
MONTERO MINING AND EXPLORATION LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2022 and 2021
Expressed in Canadian Dollars

The accompanying unaudited interim financial statements of Montero Mining and Exploration Ltd. (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 interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

MONTERO MINING AND EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars - unaudited)

	Notes	September 30, 2022	December 31, 2021
		\$	\$
ASSETS			
Current assets			
Cash		14,871	241,178
Other receivables		3,507	4,924
Prepaid expenses and deposits		37,780	49,547
Total current assets		56,158	295,649
Non-current assets			
Plant and equipment	4	694	906
Exploration and evaluation assets	5	830,293	474,835
Total non-current assets		830,987	475,741
TOTAL ASSETS		887,145	771,390
LIABILITIES			
Current liabilities			
Trade and other payables	6	964,403	438,969
Total current liabilities		964,403	438,969
SHAREHOLDERS' EQUITY			
Share capital	7	18,116,063	18,116,063
Warrants	7	756,506	756,506
Share based payment reserve	7	8,080,043	8,080,043
Foreign currency translation reserve		1,047,560	1,047,560
Accumulated deficit		(28,077,430)	(27,667,751)
Total shareholders' equity		(77,258)	332,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		887,145	771,390

Note 1 - Nature and continuance of operations

On behalf of the Board:
"Antony Harwood"
Antony Harwood, Director

"Andrew Thomson"
Andrew Thomson, Director

See accompanying notes to the condensed interim financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
		\$	\$	\$	\$
EXPENSES					
Consulting, administrative and management fee	8	57,876	50,930	161,528	185,271
Directors' fee	8	9,875	9,500	29,625	29,250
Depreciation	4	71	104	212	313
General and administrative	8	57,144	5,431	132,442	57,471
Other expenses		-	529	-	1,562
Professional fees		11,333	9,875	66,290	66,441
Project investigation costs	8	-	-	12,014	2,029
Shareholder and regulatory		1,901	2,630	8,890	16,568
OPERATING EXPENSES		(138,200)	(78,999)	(411,001)	(358,905)
OTHER ITEMS					
Writing-off payables		-	7,052	-	7,052
Interest expense		(630)	-	(1,870)	-
Foreign exchange gain		321	1,286	3,192	4,782
		(309)	8,338	1,322	11,834
NET LOSS		(138,509)	(70,661)	(409,679)	(347,071)
OTHER COMPREHENSIVE INCOME					
Exchange difference on translating foreign operations	3	-	10,903	-	5,189
COMPREHENSIVE LOSS		(138,509)	(59,758)	(409,679)	(341,882)
Loss per share, basic and diluted	7	\$0.00	\$(0.01)	\$(0.01)	\$0.00

See accompanying notes to the condensed interim financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars - unaudited)

	Share Capital						
	Number of shares	Amount	Warrants	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2020	38,547,485	18,050,471	756,506	8,110,635	1,047,560	(26,298,226)	1,666,946
Net loss and comprehensive loss	-	-	-	-	5,189	(347,071)	(341,882)
Stock options exercised	100,000	65,592	-	(30,591)	-	-	35,001
Stock options cancelled	-	-	-	(10,705)	-	10,705	-
Balance, September 30, 2021	38,647,485	18,116,063	756,506	8,069,339	1,052,749	(26,634,592)	1,360,065
Net loss and comprehensive loss	-	-	-	-	(5,189)	(1,022,455)	(1,027,644)
Stock options cancelled	-	-	-	10,704	-	(10,704)	-
Balance, December 31, 2021	38,647,485	18,116,063	756,506	8,080,043	1,047,560	(27,667,751)	332,421
Net loss and comprehensive loss	-	-	-	-	-	(409,679)	(409,679)
Balance, September 30, 2022	38,647,485	18,116,063	756,506	8,080,043	1,047,560	(28,077,430)	(77,258)

MONTERO MINING AND EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars - unaudited)

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(409,679)	(347,071)
Adjustments for non-cash items		
Depreciation	212	313
Writing-off payables	0	(7,052)
Net changes in non-cash working capital items		
Trade and other receivables	1,417	4,456
Prepaid expenses and deposits	25,554	(10,029)
Trade and other payables	468,656	58,449
Net cash used in operating activities	86,160	(300,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(312,467)	(1,025,628)
Net cash used in investing activities	(312,467)	(1,025,628)
CASH FLOWS FROM FINANCING ACTIVITIES		
Stock option exercise funds received	-	35,000
Net cash provided by financing activities	-	35,000
NET DECREASE IN CASH	(226,307)	(1,291,562)
CASH, BEGINNING OF PERIOD	241,178	1,704,095
CASH, END OF PERIOD	14,871	412,533
 Cash paid during the period for interest	 \$ -	 \$ -
Cash paid during the period for income taxes	\$ -	\$ -

1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd (“Montero” or the “Company”) was incorporated on October 5, 2006, under the laws of British Columbia, Canada. Montero is engaged in the acquisition and exploration of mineral properties.

Montero is a publicly listed company with its shares listed on the TSX Venture Exchange (“TSX-V”). The Company’s registered office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office address is 750 West Pender Street, Suite 401, Vancouver, BC V6C 2T7.

Going Concern

These condensed interim financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2022, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to significant doubt about the Company’s ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from coronavirus (COVID-19). The Company continues to operate its business and move its exploration activity forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2022.

In late February 2022, Russia launched a large-scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including Canada. In response to the military action by Russia, various countries, including Canada, the United States, the United Kingdom and European Union issued broad-ranging economic sanctions against Russia. Such sanctions (and any future sanctions) and other actions against Russia may adversely impact, among other things, the Russian economy and various sectors of the economy, including but not limited to, financials, energy, metals and mining. Accordingly, the actions discussed above and the potential for a wider conflict could increase financial market volatility and cause severe negative effects on regional and global economic markets.

While the Company expect any direct impacts to its business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business and may make it more difficult for the Company to raise equity or debt financing.

In addition, the impact of other current macro-economic factors on the business, which may be exacerbated by the war in Ukraine – including inflation, supply chain constraints and geopolitical events – is uncertain.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company. These condensed interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The condensed financial statements were authorized for issue on November 28, 2022 by the Board of Directors of the Company.

Basis of Measurement

These condensed interim financial statements have been prepared on an accrual basis and are based on the historical cost basis as modified by any revaluation of financial assets measured at fair value. The condensed interim financial statements are presented in Canadian dollars ("CAD"), which is also the Company's functional currency.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas requiring a significant degree of estimation relate to the recoverability of deferred tax assets, fair value measurements of financial instruments and share-based payments.

4. PLANT AND EQUIPMENT

		Field Equipment		Furniture and Fixtures		TOTAL
Cost:						
Balance, December 31, 2021	\$	39,993	\$	3,087	\$	43,080
Balance, September 30, 2022		39,993		3,087		43,080
Accumulated Depreciation:						
Balance, December 31, 2021	\$	39,139	\$	3,035	\$	42,174
Additions		192		20		212
Balance, September 30, 2022	\$	39,331	\$	3,055	\$	42,386
Net Book Value						
Balance, December 31, 2021	\$	854	\$	52	\$	906
Balance, September 30, 2022	\$	662	\$	32	\$	694

5. EXPLORATION AND EVALUATION PROJECTS

a) CHILE

Isabella Gold Silver Project

As at August 5, 2020, the Company signed a Binding Purchase and Sale Agreement to acquire a 100% interest in a private Chilean company Minera Joy SpA ("ChileCo"). ChileCo directly holds 100% of the mineral rights to 38 mineral exploration concessions and has two subsidiaries with additional minerals rights.

The Company, through ChileCo, holds a 100% interest in Subsidiary 1 which holds 16 exploration mining concessions ("Isabelle West Concessions"). In Subsidiary 1 the Company holds an 85% equity interest to the Isabella West exploration mining concessions. Subsidiary 1 had the right to purchase the remaining 15% interest by making a payment of US \$100,000 by June 2021. This right was not exercised by the Company.

The Company, through ChileCo, holds a 100% interest in Subsidiary 2 (Minera Joy East) which was earning an 85% interest in 151 exploration mining concessions ("Isabella East Concessions") held by a local party, by making cash payments totaling US \$450,000 by August 2022 as follows:

- US \$100,000 by August 31, 2020 (US \$50,000 paid on August 28, 2021, and US \$50,000 on February 24, 2021);
- US \$100,000 by August 31, 2021; and
- US \$250,000 by August 31, 2022.

Minera Joy East had the option to acquire the remaining 15% interest by granting a Net Smelter Return Royalty ("NSR") of 2%. ChileCo would have the right to purchase the 2% NSR for a cash payment of US \$2,000,000.

Due to poor drilling results the Company has elected not to make a US \$100,000 payment due on the August 31, 2021 and was unable to renegotiate more favorable terms and terminated the earn-in agreement and rights to the Isabella East property on August 31, 2021 resulting in an impairment of \$1,018,964.

Avispa Copper Molybdenum Project

On October 2020, the Company was awarded exploration mining concessions in northern Atacama to explore for copper and molybdenum. The Company submitted further applications in April 2021 to total 17,000 hectares of exploration concessions held on the Avispa project.

On March 14, 2022, the Company was awarded a further 200.8 km² of exploration concessions that includes the original Avispa and recently awarded Abeja exploration concessions. The company has subsequently finalized the regulatory process to acquire an additional 277.5km² of concessions to hold 100% ownership over a total area of 478.3 km². The Company has applied for a further 87 km² of exploration concessions.

On August 16, 2022, the Company provided an update on geological mapping results that confirm the potential for porphyry Cu-Mo mineralization on the Avispa Project. Mapping in the San Salvador River valley has confirmed that the Quaternary and Miocene cover rocks are between 20 m to 50 m thick and the underlying Cretaceous rocks are altered and intruded by porphyry rocks of unknown age. In addition, the Company collected a total of 37 lithological grab samples and completed the sampling of 48 discarded rock chips piles from historic RC drilling sites on the property. All samples were geologically logged and submitted for 48-element analysis by 4 acid digestion followed by ICP-MS analysis to assist in porphyry Cu-Mo targeting. The Company is also assessing the surface mineral potential of the Miocene rocks on the property.

On August 23, 2022, the Company announced the assay results from sampling on the Avispa property. Geochemical analysis of lithologies in outcrop and from RC drill chip piles left by previous operators yielded anomalies of > 100 ppm Cu and up to 25 ppm Mo. The Company has engaged a consulting company to undertake propriety algorithmic geochemical analysis of the results with a goal of generating 3-D targets to target possible copper molybdenum porphyry mineralization.

5. EXPLORATION AND EVALUATION PROJECTS – Continued

On September 27, 2022, Montero announced that it had received a positive report from Fathom Geophysics (“Fathom”) from the analysis of geochemical data on the Avispa property. The report entitled “3D footprint Modelling at Avispa” has generated a 3D conceptual target indicating the possible location of porphyry copper molybdenum mineralization at depth.

a) CHILE – Continued

During the period ended September 30, 2022, the Company capitalized \$190,560 in costs related to the application and grant of these concessions.

Details of the Company’s exploration and evaluation activity for the period ended September 30, 2022 are as follows:

	Isabella Gold Silver Project	Avispa Copper Molybdenum Project	Total
Balance, December 31, 2021	\$ 294,965	\$ 179,870	\$ 474,835
Assays	227	34,913	35,140
Cash advances	202	2,646	2,848
Consultants	62,308	69,108	131,416
Drilling	2,794	-	2,794
Field and camp costs	11,639	8,749	20,387
Licenses and claims	8,181	127,443	135,625
Project and administration	2,761	12,648	15,408
Travel and accommodation	773	11,067	11,840
Balance, September 30, 2022	\$ 383,850	\$ 446,443	\$ 830,293

b) TANZANIA

Montero’s Wigu Hill Rare Earth Element Retention License was expropriated by the Tanzanian government in 2018 when the Mining (Local Content) Regulations 2018, published on January 10, 2018, cancelled all previously issued Retention Licenses. The Company commenced exploration activities on the project in March 2008 under a prospecting license, before obtaining a five-year retention license for the property in 2015. On January 10, 2018 the Government of Tanzania cancelled all Retention Licenses at which point they ceased to have any legal effect. During the year ended December 31, 2021 the dispute resolution process dealing with the expropriation of the Wigu Hill rare earth element project in Tanzania was underway. The International Centre for Settlement of Investment Disputes’ (“ICSID”) arbitration tribunal was constituted on the November 18, 2021 signaling that the process initiated by Montero to protect its investment and exploration rights in Tanzania will now proceed. The arbitration tribunal is composed of Dr. Achille Ngwanza, who will act as president, Mr. Eric Teynier, an arbitrator appointed by Montero and Mr. Cecil W. M. Abraham, an arbitrator appointed by the government of Tanzania. ICSID requires that each party to the dispute make a deposit of US \$150,000, after which a first hearing to establish the procedural calendar for the proceedings will be held within 60 days.

The arbitral tribunal President and appointees of Montero and Tanzania held its first session on January 17, 2022, on which procedural issues were discussed and agreed, including the timeline and timetable of the proceedings. On February 18, 2022, the arbitral tribunal issued Procedural Order No 1, with a definitive timetable. In May 2022, Montero filed its Memorial on the merits (“Memorial”) of the case and a valuation of its claims for damages as per the time schedule agreed by the parties and the tribunal (Note 14). The Memorial contains the basis for compensation to Montero for CAD \$90 million including interest up to May 2022. The arbitration will take place in Washington, DC.

On July 28, 2022, the Company provided an update on its fully funded arbitration proceedings against the United Republic of Tanzania over the expropriation of the Wigu Hill rare earth element project and announced it had

5. EXPLORATION AND EVALUATION PROJECTS – Continued

submitted a claim to the ICSID for compensation of CAD \$90 million. Montero submitted its Memorial to the ICSID arbitral tribunal in May 2022 as per the time schedule agreed by the parties and the tribunal. The Memorial contains the basis for compensation to Montero for CAD \$90 million including interest up to May 2022 (Note 5). According to the arbitral tribunal's Procedural Order No 1, Tanzania will respond to Montero's Memorial by October 2022, after which a new round of written submissions will follow in Q2 and Q3 2023.

In October 2022 the Company received a written response to the Memorial submitted from the Tanzanian government. The Company and its legal counsel are currently reviewing this document.

6. TRADE AND OTHER PAYABLES

The components of trade and other payables is as follows:

	September 30, 2022	December 31, 2021
	\$	\$
Trade payables	381,443	112,889
Amounts due to related parties (Note 8)	557,654	299,799
Accrued liabilities	25,306	26,281
Total	964,403	438,969

7. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and Outstanding

At September 30, 2022 there were 38,647,485 (December 31, 2021 – 38,647,485) issued and fully paid common shares outstanding.

Changes During the Period Ended September 30, 2022

There were no changes to the Company's share capital during the recent period ended September 30, 2022.

Stock Options

The Company has established a Stock Option Plan (the "Plan") for directors, officers, employees and consultants. The number of common shares that are available for grants of options under the Plan shall not at any time exceed 10% of the number of outstanding common shares, calculated at the time of grant. Options granted under the Plan generally have a term of five years and vest on the date of the grant.

A summary of the continuity of the Company's stock options is as follows:

7. SHARE CAPITAL – Continued

	September 30, 2022		December 31, 2021	
	Number of shares issuable	Weighted average exercise price	Number of shares issuable	Weighted average exercise price
Options outstanding, beginning of year	3,280,000	\$ 0.30	3,424,500	\$ 0.30
Exercised	-	-	(100,000)	0.35
Cancelled	-	-	(44,500)	0.25
Options outstanding, end of period	3,280,000	\$ 0.30	3,280,000	\$ 0.30

On May 14, 2023, 1,707,500 of the stock options will expire and on December 21, 2023, 1,572,500 stock options will expire. The weighted average remaining contractual life of the outstanding stock options is 0.91 years.

No stock options were granted during the period ended September 30, 2022.

Warrants

The issued and outstanding warrants are comprised of the following:

Date of expiry	Warrants reserve	Number of warrants	Exercise price
December 11, 2022	\$ 756,506	8,333,333	\$ 0.25
Balance, June 30, 2022	\$ 756,506	8,333,333	\$ 0.25

At September 30, 2022 and December 31, 2021, 8,333,333 warrants were outstanding with a weighted average exercise price of \$0.25 per warrant.

At September 30, 2022, the weighted average remaining contractual life of the outstanding warrants was 0.20 years.

The warrant reserve records the fair value of warrants associated with private placements until such time that the warrants have expired, at which time the corresponding amount will be transferred to share-based payment reserve. If the warrants are exercised prior to expiry, the corresponding amount will be transferred to share capital.

Share Based Payment Reserve

The Company's share-based payment reserve is comprised of the following:

Expired warrants	\$ 5,392,834
Expired stock options	1,795,410
Unexpired stock options	891,799
Balance, September 30, 2022	\$ 8,080,043

The share-based payment reserve records items recognized as stock-based compensation expense, the fair value of expired warrants associated with private placements and the fair value of agent's warrants. If the stock options are exercised prior to expiry, the corresponding amount will be transferred to share capital.

7. SHARE CAPITAL – Continued

Loss Per Share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period. The basic and diluted earnings (loss) per share are the same since the Company reported a loss for 2021 and 2020.

	September 30,	
	2022	2021
Net income (loss) attributable to owners of the parent company	(409,679)	(347,071)
Weighted average number of ordinary shares outstanding	38,647,485	38,640,892
Basic and diluted loss per ordinary share	(0.01)	(0.01)

8. RELATED PARTY TRANSACTIONS

The Company incurred the following transactions with management, directors, officers, or companies which have directors in common, or in which the directors have significant influence and interests.

	Nine months ended September 30,	
	2022	2021
	\$	\$
Consulting and management	129,569	140,820
Directors' fee	29,625	29,625
General and administrative	5,119	5,854
Total remuneration of directors and key management personnel	164,313	176,299

The following amounts due to related parties are included in trade and other payables:

	September 30,	December 31,
	2022	2021
	\$	\$
Due to related parties	455,785	199,800
Promissory note	101,869	99,999
Total	557,654	299,799

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are unsecured, non-interest bearing and are due within twelve months. The promissory notes are interest bearing at 5.0% per annum. The unpaid principal amount, and accrued and unpaid interest, was due and payable in full on or before December 31, 2021. As at September 30, 2022, no demand for repayment has been made.

9. SEGMENTED INFORMATION

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable geographic segments are located in Canada, Namibia and Chile.

9. SEGMENTED INFORMATION

Information regarding the Company's geographic segments is as follows:

As at September 30, 2022:

		Chile	Total
Plant and equipment	\$	694	\$ 694
Exploration and evaluation assets		830,293	830,293
Total non-current assets	\$	830,987	\$ 830,987

As at December 31, 2021

		Chile	Total
Plant and equipment	\$	906	\$ 906
Exploration and evaluation assets		474,835	474,835
Total non-current assets	\$	475,741	\$ 475,741

10. COMMITMENTS AND CONTINGENCIES

The Company has no lease commitments.

On January 8, 2021, Montero completed a Litigation Funding Agreement (the "Agreement") with Omni Bridgeway Canada Limited ("Omni Bridgeway") in the amount of US \$2.32M. The Agreement provides for funds to be drawn from a financing facility to meet all fees and expenses relating to the pursuit of certain claims against the Government of Tanzania for the illegal expropriation and loss of the Wigu Hill Project, including all costs associated with legal proceedings and, if necessary, enforcement, of any awards. Montero has initiated international arbitration proceedings in accordance with the bilateral investment treaties ("BIT") between Canada and the United Republic of Tanzania. Compensation being sought for expropriation of the Wigu Hill rare earth element Project may include, but will not be limited to, the value of the historic investment made by Montero in Tanzania, the value of the project at the time that tenure was expropriated and damages the Company has suffered as a result of Tanzania's acts and omissions (Notes 5, 14).

11. NON-CASH TRANSACTIONS

There were no non-cash transactions during the three months ended September 30, 2022 and 2021 that are not reflected in the statement of cash flows.

12. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principal activities are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through borrowings from related parties.

12. CAPITAL MANAGEMENT – continued

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold excess cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

13. RISK MANAGEMENT

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk

The Company is engaged in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licenses. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's ability to fulfill its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The other receivables primarily comprise local sales tax refunds due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents are invested in short-term investment certificates for periods less than 90 days and the other receivables are due in less than 90 days.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. The Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

Interest Rate Risk

Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The effect of interest rate changes on the Company is insignificant.

13. RISK MANAGEMENT - continued

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada and Chile and portions of its expenditures are incurred in US dollar and Chilean Peso. At September 30, 2022 and December 31, 2021, the value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily gold and silver) to determine the appropriate course of action to be taken by the Company.