

**Highlander Silver Corp. (formerly Lido Minerals Ltd.)**  
**Condensed Interim Consolidated Financial Statements**  
**For the three months ended**  
**December 31, 2021**  
**Unaudited – Prepared by Management**  
**(Expressed in Canadian Dollars)**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Highlander Silver Corp. (formerly Lido Minerals Ltd.) ("the Company") for the three months ended December 31, 2021 and December 31, 2020, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

**Highlander Silver Corp. (formerly Lido Minerals Ltd.)**  
**Condensed Interim Consolidated Statements of Financial Position**  
**Unaudited – Prepared by Management**

As at December 31, 2021 and September 30, 2021

	Note	December 31, 2021 \$	September 30, 2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		3,209,388	3,502,840
Sales tax receivable		26,421	18,778
Prepaid expenses		24,030	14,660
		<b>3,259,839</b>	<b>3,536,278</b>
<b>Non-current assets</b>			
Property and equipment	4	26,373	26,389
Mineral property interests	5	2,485,520	2,214,626
		<b>2,511,893</b>	<b>2,241,015</b>
<b>Total assets</b>		<b>5,771,732</b>	<b>5,777,293</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	132,245	70,908
<b>Total liabilities</b>		<b>132,245</b>	<b>70,908</b>
<b>Equity</b>			
Share capital	6	7,161,766	7,130,216
Contributed surplus	6	1,270,811	1,063,217
Commitment to issue shares	6	46,319	46,319
Foreign currency reserve		(210,409)	(279,466)
Deficit		(2,629,000)	(2,253,901)
<b>Total equity</b>		<b>5,639,487</b>	<b>5,706,385</b>
<b>Total liabilities and equity</b>		<b>5,771,732</b>	<b>5,777,293</b>
Nature of operations and going concern	1		
Events after the reporting period	10		

Approved on behalf of the Board of Directors on February 25, 2022:

*"Ronald Stewart"*

Director

*"Fabian Baker"*

Director

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

**Highlander Silver Corp. (formerly Lido Minerals Ltd.)**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**Unaudited – Prepared by Management**

**For the three months ended December 31, 2021 and 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 \$
October 1, 2020	37,160,813	3,637,458	133,017	-	2,786	(461,360)	3,311,901	(5,636)	3,306,265
Loss and comprehensive loss for the period	-	-	-	-	(65,503)	(213,753)	(279,256)	(8,989)	(288,245)
<b>December 31, 2020</b>	<b>37,160,813</b>	<b>3,637,458</b>	<b>133,017</b>	<b>-</b>	<b>(62,717)</b>	<b>(675,113)</b>	<b>3,032,645</b>	<b>(14,625)</b>	<b>3,018,020</b>
October 1, 2021	60,445,867	7,130,216	1,063,217	46,319	(279,466)	(2,253,901)	5,706,385	-	5,706,385
Exercise of stock options	50,000	10,750	-	-	-	-	10,750	-	10,750
Fair value reversal on exercise of stock options	-	5,800	(5,800)	-	-	-	-	-	-
Fair value reversal on cancellation of stock options	-	-	(112,023)	-	-	112,023	-	-	-
Shares issued for services	50,000	15,000	-	-	-	-	15,000	-	15,000
Share-based payments	-	-	325,417	-	-	-	325,417	-	325,417
Loss and comprehensive for the period	-	-	-	-	69,057	(487,122)	(418,065)	-	(418,065)
<b>December 31, 2021</b>	<b>60,545,867</b>	<b>7,161,766</b>	<b>1,270,811</b>	<b>46,319</b>	<b>(210,409)</b>	<b>(2,629,000)</b>	<b>5,639,487</b>	<b>-</b>	<b>5,639,487</b>

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

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**Highlander Silver Corp. (formerly Lido Minerals Ltd.)****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****Unaudited – Prepared by Management**

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**For the three months ended December 31, 2021 and December 31, 2020**

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	Note	2021 \$	2020 \$
<b>Expenses</b>			
Advertising and promotion		450	-
Depreciation	4	2,340	7,023
Foreign exchange		15,758	16,727
Office expenses		13,184	6,478
Professional fees	7	100,955	40,773
Share-based payments	6,7	340,417	-
Transfer agent and filing fees		3,050	-
<b>Loss from operating expenses</b>		<b>(476,154)</b>	<b>(71,001)</b>
Interest income		1,299	-
Loss on settlement of debt		-	(38,090)
Non-recoverable taxes		-	(92,395)
Write-off of mineral property interests	5	(12,267)	(12,267)
<b>Net loss for the period</b>		<b>(487,122)</b>	<b>(213,753)</b>
Exchange differences on translating foreign operations		69,057	(65,503)
<b>Comprehensive loss for the period</b>		<b>(418,065)</b>	<b>(279,256)</b>
<b>Loss and comprehensive loss for the period attributable to:</b>			
Owners of the Company		<b>(487,122)</b>	<b>(204,764)</b>
Owners of the Company - Foreign exchange translation		<b>69,057</b>	<b>(65,503)</b>
Non-controlling interests		-	(8,989)
		<b>(418,065)</b>	<b>(279,256)</b>
<b>Loss per share</b>			
<b>Weighted average number of common shares outstanding</b>			
- basic #		<b>60,471,142</b>	37,160,813
- diluted #		<b>60,471,142</b>	37,160,813
<b>Basic loss per share \$</b>		<b>(0.01)</b>	<b>(0.01)</b>
<b>Diluted loss per share \$</b>		<b>(0.01)</b>	<b>(0.01)</b>

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

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**Highlander Silver Corp. (formerly Lido Minerals Ltd.)****Condensed Interim Consolidated Statements of Cash Flows****Unaudited – Prepared by Management**

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**For the three months ended December 31, 2021 and December 31, 2020**

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	Note	2021 \$	2020 \$
<b>Operating activities</b>			
Loss for the period		(487,122)	(213,753)
Adjustments for non-cash items:			
Depreciation		2,340	7,023
Shares issued for services		15,000	-
Share-based payments		325,417	-
Loss on settlement of debt		-	38,090
Write-off of mineral property interests		12,267	(12,267)
Net change in non-cash working capital items	8	51,741	72,432
		<b>(80,357)</b>	<b>(108,475)</b>
<b>Financing activities</b>			
Proceeds from exercise of stock options		10,750	-
		<b>10,750</b>	-
<b>Investing activities</b>			
Purchases of equipment	4	(1,721)	-
Deferred exploration and evaluation expenditures		(283,161)	-
		<b>(284,882)</b>	-
<b>Net change in cash</b>		<b>(354,489)</b>	<b>(108,475)</b>
<b>Effects of foreign exchange</b>		<b>61,037</b>	<b>2,928</b>
<b>Cash, beginning of period</b>		<b>3,502,840</b>	<b>1,186,707</b>
<b>Cash, end of period</b>		<b>3,209,388</b>	<b>1,081,160</b>
<b>Supplemental cash flow information</b>	8		

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

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## Highlander Silver Corp. (formerly Lido Minerals Ltd.)

### Notes to the Condensed Interim Consolidated Financial Statements

#### Unaudited – Prepared by Management

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For the three months ended December 31, 2021 and December 31, 2020

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#### 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. The Company’s 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 condensed interim consolidated financial statements (the “financial statements”) of the Company as at December 31, 2021 and September 30, 2021 and for the three month periods ended December 31, 2021 and December 31, 2020 comprise the Company and its subsidiaries (Note 2(b)). 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 December 31, 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 December 31, 2021, the Company had equity of \$5,639,487 (September 30, 2021 - \$5,706,385) and working capital of \$3,127,594 (September 30, 2021 - \$3,465,370). 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.

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**Highlander Silver Corp. (formerly Lido Minerals Ltd.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**For the three months ended December 31, 2021 and December 31, 2020**

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**2. Significant accounting policies**

**(a) Basis of presentation**

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited consolidated financial statements for the year ended September 30, 2021, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements.

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) Significant accounting policies**

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its annual consolidated financial statements for the year ended September 30, 2022. Accordingly, these financial statements should be read in conjunction with the Company’s most recent annual audited consolidated financial statements.

**(d) New accounting policies**

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



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**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.

	<b>August 12, 2021</b>
<b>Net assets (liabilities) acquired:</b>	<b>\$</b>
Cash	3,378,808
Receivables	12,036
Other assets	237,179
Accounts payable	(19,716)
<b>Net assets acquired</b>	<b>3,608,307</b>
<b>Consideration paid in RTO:</b>	<b>\$</b>
Common shares (fair value 23,285,054 common shares at \$0.15 per share)	3,492,758
Replacement options (Note 6)	140,400
Replacement warrants (Note 6)	789,800
Commitment to issue shares (Note 6)	46,319
<b>Total consideration paid</b>	<b>4,469,277</b>
<b>Listing expense</b>	<b>860,970</b>

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.

**Highlander Silver Corp. (formerly Lido Minerals Ltd.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Unaudited – Prepared by Management**

**For the three months ended December 31, 2021 and December 31, 2020**

**4. Property and equipment**

	Vehicles \$	Furniture \$	Computers \$	TOTAL \$
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
Additions	-	-	1,721	1,721
Depreciation	(2,205)	(16)	(119)	(2,340)
Foreign exchange adjustment	581	10	12	603
<b>Balance, December 31, 2021</b>	<b>23,799</b>	<b>423</b>	<b>2,151</b>	<b>26,373</b>

**5. Mineral property interests**

	Nimpkish Property \$	Alta Victoria Property \$	Total \$
October 1, 2020	230,000	1,942,743	2,172,743
December 31, 2020	230,000	1,942,743	2,172,743
<b>October 1, 2021</b>	-	2,214,626	2,214,626
Acquisitions/staking/assessments	-	44,930	44,930
Geological and related expenditures	-	52,281	52,281
Dues and fees	-	1,850	1,850
Legal expenses	-	4,400	4,400
Field equipment and related expenditures	-	21,356	21,356
Services	-	10,676	10,676
Personnel	-	85,735	85,735
Foreign exchange translation	-	61,933	61,933
Impairments/write-downs	-	(12,267)	(12,267)
<b>December 31, 2021</b>	-	<b>2,485,520</b>	<b>2,485,520</b>

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**Highlander Silver Corp. (formerly Lido Minerals Ltd.)****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

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**For the three months ended December 31, 2021 and December 31, 2020**

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**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).

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**Highlander Silver Corp. (formerly Lido Minerals Ltd.)**  
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**For the three months ended December 31, 2021 and December 31, 2020**

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**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:

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

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 period ended September 30, 2021, 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 three months ended December 31, 2021:**

- (a) On December 8, 2021, the Company issued 50,000 common shares of the Company to the CEO in connection with a Management Consulting Agreement. The shares had a fair value of \$15,000 (\$0.30 per share) on issuance, which has been presented as share-based payments on the Company’s condensed interim consolidated statement of loss and comprehensive loss.
- (b) On December 8, 2021, the Company issued 50,000 common shares in connection with the exercise of 50,000 stock options with an exercise price of \$0.215 for gross proceeds of \$10,750. In connection with the exercise, the original fair value of \$5,800 was reversed from contributed surplus and credited to share capital.

**Transactions for the issue of share capital during the three months ended December 31, 2020:**

No issuance of share capital during the three months ended December 31, 2020.

**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 year ended September 30, 2021 was \$46,319 (Note 3). As at December 31, 2021, the shares have not been issued.

**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.

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**For the three months ended December 31, 2021 and December 31, 2020**

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**6. Share capital (continued)****Stock options (continued)**

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 December 31, 2021 and September 30, 2021 and changes during the periods then ended is as follows:

	Period ended December 31, 2021		Period ended September 30, 2021	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period	1,285,000	0.27	-	-
Granted - replacement options (Note 3)	-	-	1,285,000	0.27
Granted - stock options	2,470,000	0.30	-	-
Exercised	(50,000)	0.215	-	-
Cancelled	(1,030,000)	0.27	-	-
Options outstanding, end of period	<b>2,675,000</b>	<b>0.30</b>	1,285,000	0.27

As at December 31, 2021, the Company had stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
180,000	180,000	0.27	August 10, 2025
25,000	25,000	0.18	March 1, 2026
2,470,000	617,500	0.30	November 3, 2026
<b>2,675,000</b>	<b>822,500</b>	<b>0.30</b>	

The following table summarizes information about the stock options outstanding as at December 31, 2021:

Options #	Weighted average remaining life (years)
180,000	3.61
25,000	4.17
2,470,000	4.84
<b>2,675,000</b>	<b>4.75</b>

During the three months ended December 31, 2021, the Company granted 2,470,000 stock options to Directors, Officers and related company employees. 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.

The stock options were valued using the Black-Scholes option pricing mode with the following assumptions: expected life of the options - 5 years, expected stock price volatility – 125%, no dividend yield, and a risk-free interest rate yield of 1.36%. Using the above assumptions, the fair value of replacement options granted during the three months ended December 31, 2021 was approximately \$0.25 per option for a total of \$624,800.

The total share-based payment expense (associated with stock options) for the three months ended December 31, 2021 was 325,417 (2020 - \$nil), which is presented as an operating expense, and includes only options that vested during the period.

During the three months ended December 31, 2021, a total of 1,180,000 stock options were cancelled as a result of the resignation or termination of certain individuals. On cancellation, the original fair value of \$112,023 was reversed from contributed surplus and credited to deficit.

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**6. Share capital (continued)****Stock options (continued)**

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 fair value of the replacement options was \$140,400, which is presented as part of the consideration for the reverse acquisition (Note 3).

**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 December 31, 2021 and September 30, 2021 and changes during the periods then ended is as follows:

	Period ended September 30, 2021		Period ended September 30, 2021	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of period	19,270,004	0.25	9,270,004	0.26
Issued - Replacement RTO	-	-	10,000,000	0.25
Warrants outstanding, end of period	<b>19,270,004</b>	<b>0.25</b>	19,270,004	0.25

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
<b>19,270,004</b>	<b>19,270,004</b>	<b>0.25</b>	

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**6. Share capital (continued)**

**Warrants (continued)**

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.

The fair value of the replacement warrants was presented as part of the consideration for the reverse acquisition (Note 3).

**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 three months ended December 31, 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 three months ended December 31, 2021, key management of the Company were granted 2,020,000 stock options exercisable at \$0.30 for a period of five years, with a fair value of \$510,970. No options were granted during the three months ended December 31, 2020.

Pursuant to a Management Consulting Agreement (the "MC Agreement") with the Company's CEO, the Company issued 50,000 common shares with a fair value of \$15,000 (\$0.30 per share) during the three months ended December 31, 2021 (Note 6). Subject to approval of the Company's Board of Directors, and based on his performance, further common shares may be issued in connection with the MC Agreement as follows: 250,000 on August 12, 2022, and 300,000 on August 12, 2023. All shares will be subject to a four-month hold from the date of issuance.

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 (included within professional fees).
- (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 (included within professional fees).
- (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 Three months ended December 31, 2021 \$	Transactions Three months ended December 31, 2020 \$	Balances outstanding December 31, 2021 \$	Balances outstanding September 30, 2021 \$
AuCu Consulting	30,000	-	13,433	11,300
DBM CPA	29,170	-	14,774	-
Philip Anderson	18,908	-	-	-
	<b>78,078</b>	<b>-</b>	<b>28,207</b>	<b>11,300</b>

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

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**8. Supplemental cash flow information**

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

	<b>December 31,</b> <b>2021</b>	December 31, <b>2020</b>
	<b>\$</b>	<b>\$</b>
Sales tax receivable	(7,643)	-
Prepaid expenses	(9,370)	(1,541)
Accounts payable and accrued liabilities	68,754	73,973
<b>Net change</b>	<b>51,741</b>	<b>72,432</b>

There were no non-cash financing or investing activities during the three months ended December 31, 2021 and December 31, 2020.

Further, there were no amounts paid for income taxes or interest during the three months ended December 31, 2021 and December 31, 2020.

**9. 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 December 31, 2021 is comprised of equity of \$5,639,487 (September 30, 2021 - \$5,706,385).

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.



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**9. Financial risk management (continued)**

**Financial instruments - fair value**

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

The carrying value of accounts payable and accrued liabilities approximates its fair value because of the short-term nature of the instrument.

Financial instruments measured at fair value on the condensed interim 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 \$
<b>December 31, 2021</b>				
Cash	3,209,388	-	-	3,209,388
	<b>3,209,388</b>	<b>-</b>	<b>-</b>	<b>3,209,388</b>
<b>September 30, 2021</b>				
Cash	3,502,840	-	-	3,502,840
	<b>3,502,840</b>	<b>-</b>	<b>-</b>	<b>3,502,840</b>

**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 majority of 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. For the three months ended December 31, 2021 and December 31, 2020, every 1% fluctuation in interest rates up or down would have had an insignificant impact on profit or loss.

**(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 December 31, 2021, all of the Company's cash was 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 not have a significant impact on the Company's working capital and net loss for the three months ended December 31, 2021 and December 31, 2020.

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**10. Events after the reporting period**

- (a) 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.