30,362
Services	-	5,173	5,173
Personnel	-	106,884	106,884
Foreign exchange translation	-	(240,854)	(240,854)
Impairments/write-downs	(230,000)	-	(230,000)
September 30, 2021	**-**	**2,214,626**	**2,214,626**

5. Mineral property interests (continued)

The Company's wholly-owned projects are comprised of the rights to explore various mineral claims and tenures at various stages of exploration. Unless otherwise noted they are not subject to any option or sale agreements. Certain of the claims are subject to a net smelter returns royalty ("NSR"), as detailed below.

Alta Victoria Property

The Company, through Minera CAPPEX, holds title to the Alta Victoria property, located in Peru. The Company staked additional claims, which it owns at 100%, and has an option to acquire additional contiguous claims pursuant to an option agreement entered into with the shareholders of Minera Yantac S.A.C. ("Minera Yantac") (the "Option Agreement"), Minera CAPPEX has the option to acquire Minera Yantac, holder of 10 of the concessions making up the Alta Victoria Project (the "Optioned Property"), by paying a total of US$4,000,000 over six years and four months. Minera Yantac acquired the Optioned Property pursuant to a mining property transfer agreement dated December 18, 2018, as amended July 27, 2020 (the "Transfer Agreement"), and a portion of the payments under the Option Agreement are to be made to the prior owners of the Optioned Property to satisfy the requirements of the Transfer Agreement, with the balance paid to the shareholders of Minera Yantac.

Minera CAPPEX is required to make the following payments pursuant to the Option Agreement:

a) US$60,000 (paid);
b) US$5,000 per month for 32 months from August 2018 to March 2020 and from August 2020 to July 2021 (a total of US$160,000, of which US$125,000 has been paid in cash and US$30,000 was satisfied by the issuance of securities, described below);
c) US$10,000 per month for 28 months starting August 2021 and ending in November 2023 (a total of US$280,000); and
d) US$3,500,000 on December 4, 2023.

The parties agreed to suspend the payments under the Option Agreement and Transfer Agreement for the months of April, May, June and July 2020 as a result of the COVID-19 pandemic.

Work Commitment and Royalty

Pursuant to the Transfer Agreement, the Optioned Property is subject to a net smelter returns royalty of 1.5% on all metallic metals and 3.00 Soles per ton of non-metallic metals produced from the Optioned Property. The net smelter returns royalty was granted by Minera Yantac to Minera Flor de Maria S.A.C., one of the former titleholders of the Optioned Property.

The Company has the right to conduct exploration activities on the Optioned Property pursuant to a mining lease agreement dated June 8, 2018, as amended December 2, 2018, and May 12, 2021 (the "Mining Lease Agreement"). Pursuant to the Mining Lease Agreement, the Company was required to pay US$100 (paid) and to incur US$500,000 in work commitments on the Optioned Property by February 28, 2022 (which requirement has been met). The mining lease agreement expires on December 4, 2023.

Surface Access

The Company also entered into a surface access agreement with The Community of San Francisco de Asis de Yantac in April 2018 for a 2-year term, and a second surface access agreement January 24, 2020, that is valid until January 24, 2022 (the "Surface Access Agreement"). Pursuant to the Surface Access Agreement, the Company may build road and drill platforms, as well as drill on the Alta Victoria Project. The Company made a land use payment for 2020 of 45,000 Soles and has agreed to pay 60,000 Soles for 2021.

Nimpkish Property

On February 20, 2020, the Company completed its acquisition of Pacific West. Pacific West, as optionee, is party to an option agreement dated as of May 2, 2019 (the "Option Agreement") with respect to the Nimpkish Property (the "Property"), under which Pacific West has the exclusive and irrevocable right to acquire a 100% interest in the Property from the registered owners of the Property (collectively, the "Optionor").

To exercise the option under the Option Agreement, Pacific West is required to:

Cash Payments: On or before May 1, 2020, Pacific West shall pay to the Optionor a cash payment in the aggregate amount of $30,000 (paid).

5. Mineral property interests (continued)

Nimpkish Property (continued)

Exploration Expenditures: Pacific West shall make an aggregate of $425,000 in exploration expenditures on the Property on or before the following dates:

Date	Amount of Exploration Expenditures
	$
December 31, 2020 (Met before acquisition)	75,000
December 31, 2021	100,000
December 31, 2022	100,000
December 31, 2023	150,000
	425,000

In addition, under the Option Agreement Pacific West shall grant to the Optionor a 2.0% NSR on the Property. Pacific West shall have the right at any time to repurchase one-half of the NSR from the Optionor by paying $1,000,000 to the Optionor at any time before the commencement of commercial production on the Property. Beginning on December 31, 2023, and annually thereafter, Pacific West will make annual advanced minimum royalty ("AAMR") payments of $7,500 to the Optionor, and any such AAMR payments shall be deducted from future NSR payments.

During the year, the Company determined not to continue with the Nimpkish property and wrote-off its investment in the amount of $230,000. The Company had fulfilled all its obligations to the vendor and has no further obligations with respect to the project.

6. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value, an unlimited number of preferred shares without par value. All issued shares are fully paid.

Transactions for the issue of share capital during the period ended September 30, 2021.

In conjunction with the closing of the RTO (Notes 1 and 3), the Company completed a share exchange of 24,285,054 common shares at a consideration price of $0.15 per share at an aggregate fair value consideration of $3,492,758.

In connection with the closing of the RTO, the Company issued 1,285,000 replacement stock options with an aggregate fair value of $140,400. The fair value of the replacement stock options were included as part of consideration paid on closing of the RTO (Note 3).

Transactions for the issue of share capital during the year ended December 31, 2020:

As some of the issuances were denominated in U.S. dollars (USD) and others in Canadian dollars (CAD), for this section only the currencies are explicitly stated for clarity purposes:

i) On February 6, 2020, the Company issued 35,000 common shares at a price of US $0.15 per share in compensation for services rendered to the Company's subsidiary. The fair value of these shares was calculated at CAD $6,977.

ii) On February 27, 2020, the Company received cash proceeds USD $20,000 (CAD of $26,420) on issuance of 133,333 common shares a price of USD $0.15 per share. On June 10, 2020, 133,333 warrants were issued to this investor, with an exercise price of CAD $0.25 per share and expiring on June 10, 2022.

iii) On May 26, 2020, 250,000 common shares at a price of USD $0.15 were issued to a Director of the Company in compensation for services rendered to the Company. On December 20, 2020, an agreement was reached to cancel 200,000 of those shares, with the director keeping 50,000 common shares. The fair value of the 50,000 shares was calculated at CAD $10,353.

iv) On June 10, 2020, the Company completed a non-brokered private placement for cash proceeds of USD $54,000 (CAD $67,692) by issuing 336,667 units at a price of US $0.15 per unit. Each unit is comprised of one common share and one share purchase warrant, with each warrant exercisable into one common share at a price of CAD $0.25 per share for a period of two years.

6. Share capital (continued)

v) On July 20, 2020, the Company issued 200,001 units with a fair value of USD $0.15 per unit to in lieu of payments due on the Alta Victoria Option Agreement (note 5). Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of CAD $0.25 per share for a period of two years from this date. The fair value of the shares was CAD $40,629 and the fair value of the warrants were CAD $16,048.

vi) On August 5, 2020, the Company raised CAD $1,180,000 by issuing of 7,866,670 units at a price of CAD $0.15 per unit. Each unit was comprised of one common share and one share purchase warrant, with each warrant being exercisable into one common share of the Company at a price of CAD $0.25 per share expiring the later of August 5, 2023, or two years from commencement of trading of the Company's shares on a stock exchange.

vii) On August 18, 2020, the Company issued 2,022,631 common shares with a fair value of CAD $0.15 per share to a director of the Company in settlement of debt originating in amounts lent to the Company and its subsidiary. The fair value of these shares was calculated at CAD $304,391 resulting in a loss on settlement of debt of $38,090.

viii) On August 31, 2020, the Company issued 333,333 units with at a fair value of CAD $0.15 per unit to a director of the Company in compensation for becoming a director. Each unit is comprised of one common share and one share purchase warrant, with each warrant being exercisable into one common share at a price of CAD $0.25 per share for a period of two years.

ix) Between September 14, 2020, and September 25, 2020, the Company raised CAD $903,838 through the issuance of 6,025,584 common shares at a price of CAD $0.15 per share. Of the total amount, 100,000 common shares were subscribed for by a director of the Company.

x) Net share issuance cost for the year ended December 31, 2020, amounted to CAD $12,860.

Commitment to issue shares

On November 16, 2020, the Company granted 250,000 common shares pursuant to a consulting agreement with the former CEO. These shares have a fair value, calculated using the market price at grant date of $0.215 totaling $53,750. The shares will vest quarterly over a period of 12 months from issuance. The total share-based payments recorded as for the period ended was $46,319 (2020 - $Nil) (Note 3).

Stock options

The Company has an incentive stock option plan (the "Plan") which provides for the granting of options. Under the Plan the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. Options granted under the Plan may have a maximum term of ten years. A participant, who is not a consultant conducting investor relations activities, who is granted an option that is exercisable at the market price at the date of grant, will have their options vest immediately, unless otherwise determined by the Board of Directors. Options granted at below market prices will vest one-sixth every three months.

A participant who is a consultant conducting investor relations activities who is granted an option under the Plan will become vested with the right to exercise one-quarter of the option upon conclusion of every three months subsequent to the grant date. All options are to be settled by physical delivery of shares.

A summary of the status of the Company's stock options as at September 30, 2021 and December 31, 2020 and changes during the years then ended is as follows:

	Period ended September 30, 2021		Year ended December 31, 2020	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of year	-	-	-	-
Granted - Replacement RTO	1,285,000	0.27	-	-
Options outstanding, end of year	**1,285,000**	**0.27**	-	-

6. Share capital (continued)

Stock options (continued)

As at September 30, 2021, the Company had stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
1,210,000	1,210,000	0.27	August 10, 2025
50,000	37,500	0.215	November 16, 2025
25,000	25,000	0.18	March 1, 2026
1,285,000	**1,272,500**		

The following table summarizes information about the stock options outstanding as at September 30, 2021:

Options #	Weighted average remaining life (years)	Weighted average exercise price $
1,210,000	3.64	0.27
50,000	0.16	-
25,000	0.09	-
1,285,000	**3.89**	**0.27**

There were no stock options granted during the year ended December 31, 2020.

During the period ended September 30, 2021, 1,285,000 replacement options were granted to Directors, Officers related company employees, and consultants. The Company measured the fair value of the options granted using the Black-Scholes option pricing model. Share-based consideration costs were calculated using the following assumptions:

1,210,000 options with expected life of the options - 4 years, expected stock price volatility – 125%, no dividend yield, and a risk-free interest rate yield of 0.80%. Using the above assumptions, the fair value of replacement options granted during the period ended September 30, 2021 was approximately $0.11 per option for a total of $131,600.

50,000 options with expected life of the options – 4.27 years, expected stock price volatility – 125%, no dividend yield, and a risk-free interest rate yield of 0.80%. Using the above assumptions, the fair value of replacement options granted during the period ended September 30, 2021 was approximately $0.12 per option for a total of $5,800.

25,000 options with expected life of the options – 4.55 years, expected stock price volatility – 125%, no dividend yield, and a risk-free interest rate yield of 0.80%. Using the above assumptions, the fair value of replacement options granted during the period ended September 30, 2021 was approximately $0.12 per option for a total of $3,000.

The total share-based consideration for the period ended September 30, 2021, was $140,400, which is presented as consideration for replacement options during the reverse acquisition (note 3).

6. Share capital (continued)

Warrants

As an incentive to complete a private placement the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to private placement units. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at September 30, 2021 and December 31, 2020 and changes during the years then ended is as follows:

	Period ended September 30, 2021		Year ended December 31, 2019	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of year	9,270,004	0.26	-	-
Issued - Replacement RTO	10,000,000	0.25	9,270,004	0.26
Warrants outstanding, end of year	**19,270,004**	**0.26**	9,270,004	0.26

As at September 30, 2021, the Company had warrants outstanding and exercisable as follows:

Warrants outstanding #	Warrants exercisable #	Exercise price $	Expiry date
870,000	870,000	0.33	June 10, 2022
200,001	200,001	0.25	July 20, 2022
7,866,670	7,866,670	0.25	August 5, 2023
333,333	333,333	0.25	August 5, 2023
10,000,000	10,000,000	0.25	August 12, 2023
19,270,004	**19,270,004**	**0.26**	

During the period ended September 30, 2021, 10,000,000 replacement warrants were issued. The Company measured the fair value of the warrants granted using the Black-Scholes option pricing model. Share-based consideration costs were calculated using the following assumptions:

10,000,000 warrants with expected life of the warrants - 2 years, expected stock price volatility – 125%, no dividend yield, and a risk-free interest rate yield of 0.80%. Using the above assumptions, the fair value of replacement warrants granted during the period ended September 30, 2021 was approximately $0.08 per option for a total of $789,800.

7. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the periods ended September 30, 2021 and December 31, 2020.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

During the period ended September 30, 2021, there were replacement options granted to Officers and Directors totaling 55,000 with a fair value of $6,277 included in consideration of the reverse acquisition (note 3). No options were granted during the year ended December 31, 2020.

The following related parties transacted with the Company or Company controlled entities during the years:

(a) R.W. Stewart is a Company Director and the Company's President and CEO. He is a shareholder and has significant influence over AuCu Consulting which is a geological consulting firm. AuCu Consulting provides the Company with geological consulting services and CEO services.

(b) Stephen Brohman is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services.

(f) Philip Anderson is the Company's General Manager of Minera CAPPEX S.A.C. He provides the Company with geological, management and administrative services.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Transactions Year ended September 30, 2021 $	Transactions Year ended December 31, 2020 $	**Balances outstanding September 30, 2021 $**	Balances outstanding December 31, 2020 $
AuCu Consulting	10,000	-	11,300	-
DBM CPA	3,000	-	-	-
Philip Anderson	35,959	-	-	-
	48,959	-	**11,300**	-

All related party balances are unsecured and are due within thirty days without interest.

8. Income taxes

Income tax (expense) recovery for the period ended September 30, 2021 and December 31, 2020 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to income (loss) before income taxes as follows:

	September 30, 2021	December 31, 2020
	$	$
Income (loss) before income taxes	(1,578,788)	(335,133)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated income tax recovery	(426,000)	(90,000)
Change in tax resulting from:		
Change in statutory, foreign tax, foreign exchange rates and other	(84,000)	(2,000)
Permanent differences	8,000	25,000
Share issue costs	(3,000)	(3,000)
Change in unrecognized deductible temporoary differences	505,000	70,000
Net deferred income tax (expense) recovery	**-**	-

The significant components of the Company's deferred income tax liability are as follows:

		2021		**2020**
Deferred tax assets (liabilities)				
Property and equipment	$	19,000	$	16,000
Share issue costs		3,000		3,000
Non-capital losses available for future period		633,000		207,000
		655,000		226,000
Unrecognized deferred tax assets		(655,000)		(226,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

As at September 30, 2021 the Company has Canadian federal net operating loss carry forwards of approximately $2,317,000 expiring between 2031 and 2040.

Future income tax benefits which may arise as a result of non-capital losses and unclaimed foreign exploration and development expenditures have not been recognized in these financial statements as their realization is uncertain. Income tax attributes are subject to review, and potential adjustment, by tax authorities.

9. Supplemental cash flow information

Changes in non-cash operating working capital during the period ended September 30, 2021 and December 31, 2020 were comprised of the following:

	September 30 2021	December 31, 2020
	$	$
Receivables and prepayments	(11,506)	(216,146)
Accounts payable and accrued liabilities	(9,099)	27,668
Net change	**(20,605)**	(188,478)

The Company incurred non-cash financing and investing activities during the years ended December 31, 2020 and December 31, 2019 as follows:

	December 31, 2020	December 31, 2019
	$	$
Non-cash investing activities		
Deferred exploration expenditures included in accounts and related party payables	7,417	-
	7,417	-

There were no amounts paid for income taxes or interest during the periods ended September 30, 2021 and December 31, 2020.

10. Financial risk management

Capital management

The Company is a junior resource exploration company and considers items included in equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at September 30, 2021 is comprised of shareholders' equity attributable to owners of the Company of $5,706,385 (December 31, 2020 - $3,018,020).

The Company has no traditional revenue sources. In order to fund future projects and pay for administrative costs the Company will spend its existing working capital. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation, is primarily dependent upon its continued ability to find and develop mineral properties, and there being a favorable market in which to sell or option the properties; and or its ability to borrow or raise additional funds from equity markets.

10. Financial risk management (continued)

Financial instruments - fair value

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities.

The carrying value of receivables, accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the consolidated statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$	$	$	$
September 30, 2021				
Cash and cash equivalents	3,502,840	-	-	3,502,840
	3,502,840	**-**	**-**	**3,502,840**
December 31, 2020				
Cash and cash equivalents	1,081,160	-	-	1,081,160
	1,081,160	-	-	1,081,160

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and currency risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal receivables exposure and its various refundable credits are due from Canadian governments.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable features of its cash equivalents. For the period ended September 30, 2021, every 1% fluctuation in interest rates up or down would have impacted income (loss) for the year, up or down, by approximately $2,000 (December 31, 2020 - $3,000) before income taxes.

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

(d) Currency risk

As at September 30, 2021, all of the Company's cash and cash equivalents were held either in Canadian dollars, US dollars or Peruvian new soles. The Company incurs expenditures in Canada and Peru, and as such is exposed to currency risk associated with these costs.

A change in the value of the Peruvian new sol by 10% relative to the Canadian dollar would affect the Company's working capital by approximately $1,000, and its net loss for the year by approximately $3,000.

11. Events after the reporting period

(a) On November 3, 2021, the Company granted 2,470,000 stock options to certain directors, officers and staff of the Company's wholly owned subsidiary. The stock options are exercisable at $0.30 for a period of five years and 25% vest immediately, with a further 25% vesting every six months thereafter.

(b) On November 30, 2021, the Company issued 50,000 common shares of the Company to the CEO In connection with his management consulting agreement. As part of his compensation; subject to approval of the board, and based on his performance, a further 250,000 common shares may be issued on August 12, 2022, and 300,000 on August 12, 2023. The shares will be subject to a four-month hold from the date of issuance.

(c) On January 19, 2022, the Company executed an option agreement to acquire 100% of the 600 hectare (Ha) Politunche Property ("the Property" or "Politunche") located in the prolific, silver-rich polymetallic belt of central Peru and just 15 kilometers from the Company´s flagship, Alta Victoria Project. The Company can earn a 100% ownership interest in the property by:

Making a total of US$2,000,000 in cash payments over 4 years to the individual vendor (the "Vendor") as follows: US$5,000 on the signing of the Letter of Intent and US$5,000 on the execution of the Agreement (both paid); US$5,000 per month during a period of twenty-two (22) months ending November 2023; US$10,000 per month during a period of twenty-four (24) months commencing on December 2023 and ending November 2025; A final US$1,640,000 within forty-eight months of the execution of the Agreement; and drilling a minimum of 2,500 metres.

The Property concessions are currently at the application stage, and the Vendor is in the process of registering title to the concessions. The Agreement provides the Vendor with ten (10) months to obtain title, and in the event of delay, the Company may suspend monthly option payments until such time as title is obtained. The Company will not be permitted to conduct a drill campaign or register the Property in its name until such time as title to the concessions is granted. Upon completion of a Positive Feasibility Study the Company is required to make a one-time lump sum payment of US$1,000,000 to the Vendor. The Vendor retains a 2% NSR which the Company may buy back for US$500,000 per 1% at its election within six (6) months on declaration of commercial production. the Company, at its election, can exercise the option to acquire the Property at any time within the forty-eight (48) month option period by notifying the Vendor and paying the outstanding balance owing as of the date of notification.