

REGENCY SILVER CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW
OF
INTERIM FINANCIAL STATEMENTS

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 the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim 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 the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Regency Silver Corp.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash		\$ 63,794	\$ 12,798
Amounts receivable		53,069	37,311
Prepaid expenses		10,000	14,384
		126,863	64,493
Non-current Assets			
Deposit	4	10,000	10,000
Exploration and evaluation assets	4	1,308,566	1,155,179
TOTAL ASSETS		\$ 1,445,429	\$ 1,229,672
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	7	\$ 227,558	\$ 269,177
Note payable	6	52,500	-
		280,058	269,177
SHAREHOLDERS' EQUITY			
Share capital	5	4,718,756	3,989,231
Reserves	5	7,379	7,379
Accumulated deficit		(3,560,764)	(3,036,115)
Total shareholders' equity		1,165,371	960,495
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,445,429	\$ 1,229,672

Nature of operations – Note 1

Going concern – Note 2

Contingency – Note 11

Commitments – Note 12

Subsequent events – Note 13

Approved on behalf of the Board of Directors:

“Gijsbert Groenewegen”, Director

“Bruce Bragagnolo”, Director

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

Regency Silver Corp.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
EXPENSES					
Consulting	7	\$ 7,500	\$ 7,500	22,500	\$ 7,500
Exchange and filing fees		900	2,500	19,198	2,500
Management fees	7	63,500	60,000	198,500	119,000
Office		21,860	40,350	106,159	107,321
Professional fees		59,920	107,009	133,641	184,779
Rent		1,866	10,800	14,626	10,800
Share-based payments		-	-	-	124,900
		(155,546)	(228,159)	(494,624)	(556,800)
OTHER ITEMS					
Interest expense	6	(1,250)	-	(7,500)	-
Foreign exchange		(497)	-	(22,526)	6,095
LOSS AND COMPREHENSIVE LOSS		\$ (157,292)	\$ (228,159)	(524,649)	\$ (550,705)
Loss per share, basic and diluted		\$ (0.00)	\$ (0.01)	(0.01)	\$ (0.02)
Weighted average number of common shares outstanding		48,509,258	41,656,817	47,202,714	35,653,078

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

Regency Silver Corp.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian dollars)

	Share Capital		Subscriptions received in advance	Reserves		Deficit	Total
	Note	Number		Amount			
			\$	\$	\$	\$	\$
Balance, December 31, 2019		31,776,201	2,861,060	22,500	-	(2,274,463)	609,097
Shares issued in private placement		10,045,000	954,600	(22,500)	-	-	932,100
Share issuance costs		-	(31,329)	-	7,379	-	(23,950)
Share based payments		1,250,000	124,900	-	-	-	124,900
Net loss for the period		-	-	-	-	(550,705)	(550,705)
Balance, September 30, 2020		43,071,201	3,909,231	-	7,379	(2,825,168)	1,091,442
Balance, December 31, 2020		43,871,201	3,989,231	-	7,379	(3,036,115)	960,495
Shares issued in private placement	5	5,782,167	746,325	-	-	-	746,325
Share issuance costs	5	-	(16,800)	-	-	-	(16,800)
Net loss for the period		-	-	-	-	(524,649)	(524,649)
Balance, September 30, 2021		49,653,368	4,718,756	-	7,379	(3,560,764)	1,165,371

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

Regency Silver Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Nine months ended	
	September 30, 2021	September 30, 2020
OPERATING ACTIVITIES:		
Net loss	\$ (524,649)	\$ (550,705)
Items not affecting cash:		
Share-based payments	-	124,900
Net changes in non-cash working capital items:		
Amounts receivable	(15,758)	(23,537)
Prepaid expenses	4,384	(24,000)
Accounts payable and accrued liabilities	(41,619)	(105,223)
Cash used in operating activities	(577,642)	(578,565)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(153,387)	(126,570)
Cash used in investing activities	(153,387)	(126,570)
FINANCING ACTIVITIES		
Proceeds received from issuance of note	52,500	-
Proceeds from issuance of common shares	729,525	780,650
Cash provided by financing activities	782,025	780,650
Change in cash	50,996	75,515
Cash, beginning of period	12,798	2,535
Cash, end of period	\$ 63,794	\$ 78,050

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

Regency Silver Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2021
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Regency Silver Corp. (the “Company”) was incorporated on March 23, 2017 under the laws of the Province of British Columbia, Canada, and its principal activity is the identification, evaluation, acquisition and exploration of mineral properties in Mexico and Peru. The corporate head office, principal address and registered and records offices of the Company are located at Suite 1100, 570 Granville Street, Vancouver, British Columbia, V6C 3P1, Canada.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these condensed consolidated interim financial statements.

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. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

The Company is proposing to complete an initial public offering (“IPO”) as further described in note 13.

2. GOING CONCERN

These condensed consolidated interim financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. There are conditions and events that cast significant doubt on the validity of this assumption. The Company has a working capital deficit at September 30, 2021 of \$153,195 (December 31, 2020 – \$204,684) and an accumulated deficit of \$3,560,764 (December 31, 2020 - \$3,036,115). The Company has no source of revenue and does not have sufficient cash resources to meet its administrative overhead. The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. The condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

Regency Silver Corp.
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3. BASIS OF PRESENTATION

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s audited consolidated financial statements for the year ended December 31, 2020. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued as of the date the Board of Directors approved the financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2020.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 9, 2021.

3.1. Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Regency Silver S.A. de C.V., incorporated and located in Mexico (“Regency Mexico”) and Regency Mining SAC, incorporated and located in Peru (“Regency Peru”). All significant intercompany transactions and balances have been eliminated on consolidation. The functional currency of the Company and its wholly-owned subsidiaries is Canadian dollars.

3.2. Significant judgments, estimates and assumptions

The preparation of the Company’s condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Functional currency

Determination of an entity’s functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Going concern

The assessment of the Company’s ongoing viability as an operating entity and determination of the related disclosures require significant judgment. The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management’s strategic planning. Should those judgments prove to be inaccurate, management’s continued use of the going concern assumption could be inappropriate.

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Impairment of exploration and evaluation assets

The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation assets. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the development of a specific area is unlikely, and exploration and evaluation assets should be impaired.

Critical Accounting Estimates

Income Taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Provision for Litigation

Management has assessed the future obligation of the Company in relation to the claim disclosed in Note 11. Provisions are measured at their best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material. As of the date of these financial statements, uncertainty exists relating to the timing and amounts of any possible cash settlements. Accordingly, management has not recorded a provision in these condensed consolidated interim financial statements for the claim.

Valuation of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves. Common shares issued for compensation are valued based on the most recent third-party financing values.

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4. EXPLORATION AND EVALUATION ASSETS

A continuity of the Company's exploration and evaluation assets is as follows:

	Dios Padre	El Tule	Total Expenditures
	\$	\$	\$
Balance, December 31, 2019	773,845	152,368	926,213
Acquisition cost	34,468	61,663	96,131
Assaying	5,483	-	5,483
Consulting and professional fees	52,573	9,952	62,525
Geologist fees	8,883	-	8,883
Property taxes and payments	33,687	18,217	51,904
Other payments	4,040	-	4,040
Balance, December 31, 2020	912,979	242,200	1,155,179
Acquisition cost	28,457	52,401	80,858
Consulting and professional fees	39,224	765	39,989
Property taxes and payments	24,388	8,152	32,540
Balance, September 30, 2021	1,005,048	303,518	1,308,566

Dios Padre Property, Mexico

The Company's subsidiary, Regency Mexico, entered into an Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 ("Option Agreement"), subsequently amended, with Minera Pena Blanca, S.A. de C.V. ("Minera Pena"), pursuant to which Regency Mexico was granted an option to purchase 100% title to the mineral concessions comprising the Dios Padre mineral property located in Yecora, Sonora, Mexico in consideration of:

1. the payment of US\$145,000 plus Value-Added Tax ("VAT") as follows:
 - US\$25,000 on the date of signing (paid);
 - US\$30,000 on or before November 27, 2018 (paid);
 - US\$30,000 on or before November 27, 2019 (paid);
 - US\$30,000 on or before November 27, 2020 (paid); and
 - US\$30,000 on or before November 27, 2021 (paid).
2. incurring aggregate exploration expenditures of not less than US\$1,000,000 as follows:
 - US\$250,000 on or before November 27, 2018; (incurred)
 - US\$500,000 on or before November 27, 2021 (extended – see disclosure below);
 - US\$250,000 on or before April 30, 2022 (extended – see disclosure below).

Pursuant to the Option Agreement, Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Company for US\$1.5 million. Minera Pena may be obligated to pay an underlying 2.5% net smelter return royalty in favour of a third party. In the event the underlying royalty is valid, Regency may not be able to reduce the NSR to 1%. The Dios Padre Property is also subject to

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advance minimum royalty payments of US\$100,000 due January 1st of each year, payable by Minera Pena to third parties.

During the four-year option period, Regency Mexico is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (DGM). The Option Agreement also stipulates a two km Area of Influence requiring that any third-party concession(s) acquired by Minera Pena by filing or contract be made a part of the Option Agreement. Within this Area of Influence, however, Regency Mexico is not obligated to make any concessions they acquire part of the Option Agreement.

The Option Agreement was amended by an extension agreement dated September 1, 2019 (the “**Extension Agreement**”) wherein Minera Pena granted Regency Mexico an extension until November 27, 2020 for the balance of the aggregate exploration expenditures originally due by November 27, 2019. As consideration for the extension, the Company issued 250,000 common shares.

The Option Agreement was further amended by extension agreements dated November 24, 2020, June 10, 2021 and October 12, 2022 (the “Amended Extension Agreement”) wherein Minera Pena granted Regency Mexico an extension until January 31, 2022 for the expenditure of the balance of US\$500,000 in aggregate exploration expenditures. In addition, the time for the expenditure of the balance of US\$250,000 in exploration expenditures was extended until July 31, 2022. The time to make payment of the sum of US\$10,000 to Minera Pena as consideration for the extensions was also extended to the earlier of the date which is 10 days from the listing of the Company’s shares on any recognized exchange in Canada or January 31, 2022.

Ejido La Trinidad Agreement

To acquire necessary surface access and use, Regency Mexico executed a four-year agreement with the Ejido “La Trinidad” on November 29, 2017 requiring the Company to make annual payments of US\$6,000 and minor improvement costs.

El Tule Property, Mexico

Regency Mexico entered into a Promissory Assignment of Exploration and Exploitation Rights and Option Agreement with Mr. Alberto Marcos Carrillo Armenta dated February 22, 2018 (the “Armenta Agreement”) to acquire a 100% interest in the El Tule property located in Northern Nayarit, Mexico. As consideration, the Company will pay a total of US\$600,000 whereby US\$100,000 will be paid within the first four months, US\$400,000 will be paid over 4 years (in 6-month increments) and US\$100,000 will be paid upon execution and formalization of the El Tule Assignment Agreement.

The Armenta Agreement also calls for a bonus payment of US\$1,000,000 on delivery of a NI 43-101 report which identifies one million ounces of gold on the property. Pursuant to the Armenta Agreement, in the event that the shares of the Company get listed on a stock exchange, the Company may issue common shares for payments in an amount totaling US\$200,000.

During the year ended December 31, 2019, the agreement was amended whereby the Company paid an additional US\$25,000 to keep the Armenta Agreement in good standing.

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On December 14, 2020, August 14, 2020, and April 5, 2021, the Armenta Agreement was amended and the payments were changed to US\$604,000 as follows:

- US\$20,000 paid to date;
- US\$6,000 per month for the months of December 2020 to June 2021 (paid);
- US\$42,000 by July 14, 2021; and
- US\$50,000 by October 14, 2021 and every 6 months thereafter until a total of US\$400,000 has been paid and a final payment of US\$100,000 upon execution and formalization of the El Tule Assignment Agreement.

Due to a lack of access to the El Tule Property due to COVID, on August 18, 2021 the Company claimed force majeure under the Armenta Agreement.

The El Tule Property is comprised of certain concessions in the State of Nayarit, Mexico.

La Libertad Project, Peru

The Company, through Regency Peru, holds title to certain claims located in the La Libertad Mining District in north-central Peru in proximity to the Lagunas Norte and La Arena mines.

5. SHARE CAPITAL

Authorized Capital

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Issued Share Capital

During the nine months ended September 30, 2021, the Company issued a total of 5,782,167 common shares as follows:

- In January 2021, the Company closed a private placement through the issuance of 1,500,000 units at \$0.10 per unit for total proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per warrant in the first year, and \$0.35 per warrant in the second year, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada. In connection with the private placement, the Company paid \$15,000 in share issuance cost.
- In January 2021, the Company closed a private placement through the issuance of 800,000 common shares at \$0.10 per common share for gross proceeds of \$80,000.
- In March 2021, the Company closed a private placement through the issuance of 680,000 common shares at \$0.15 per common share for gross proceeds of \$102,000.
- In April 2021, the Company closed a private placement through the issuance of 729,500 common shares at \$0.15 per common share for total proceeds of \$109,425.

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- In May 2021, the Company closed a private placement through the issuance of 816,000 common shares at \$0.15 per common share for total proceeds of \$122,400.
- In August 2021, the Company closed a private placement through the issuance of 600,000 common shares at \$0.15 per common share for total proceeds of \$90,000.
- In September 2021, the Company closed a private placement through the issuance of 656,667 common shares at \$0.15 per common share for total proceeds of \$98,500. The Company paid a finder's fee of \$1,800 in connection with the private placement.

During the year ended December 31, 2020, the Company issued a total of 12,095,000 common shares as follows:

- In January 2020, the Company closed a private placement through the issuance of 1,500,000 units at a price of \$0.10 per share for gross proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per warrant, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada.
- In May 2020, the Company issued 1,000,000 common shares to principals at a value of \$0.10 per share and received proceeds of \$100. A balance of \$99,900 was recorded as share-based payments expense. The Company received proceeds based on \$0.0001 per common share and recorded the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense.
- In May 2020, the Company closed private placements through the issuance of 1,000,000 common shares at a value of \$0.05 per share for gross proceeds of \$50,000 and 250,000 common shares at a value of \$0.10 per share for gross proceeds of \$25,000.
- In June 2020, the Company closed a private placement through the issuance of 3,795,000 common shares at a value of \$0.10 per share for gross proceeds of \$379,500. The Chairman and the CEO of the Company assigned \$150,000 in amounts owed for outstanding management fees. These amounts were satisfied by the issuance of 1,500,000 common shares to the assignees at a price of \$0.10 per share, which has been included in the June 2020 share issuance.
- In June 2020, the Company issued 2,000,000 common shares, pursuant to a brokered financing, at a value of \$0.10 per share for gross proceeds of \$200,000. In connection with the financing, the Company paid \$23,950 in cash finders fees and other share issuance costs and issued 140,000 brokers warrants with a fair value of \$7,379. Each broker warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of 24 months from the date of issuance.
- In July 2020 the Company closed a private placement through the issuance of 1,000,000 common shares at a value of \$0.10 per share for gross proceeds of \$100,000.
- In July 2020, the Company issued 250,000 common shares with a value of \$0.10 per share as a signing bonus to a newly appointed officer. A balance of \$25,000 was recorded as share-based payments expense.

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- In August 2020, the Company closed a private placement through the issuance of 500,000 common shares at a value of \$0.10 per share for gross proceeds of \$50,000.
- In November 2020, the Company closed a private placement through the issuance of 100,000 common shares at a value of \$0.10 per share for gross proceeds of \$10,000.
- In December 2020, the Company closed a private placement through the issuance of 700,000 common shares at a value of \$0.10 per share for gross proceeds of \$70,000.

Warrants

A summary of the changes in warrants is presented below:

	Share Purchase Warrants	
	Number	Weighted average exercise price
Outstanding, December 31, 2019	-	\$ -
Granted	1,640,000	0.10
Outstanding, December 31, 2020	1,640,000	0.10
Granted	1,500,000	0.30
Outstanding, September 30, 2021	3,140,000	0.27
Exercisable, September 30, 2021	3,140,000	\$ 0.10

The following warrants were outstanding as at September 30, 2021:

Number	Exercise price	Expiry Term
140,000	\$ 0.10	*24 months
1,500,000	\$ 0.10	*24 months
1,500,000	\$ 0.30	**24 months
3,140,000		

*These warrants expire 24 months from the date the Company is listed on a Canadian stock exchange.

** These warrants expire 24 months from the date the Company is listed on a Canadian stock exchange and have an exercise price of \$0.35 in year two of the warrant term.

Stock Option Plan

The Company adopted a Stock Option Plan where directors, officers, employees, consultants and related persons of the Issuer, or persons engaged in investor relations activities on behalf of the Issuer are eligible to receive grants of options under the Stock Option Plan. The maximum number of common shares reserved for issuance upon exercise of options granted pursuant to the provisions of the Stock Option Plan at any time shall not exceed 10% of the issued and outstanding common shares of the Issuer

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at the relevant time less any common shares required to be reserved with respect to any other options granted prior to the adoption and implementation of the Stock Option Plan. The exercise price of any options granted is determined by the Board of Directors in its sole discretion as of the date the Board of Directors grants the options, and shall not be less than the discounted Market Price as calculated and defined in accordance with the policies of the TSX Venture Exchange. Vesting terms are also determined by the Board of Directors.

During the year ended December 31, 2020, the Company granted 4,100,000 incentive stock options at a purchase price equal to the price of the Company's IPO exercisable for a period of five years. Since the stock options are contingent on the IPO closing, the share-based compensation expense has not been recognized during the period.

During the period ended September 30, 2021, the Company agreed to grant a total of an additional 750,000 incentive stock options to its directors subject to the completion of the IPO.

6. NOTE PAYABLE

On January 18, 2021, the Company issued a promissory note to an arm's length party for a \$50,000 loan with interest of \$5,000. The principal amount plus interest was originally due by March 31, 2021. The Company paid the interest of \$5,000 on April 8, 2021 and received an extension until July 30, 2021 for the repayment of the principal amount of \$50,000 plus interest at the rate of 10% per annum from April 1, 2021. On October 14, 2021, the promissory note was amended such that the Company received an extension until January 31, 2022.

7. RELATED PARTY TRANSACTIONS

Key management personnel include the members of the Board of Directors and officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amount paid and accrued to directors, former directors and officers are as follows:

	For the nine months ended	
	September 30, 2021	September 30, 2020
Management and director compensation:		
Management fees	\$ 198,500	\$ 131,500
Consulting fees	22,500	7,500
Total management compensation	\$ 221,000	\$ 139,000

Included in accounts payable and accrued liabilities is \$6,054 (2020 - \$29,367) owed to the CEO of the Company. These amounts are non-interest bearing with no specific terms of repayment.

8. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

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The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

9. RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies. Receivables are due from a government agency.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to exchange risk as its mineral property interests are located in Mexico and Peru and certain transactions are conducted in the US dollar.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages this risk by careful management of its working capital. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There is no assurance of continued access to significant equity funding. The Company requires additional funding to continue with its ongoing operations and exploration commitments and accordingly is exposed to liquidity risks.

Fair value measurement

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, and note payable approximate their fair values due to their short-term to maturity. The Company records its cash at FVTPL and its amounts receivable, accounts payable and accrued liabilities, and note payable at amortized cost. Cash is measured using level 1 inputs.

10. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment being the exploration and evaluation of exploration and evaluation assets. As at September 30, 2021, and December 31, 2020, the full exploration and evaluation asset balance relates to expenditures incurred in Mexico.

11. CONTINGENCY

The Company and one of its directors have been named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia. The legal proceeding claims damages against the director and the Company for a breach of an agreement. A trial date has been set for April of 2023. As of the date of these condensed consolidated interim financial statements, uncertainty exists relating to the timing and amount of any possible cash settlements. A provision has not been recorded as of September 30, 2021.

12. COMMITMENTS

On June 1, 2020 the Company entered into a management consulting agreement with the Executive Chairman of the Company whereby the Executive Chairman agreed to provide management services to the Company. The agreement provides for the payment of \$10,000 per month commencing June 1, 2020 for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 1, 2020 the Company entered into a management consulting agreement with the CEO and President of the Company whereby the CEO and President agreed to provide management services to the Company. The agreement provides for the payment of \$8,000 per month commencing July 1, 2020 for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 27, 2020, the Company entered into an independent consultant agreement with the CFO of the Company for the provision of financial consulting services to the Company. The agreement provides for the payment of \$3,000 per month plus the goods and services tax for the months of August and September, 2020. Commencing October 1, 2020, the fees will be \$2,500 per month. The CFO will be entitled to a severance payment of 4 months of consulting fees in the event of early termination of the agreement without cause. The CFO was granted 250,000 common shares as a signing bonus (Note 5).

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company:

Received a receipt for its final prospectus dated October 27, 2021.

Proposed transaction

- The Company intends to complete an initial public offering (“IPO”) of up to 12,000,000 common shares at a price of \$0.25 per common share for gross proceeds of up to \$3,000,000. As part of the IPO, the Company has entered into an engagement letter with Research Capital Corporation (the “Agent”). On the closing of the IPO, the Company will:
 - issue Agent’s Warrants equal in number to 8% of the number of shares sold under the IPO, including any Shares sold upon exercise of the over-allotment option. Each Agent’s Warrant will entitle the Agent to purchase one Agent’s Warrant Share at an exercise price equal to \$0.25 per Agent’s Warrant Share. The Agent’s Warrants may be exercised during a term of 24 months commencing on the Closing Date;
 - pay a cash commission equal to 8% of the gross proceeds raised under the IPO payable in cash or common shares;
 - pay the Agent’s Commission, payable in cash or common shares and the balance of the Corporate Finance Fee, being \$15,000 (plus GST);
 - pay the Agent the Corporate Finance Fee of \$30,000 (plus GST) in cash, \$15,000 of which has been paid and \$15,000 (plus GST) of which is due on the closing date of the IPO; and
 - be responsible for all expenses and fees incurred in connection with the IPO, including, without limitation, all expenses of or incidental to the creation, issue, sale or distribution of the IPO; the fees and expenses of the Issuer’s counsel; and all costs incurred in connection with the preparation of documents relating to the IPO.