

MANTARO SILVER CORP.

**Condensed Interim Consolidated Financial Statements
For the three and six months ended August 31, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)**

NOTICE TO READER

Under National Instrument 51-102 “Continuous Disclosure Requirements”, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim financial statements, they must be accompanied by a notice indicating that the unaudited interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Mantaro Silver Corp. (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 unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

MANTARO SILVER CORP.**Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

	August 31, 2021	February 28, 2021
Assets		
Current		
Cash	\$ 7,136,121	246,569
Restricted cash (Note 6)	-	7,926,848
Prepaid expenses and deposits	30,514	-
Accounts receivable	23,199	-
Deferred transaction costs (Note 6)	-	459,280
	7,189,834	8,632,697
Non-current assets		
Exploration and evaluation assets (Note 5)	3,045,354	1,735,779
	\$ 10,235,188	10,368,476
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 251,846	101,986
Subscriptions payable	6,700	6,700
Share subscription receipts (Note 6)	-	8,251,828
Total liabilities	258,546	8,360,514
Equity		
Common shares (Note 6)	12,182,213	1,658,385
Subscriptions received	-	188,212
Reserves	1,849,024	337,100
Deficit	(5,054,595)	(175,735)
Total equity	9,976,642	2,007,962
Total liabilities and equity	\$ 10,235,188	10,368,476

Going concern (Note 1)

Commitments (Note 5)

Subsequent event (Note 8)

Approved on behalf of the Board on October 28, 2021:

“Charles Hethey” (signed)

Director

“Christopher Wilson” (signed)

Director

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

MANTARO SILVER CORP.**Condensed Interim Consolidated Statements of Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

	Three months ended		Six months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Expenses				
Advertising and promotion	\$ 15,892	\$ -	\$ 37,648	\$ -
Consulting fees	280,075	-	433,974	-
Insurance	2,737	-	2,737	-
Interest and bank charges	705	-	2,310	-
Office and miscellaneous	28,862	125	28,862	125
Management fees	22,500	-	22,500	-
Professional fees	130,050	29,089	136,232	28,089
Project investigation costs	85,295	-	143,366	-
Share-based payment	68,919	-	1,482,213	-
Shareholder communications	27,011	-	27,011	-
Transfer agent and filing fees	9,606	-	23,883	-
	(671,652)	(29,214)	(2,340,736)	(29,214)
Other items				
Interest income	5,013	-	10,848	-
Realized foreign exchange (gain) loss	(1,616)	-	(1,616)	-
Listing expense	-	-	(2,547,356)	-
Loss and comprehensive loss	\$ (668,255)	\$ (29,214)	\$ (4,878,860)	\$ (29,214)
Basic and diluted loss per share	\$ (0.02)	\$ (29,214)	\$ (0.17)	\$ (29,214)
Weighted average number of common shares outstanding	59,474,675	1	43,672,378	1

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

MANTARO SILVER CORP.**Condensed Interim Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)****(Unaudited)**

	Common Shares					
	Number Outstanding	Amount	Share Subscriptions Received	Reserves	Deficit	Total Equity
		\$	\$	\$	\$	\$
Balance, May 25, 2020 (date of incorporation)						
Incorporation share	1	-	-	-	-	-
Issuance of common shares	13,425,000	394,955	-	-	-	394,955
Share issuance costs	-	(1,288)	-	-	-	(1,288)
Loss for the period	-	-	-	-	(29,214)	(29,214)
Balance, August 31, 2020	13,425,000	393,667	-	-	(29,214)	(29,214)
Issuance of common shares	11,814,001	1,273,950	-	202,800	-	1,476,750
Share issuance costs	-	(7,982)	-	-	-	(7,982)
Subscriptions receivable	-	(1,250)	-	-	-	(1,250)
Subscriptions received	-	-	188,212	-	-	188,212
Share subscription receipts issuance costs	-	-	-	134,300	-	134,300
Loss for the period	-	-	-	-	(146,521)	(146,521)
Balance, February 28, 2021	25,239,001	1,658,285	188,212	337,100	(175,735)	2,007,962
Issuance of common shares for RTO	8,178,538	2,862,488	-	-	-	2,862,488
Issuance of common shares for subscription receipts	24,648,794	8,627,078	(188,212)	-	-	8,438,866
Issuance of common shares for mineral property	375,000	131,250	-	29,711	-	160,961
Warrant exercise	1,120,000	392,000	-	-	-	392,000
Share issuance costs	-	(488,988)	-	-	-	(488,988)
Shares issuance costs - options	-	-	-	68,919	-	68,919
Share-based payment	-	-	-	1,413,294	-	1,413,294
Loss for the period	-	-	-	-	(4,878,860)	(4,210,605)
Balance, August 31, 2021	59,561,333	13,182,213	-	1,849,024	(5,054,595)	9,976,642

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

MANTARO SILVER CORP.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six months ended	
	August 31, 2021	August 31, 2020
Cash provided by (used in)		
Operating activities		
Loss for the period	\$ (4,878,860)	(29,214)
Non-cash items:		
Share-based payment	1,482,213	-
Listing expense	2,547,356	-
Change in working capital balances:		
Accounts receivable	(20,653)	(60,000)
Prepays	(30,513)	-
Accounts payable and accrued liabilities	112,422	31,147
Cash used in operating activities	(788,035)	(58,067)
Investing activities		
Exploration and evaluation assets	(1,148,614)	(198,351)
Cash acquired on RTO	350,023	-
Cash provided by investing activities	(798,591)	(198,351)
Financing activity		
Proceeds from shares issued	549,330	368,505
Share issuance costs	-	(1,288)
Cash provided by financing activity	549,330	367,217
Increase in cash during the period	(1,037,296)	110,799
Cash and restricted cash, beginning of the period	8,173,417	-
Cash, end of the period	\$ 7,136,121	110,799
Supplemental Cash Flow Information		
Interest paid	-	-
Income taxes paid	-	-

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

MANTARO SILVER CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended August 31, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Mantaro Silver Corp. (the "Company", "Mantaro") (formerly Yuntone Capital Corp. ("Yuntone")) was incorporated under the Business Corporations Act (British Columbia) on March 6, 2008 and is an exploration stage company focusing on mineral properties in Peru and Bolivia. The Company's head and registered and records office is located at Suite 704, 595 Howe Street, Vancouver, BC V6C 2T5. The Company's common shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol "MSLV" and commenced trading on the Frankfurt Stock Exchange on June 10, 2021 under the symbol "9TZ".

On May 21, 2021, the Company and Mantaro Holding Corp. ("Holdco") completed a reverse takeover transaction (the "RTO" or the "Transaction"), pursuant to which the Company acquired all of the issued and outstanding common shares of Holdco. Upon completion of the Transaction, the consolidated entity has continued to carry on the business of Holdco. Refer to Note 3. The Company holds a 100% interest in the following five silver-focused Peruvian mineral properties, consisting of its flagship, Santas Gloria Silver Property, as well as the San Jose, La Purisima, Cerro Luque and Huaranay Properties. The Company also has the right to acquire an 80% interest in the Golden Hill Property, located in Bolivia. The Company is now a Tier 2 mining issuer.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At present, the Company has no current operating income. As at August 31, 2021, the Company has a deficit of \$5,054,595. Without additional financing, the Company may not be able to fund its ongoing operations and complete exploration and development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These factors form a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These condensed interim consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

At the time these condensed interim consolidated financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these condensed interim consolidated financial statements, there may be further significantly adverse impact on the Company's consolidated financial position and results of operations for future periods.

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2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended February 28, 2021.

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value as set out in the significant accounting policies below. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted. The functional currency of the Company and its subsidiaries is the Canadian dollar.

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its controlled entities. All inter-company balances and transactions have been eliminated on consolidation. These condensed interim consolidated financial statements include the accounts of the Company and the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Percentage Ownership
Mantaro Holding Corp.	Canada	100%
1160015 B.C. Ltd.	Canada	100%
Santa Gloria Silver Corp.	Canada	100%
San Jose Silver Corp Peru S.A.C.	Peru	100%
Santas Gloria Silver Corp Peru S.A.C.	Peru	100%

(d) Use of estimates and judgments

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

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2. BASIS OF PRESENTATION (continued)

(d) Use of estimates and judgments (continued)

Significant areas requiring the use of management's estimates and judgments include:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Capitalization of mineral properties

The application of the Company's accounting policy for mineral properties requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Inputs to the Black-Scholes options pricing model

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Income taxes

Income assets and liabilities are recognized for the estimated tax consequences between amounts included in the consolidated financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. The Company believes that its accruals for tax balances are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. These differences could materially impact net income (loss).

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of financial performance and cash flows.

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3. REVERSE TAKEOVER

On May 21, 2021, the Company and Holdco completed an RTO, pursuant to which the Company acquired all of the issued and outstanding common shares of Holdco. Prior to the acquisition of Holdco, the Company completed a share consolidation on the basis of two pre-consolidation common share of the Company for every one post-consolidation common share of the Company (the "Consolidation"). The Company also changed its name to "Mantaro Silver Corp." from "Yuntone Capital Corp." and changed its stock symbol to "MSLV" from "YTC.H".

Under the terms of an amalgamation agreement (the "Definitive Agreement") entered into on October 23, 2020, the Company has issued to the shareholders of Holdco one post-Consolidation share of the Company for every share held of Holdco. All share purchase warrants of Holdco have been exchanged or replaced with share purchase warrants of the Company based on a one-to-one basis and on the same economic terms and conditions as previously issued. Upon completion of the Transaction, Holdco has become a wholly-owned subsidiary of the Company.

As a result of the Transaction, the former shareholders of Holdco, for accounting purposes, were considered to have acquired control of Mantaro. Accordingly, the acquisition of Holdco was accounted for as a reverse takeover that was not a business combination and effectively was a capital transaction of Holdco. Holdco has been treated as the accounting parent company (legal subsidiary) and Mantaro has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As Holdco was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Mantaro's results have been included from May 21, 2021, the date of the Transaction.

Since Mantaro's operations do not constitute a business, the carrying value of the net assets of Mantaro has been credited to the share capital of the resulting issuer. Listing expense is expensed and represents the excess of fair value of Mantaro shares issued at \$0.35 per share over the net assets of Mantaro.

The purchase price has been allocated as follows:

	\$
8,178,538 common shares of the Company at \$0.35 per share	2,862,488
Fair value of consideration	2,862,488
Cash	350,023
Accounts receivable	2,546
Promissory note receivable	1
Accounts payable and accrued liabilities	(37,438)
Listing expense	2,547,356
	2,862,488

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On August 28, 2019, the Company advanced \$25,000 to GrowX Global Corp. (“GrowX”) in exchange for a promissory note issued by GrowX. The promissory note bore interest at a rate of 5% per annum, and was due and payable on August 28, 2020. The promissory note is now past due.

The Company determined that GrowX does not have assets or sources of income that could generate sufficient cash flows to repay the debt. As a result, the promissory note receivable was written down by \$24,999 to a nominal amount.

5. EXPLORATION AND EVALUATION ASSETS

	Santas Gloria Silver Property(a)	San Jose Silver Property(b)	La Purisima, Cerro Luque and Huaranay Properties(c)	Golden Hill Property (d)	Total
	\$	\$	\$	\$	\$
Acquisition costs – cash	932,884	402,126	26,438	44,174	1,406,162
Administration	160,651	84,350	-	42,837	287,838
Assays	112,777	19,629	-	-	132,406
Equipment rental	-	12,213	-	-	12,213
Field costs	279,262	206,811	-	-	486,073
Geological	247,444	72,951	-	47,786	368,181
Project management	83,692	97,946	-	6,023	187,661
Permitting	3,859	-	-	-	3,859
Exploration and evaluation cost	887,685	493,900	-	96,646	1,478,232
Total	1,820,569	896,026	26,438	141,360	2,884,393

(a) Santas Gloria Silver Property

The Santas Gloria Silver Property (“Santas Gloria”) is 100% owned by Mantaro. It is comprised of three mineral concessions totaling 1,100 hectares and is located 55 kilometers directly east of Lima, Peru.

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5. EXPLORATION AND EVALUATION (continued)

(a) Santas Gloria Silver Property (continued)

Mantaro entered into an acquisition agreement dated October 6, 2020 (the "Santas Gloria Agreement") with the former property owners of the Santas Gloria Property. Under the terms of the Santas Gloria Agreement, Mantaro is required to pay the former property owners (i) US \$340,000 (paid), (ii) US \$200,000 in monthly installments (paid), and (iii) incur a total of US \$1,500,000 in exploration expenditures (US \$500,000 by October 2021 and US \$1,000,000 by October 2022) on the Santas Gloria Silver Property.

Mantaro will also pay a one-time discovery bonus of US \$1,000,000 upon announcement of a resource estimate of 10,000,000 ounces Ag equivalent on the Santas Gloria Property. This bonus is contingent purchase consideration and no amount has been accrued as a liability due to uncertainty in an obligation based solely on a future resource estimate on an exploration stage property.

During the three and six months ended August 31, 2021, the Company incurred \$110,997 in acquisition costs and \$265,193 of exploration and evaluation expenditures on this property.

(b) San Jose Silver Property

The San Jose Silver Property is 100% owned by Mantaro. It is comprised of five concessions totaling 3,300 hectares and located 180 kilometers directly north of Lima, Peru.

Mantaro entered into an acquisition agreement dated July 29, 2020 ("San Jose Agreement") with the former owners of the San Jose Silver Property. Under the terms of the San Jose Agreement, Mantaro is required to pay and issue to the former owners of four of the five concessions that comprise the San Jose Silver Property: (i) US \$80,000 on signing of the San Jose Agreement (paid), (ii) US \$40,000 on October 28, 2020 (paid), (iii) US \$90,000 in July 2021 (paid), (iv) US \$140,000 in July 2022, (v) US \$150,000 in July 2023, (vi) 375,000 shares (issued) and 125,000 warrants (issued) on listing with the Exchange, and (vii) 375,000 shares and 125,000 warrants on six months after listing on the Exchange.

Mantaro is also required to incur a total of US \$150,000 in exploration expenditures on the San Jose Property by July 2023. Four of the five concessions of the San Jose Silver Property are subject to a 2% Net Smelter Return Royalty, of which Mantaro may repurchase each 1% Net Smelter Return Royalty with a payment of US \$750,000 or US \$1,500,000 for the entire 2% Net Smelter Return Royalty.

During the three and six months ended August 31, 2021, the Company incurred \$29,549 in acquisition costs and \$198,986 of exploration and evaluation expenditures on this property.

(c) La Purisima, Cerro Luque and Huaranay Properties

The La Purisima, Cerro Luque and Huaranay Properties are 100% owned by Mantaro, by way of staking, and are located in northwest Peru.

During the three and six months ended August 31, 2021, the Company incurred \$nil in acquisition costs and \$nil of exploration and evaluation expenditures on these properties.

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5. EXPLORATION AND EVALUATION (continued)

(d) Golden Hill Property

The Company holds an 80% option to acquire the Golden Hill Property, by way of property option agreement with Minera Golden Hill S.R.L. and Luis Fernando Kinn Cortez and is located in Santa Cruz, Bolivia. It is comprised of one concession totaling 4,468 hectares.

During the three and six months ended August 31, 2021, the Company incurred \$44,714 in acquisition costs and \$96,646 of exploration and evaluation expenditures on these properties.

Under the terms of the Golden Hill Property Option Agreement, the Company may acquire up to an 80% interest in the Golden Hill Property by making the following cash payments, share issuances and incurring the following exploration expenditures.

1. The Company will earn an initial 51% interest in the Golden Hill Property by:
 - i. Paying US \$500,000 to the Optionor as follows:
 - i. US \$25,000 on the effective date, **(paid)**
 - ii. US \$75,000 six weeks after the effective date, **(paid)**
 - iii. US \$200,000 six months after the effective date,
 - iv. US \$200,000 twelve months after the effective date.
 - ii. Issuing a total of 2,000,000 units of the Company (a "Unit") to the Optionor as follows:
 - i. 500,000 Units three months after the effective date,
 - ii. 500,000 Units six months after the effective date, and
 - iii. 1,000,000 Units twelve months after the effective date. Each Unit consists of one common share of the Company and one-half of one share purchase warrant (a "Warrant"), with each Warrant exercisable at the Market Price (as defined by the rules of the TSX Venture Exchange) on the date of issue for a period of two years from the date of issue;
 - iii. Incurring US \$250,000 in exploration expenditures on or before the first anniversary of the effective date.
- (the "First Option")
2. The Company will earn an additional 19% interest (for a total of 70% interest) in the Golden Hill Property by:
 - i. Paying US \$500,000 to the Optionor on or before the second anniversary of the effective date;

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5. EXPLORATION AND EVALUATION (continued)

- ii. Issuing 1,500,000 Units to the Optionor on or before the second anniversary of the effective date; and
- iii. Incurring US \$250,000 in exploration expenditures on or before the second anniversary of the effective date.

(the "Second Option")

- 3. The Company will earn an additional 10% interest (for a total of 80% interest) in the Golden Hill Property by:
 - i. Paying US \$500,000 to the Optionor on or before the third anniversary of the effective date;
 - ii. Issuing 500,000 units to the Optionor on or before the third anniversary of the effective date; and
 - iii. Incurring US \$1,000,000 in exploration expenditures on or before the third anniversary of the effective date.

(the "Third Option")

In the event that the Company exercises the First Option or Second Option but fails to exercise the Third Option, the Company's interest will be reverted to a 2% Net Smelter Return Royalty, which may be repurchased at a price of US \$1,000,000. If the Company acquires an 80% interest in the Golden Hill Property, the Company will grant a 2% Net Smelter Return Royalty to the Optionor, which may be repurchased at a price of US \$1,000,000.

The Optionor will also be entitled to a discovery of bonus as follows: (i) US \$2 for every ounce of gold or gold equivalent set out in an indicated or measured resource estimate up to a maximum of 250,000 ounces (US \$500,000), (ii) an additional US \$4 for every ounce of gold or gold equivalent set out in an indicated or measured resource estimate above 250,000 ounces to up 500,000 ounces (an additional payment of up to US \$1,000,000), and (iii) an additional US \$5 for every ounce of gold or gold equivalent set out in an indicated or measured resource estimate above 500,000 ounces and up to 1,000,000 ounces (an additional payment of up to US \$2,500,000)

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6. EQUITY

(a) Authorized - Unlimited number of common shares without par value.

(b) Issued and outstanding

Common Shares

On May 25, 2020, the Company issued 3,285,001 common shares at a nominal amount per share for gross proceeds of \$5.

On June 1, 2020, the Company issued 2,490,000 common shares at \$0.005 per share for gross proceeds of \$12,450.

On August 31, 2020, the Company issued 7,650,000 common shares at \$0.05 per share for gross proceeds of \$382,500.

On September 23, 2020, the Company issued 11,814,000 units ("Unit") at \$0.125 per Unit for gross proceeds of \$1,476,750. Each Unit consists of one common share of the Company and one-half of one share purchase warrant (each whole share purchase warrant, a "Warrant"), with each whole Warrant exercisable at \$0.35 per share for a period of one year from the date of issue. The share purchase warrants were fair valued at \$202,800 using the Black-Scholes option pricing model with the following assumptions: share price at the time of issuance \$0.125; risk-free interest rate of 0.23%; expected life of one year; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 140%. As the Company does not have a significant history of trading prices, the Company utilized annualized volatility of comparable exploration stage mining companies.

On March 17, 2021, the Company issued a total of 1,072,142 Units at \$0.35 per Unit for gross proceeds of \$375,250. Each unit consists of one common share and one-half of a Warrant, with each whole Warrant entitling the holder to acquire one additional common share at a price of \$0.55 per share for a period of one year from the date of closing the Transaction.

On May 21, 2021, 8,178,538 common shares were deemed to be issued by Holdco as a result of the RTO (refer to Note 3). The fair value of the 8,178,538 common shares deemed issued (\$2,862,488) was estimated using a fair value of \$0.35 per share.

On May 21, 2021, the Company issued 375,000 shares with a fair value of \$131,250 and 125,000 warrants related to the acquisition of the San Jose Silver Property. The fair value of the warrants has been estimated to be \$29,711 using the Black-Scholes option pricing model using the following assumptions: share price at the time of issuance \$0.35; risk-free interest rate of 0.49%; expected life of three years; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 100%.

Share Subscription Receipts

On November 27, 2020, the Company closed the first tranche of a non-brokered private placement for 15,484,094 subscription receipts ("Subscription Receipts") at \$0.35 per Subscription Receipt for gross proceeds of \$5,419,433. Each Subscription Receipt entitles the holder to acquire, without further payment, one Unit of the Company. Each Unit consists of one common share of the Company and one-half of a Warrant, with each whole Warrant exercisable at \$0.55 per share for a period of one year from the date of closing the Transaction. On December 4, 2020, the Company closed the second tranche of 6,926,058 Subscription Receipts for gross proceeds of \$2,424,120.

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6. EQUITY (continued)

(b) Issued and outstanding (continued)

Share Subscription Receipts (continued)

On December 18, 2020, the Company closed the third tranche of 285,000 Subscription Receipts for gross proceeds of \$99,750. On January 22, 2021, the Company closed the fourth tranche of 881,500 Subscription Receipts for gross proceeds of \$308,525. As at February 28, 2021, the total gross proceeds of \$8,251,828 were recorded as a share subscription receipts liability and the cash that was received by the Company on the issuance of Subscription Receipts was presented as a restricted cash asset pursuant to the terms of the Subscription Receipts and was net of cash issuance costs. On closing of the RTO, the proceeds from the Subscription Receipt private placement were released to the Company and the Subscription Receipts were converted to Units of the Company.

The Company has incurred total transaction costs of \$459,280 in relation to these Subscription Receipts including \$324,980 in cash and the issuance of 943,407 finders' warrants on November 27, 2020 that are exercisable at \$0.55 per share for a period of one year from the date of issue. These finders' warrants were fair valued at \$134,300 using the Black-Scholes option pricing model with the following assumptions: share price at the time of issuance \$0.35; risk-free interest rate of 0.24%; expected life of one year; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 140%. As the Company does not have a significant history of trading prices, the Company utilized annualized volatility of comparable exploration stage mining companies. The total issuance costs of \$459,280 were recorded as a deferred transaction cost asset as at February 28, 2021.

(c) Escrow

There are 8,915,472 common shares of the Company held in escrow as at August 31, 2021. Under the Escrow Agreement, the common shares held in escrow will be released from escrow as to 950,036 common shares on each of November 21, 2021, May 21, 2022, November 21, 2022, May 21, 2023, November 21, 2023 and May 21, 2024.

(d) Stock options

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the Exchange. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

Stock option activity was as follows:

	Number of options	Weighted average exercise price
Balance at May 31, 2021	5,440,000	\$0.35
Balance and exercisable at August 31, 2021	5,440,000	\$0.35

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6. EQUITY (continued)

(d) Stock options (continued)

On May 21, 2021, the Company granted 5,440,000 stock options to directors, officers, employees and consultants of the Company. The stock options have a five-year term, are exercisable at \$0.35 per share and vest immediately upon grant. The fair value of these options has been estimated to be \$1,413,294 using the Black-Scholes option pricing model using the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 0.87%, and an expected life of 5 years.

During the six months ended August 31, 2021, the Company had recorded \$1,413,294 of share-based payments expense.

Details of the options outstanding as at August 31, 2021 are as follows:

Expiry Date	Exercise price \$	Remaining life (year)	Options outstanding
May 21, 2026	0.35	4.72	5,440,000

(e) Warrants

Warrants activity was as follows:

	Number of warrants	Weighted average exercise price
Balance at February 28, 2021	6,850,407	\$0.38
Issued	12,449,397	\$0.55
Balance at May 31, 2021	19,299,804	\$0.49
Warrant exercise	(1,120,000)	\$0.35
Balance at August 31, 2021	18,179,804	\$0.49

Details of the warrants outstanding as at August 31, 2021 are as follows:

Expiry Date	Exercise price \$	Remaining life (year)	Warrants outstanding
September 23, 2021	0.35	0.06	4,787,000
November 27, 2021	0.55	0.24	943,407
May 21, 2022	0.55	0.72	12,324,397
May 21, 2022	0.25	0.72	125,000
	0.49	0.50	18,179,804

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7. RELATED PARTY TRANSACTIONS

The Company's related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During the three months ended August 31, 2021, the Company incurred management fees of \$139,158 to companies controlled by the Company's Chairman and CEO, of which \$94,421 is included in exploration and evaluation costs and \$31,237 paid as a signing bonus with the remainder of \$13,500 paid to a Director of the Company. Additionally, the Company incurred \$128,496 to a Company related to a Director for legal costs, which is included in professional fees and share issuance costs.

As at August 31, 2021, \$nil is owed to the Company's related parties is included in accounts payable and accrued liabilities. Amounts owed to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

8. SUBSEQUENT EVENTS

- (a) On September 7, 2021, the Company acquired a 100% interest in four concessions adjacent to and/or in the vicinity of the Santas Gloria Silver Property. In consideration of the new concessions, the Company paid US \$50,000 and issued 500,000 common shares of the Company.
- (b) On September 15, 2021, the Company granted 500,000 stock options to directors, officers, employees and consultants of the Company. The stock options have a five-year term, are exercisable at \$0.35 per share and vest immediately upon grant. The fair value of these options has been estimated to be \$148,464 using the Black-Scholes option pricing model using the following assumptions: dividend yield of 0%, expected volatility of 119%, a risk-free interest rate of 0.83%, and an expected life of 5 years.