SALAZAR RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

(Expressed in Canadian Dollars)

D&H Group LLP
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Independent Auditor's Report

To the Shareholders of Salazar Resources Limited

Opinion
We have audited the consolidated financial statements of Salazar Resources Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

Other Information
Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

"D&H Group LLP"

Vancouver, B.C.
May 2, 2022

Chartered Professional Accountants

SALAZAR RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes	December 31, 2021 $	December 31, 2020 $
ASSETS			
Current assets			
Cash		3,721,815	1,345,851
Restricted cash	5(a)	-	215,980
Amounts receivable		223,936	253,082
GST / IVA tax receivables		313,042	318,206
Prepaid expenses		278,851	988,719
Materials and supplies		623,814	945,250
Total current assets		5,161,458	4,067,088
Non-current assets			
Property, plant and equipment	4	1,510,397	1,458,605
Exploration and evaluation assets	5	7,425,242	20,567,209
Investment in associated company	6	15,081,000	-
Total non-current assets		24,016,639	22,025,814
TOTAL ASSETS		29,178,097	26,092,902
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		401,923	2,103,828
Advances from joint-venture partner	5(a)	-	155,340
TOTAL LIABILITIES		401,923	2,259,168
SHAREHOLDERS' EQUITY			
Share capital	7	46,817,062	39,283,561
Share-based payments reserve		5,668,238	5,797,803
Accumulated other comprehensive income		95,669	5,284,786
Deficit		(23,804,795)	(26,532,416)
TOTAL SHAREHOLDERS' EQUITY		28,776,174	23,833,734
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		29,178,097	26,092,902

Nature of Operations - see Note 1

Commitments - see Note 10

Event after the Reporting Period - see Note 14

These consolidated financial statements were approved for issue by the Board of Directors on May 2, 2022 and are signed on its behalf by:

/s/ Fredy Salazar	*/s/ Pablo Acosta*
Fredy Salazar	Pablo Acosta
Director	Director

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

SALAZAR RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Note	Year Ended December 31 2021 $	2020 $
Expenses			
Accounting and administration	8(b)(ii)	62,039	56,055
Audit		173,721	150,120
Consulting	8(b)(i)	262,507	274,668
Corporate development		146,679	157,620
Community relations		96,117	-
Depreciation		150,817	146,823
General exploration		42,368	49,617
Legal		169,958	15,038
Office		86,283	64,188
Regulatory		53,052	22,128
Salaries, compensation and benefits	8(a)	254,426	472,221
Share-based compensation	7	279,975	35,418
Shareholder costs		11,535	11,466
Transfer agent		8,617	8,044
Travel		28,955	16,854
Cost recoveries	5(a)	(151,549)	(307,638)
		1,675,500	1,172,622
Loss before other items		(1,675,500)	(1,172,622)
Other items			
Interest income		22,291	31,189
Operator fees and other income	5(b)	52,950	85,090
Drill income	5(b)	58,159	70,599
Write-off		(130,484)	-
Impairment of exploration and evaluation assets	5(a)	(1,231,150)	-
Foreign exchange - reclassification from AOCI	6	5,551,762	-
Foreign exchange		79,593	(11,718)
		4,403,121	175,160
Net income (loss) for the year		2,727,621	(997,462)
Other comprehensive income (loss)			
Change in currency translation of foreign subsidiaries		362,645	(795,390)
Comprehensive income (loss) for the year		3,090,266	(1,792,852)
Basic and diluted income (loss) per common share		$0.02	$(0.01)
Weighted average number of common shares outstanding		145,695,263	127,087,790

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

SALAZAR RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Year Ended December 31, 2021					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Accumulated Other Comprehensive Income (Loss) $	Deficit $	Total Shareholders' Equity $
Balance at December 31, 2020	127,087,790	39,283,561	5,797,803	5,284,786	(26,532,416)	23,833,734
Common shares issued for:						
- private placement	18,572,000	6,500,200	-	-	-	6,500,200
- share options	6,825,000	960,500	-	-	-	960,500
- option payment	177,283	62,935	11,523	-	-	74,458
Share issue costs	-	(678,634)	-	-	-	(678,634)
Transfer on exercise of share options	-	688,500	(688,500)	-	-	-
Share-based compensation:						
- share options	-	-	188,301	-	-	188,301
- restricted share units	-	-	91,674	-	-	91,674
- finder's warrants	-	-	267,437	-	-	267,437
Reclassification of foreign currency translation adjustment	-	-	-	(5,551,762)	-	(5,551,762)
Currency translation reserve	-	-	-	362,645	-	362,645
Net income for the year	-	-	-	-	2,727,621	2,727,621
Balance at December 31, 2021	152,662,073	46,817,062	5,668,238	95,669	(23,804,795)	28,776,174

	Year Ended December 31, 2020					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Accumulated Other Comprehensive Income (Loss) $	Deficit $	Total Shareholders' Equity $
Balance at December 31, 2019	126,477,790	39,138,461	5,823,385	6,080,176	(25,534,954)	25,507,068
Common shares issued for:						
- share options	610,000	84,100	-	-	-	84,100
Transfer on exercise of share options	-	61,000	(61,000)	-	-	-
Share-based compensation - share options	-	-	35,418	-	-	35,418
Currency translation adjustment	-	-	-	(795,390)	-	(795,390)
Net loss for the year	-	-	-	-	(997,462)	(997,462)
Balance at December 31, 2020	127,087,790	39,283,561	5,797,803	5,284,786	(26,532,416)	23,833,734

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

SALAZAR RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31, 2021 $	Year Ended December 31, 2020 $
Operating activities		
Net income (loss) for the year	2,727,621	(997,462)
Adjustments for:		
Depreciation	195,665	146,823
Share-based compensation	279,975	35,418
Impairment of exploration and evaluation assets	1,231,150	-
Write-off	130,484	-
Foreign exchange reclassification	(5,551,762)	-
Changes in non-cash working capital items:		
Restricted cash	215,980	(125,683)
Amounts receivable	28,315	(116,883)
GST / VAT receivables	3,683	(335,561)
Prepaid expenses and deposits	697,453	(428,292)
Material and supplies	313,930	(995,735)
Accounts payable and accrued liabilities	(1,674,838)	1,736,268
Advances from joint-venture partner	(155,340)	(132,336)
Net cash used in operating activities	(1,557,684)	(1,213,443)
Investing activities		
Exploration and evaluation assets expenditures, net of recoveries	(3,237,863)	(916,046)
Additions to property, plant and equipment, net of recoveries	(252,179)	(618,739)
Advance payment received	313,425	335,300
Net cash used in investing activities	(3,176,617)	(1,199,485)
Financing activities		
Issuance of common shares	7,150,450	84,100
Share issue costs	(411,197)	-
Net cash provided by financing activities	6,739,253	84,100
Effect of exchange rate changes on cash	371,012	(404,386)
Net change in cash	2,375,964	(2,733,214)
Cash at beginning of year	1,345,851	4,079,065
Cash at end of year	3,721,815	1,345,851

Supplemental Cash Flow Information - see Note 12

1. Nature of Operations

Salazar Resources Limited (the "Company") was incorporated on July 23, 1987 under the provisions of the Company Act (British Columbia). The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "SRL", on the OTCQB under the symbol "SRLZF" and on the Frankfurt Exchange under the symbol "CCG". The Company's executive head office is located in Quito, Ecuador.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of mineral properties located in Latin America. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

The Company's mineral properties are located in Ecuador and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

As at December 31, 2021 the Company had working capital of $4,759,535 and management considers that the Company has adequate resources to maintain its core operations and, with the financial support of its partner, conduct ongoing exploration programs on its existing exploration and evaluation assets for the next twelve months.

These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020 the World Health Organization ("WHO") declared a global pandemic of the novel coronavirus identified as "COVID-19". In order to combat the spread of COVID-19 governments worldwide, including Ecuador and Canada, had enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. In fiscal 2020, field work in Ecuador was suspended for several months due to the COVID-19 pandemic. Globally, nations are in different stages of economic recovery from the COVID-19 pandemic. The availability of vaccines or the lack thereof plays an important role in the path back to normalcy. Most countries worldwide have a high vaccination rate, and throughout fiscal 2021, subject to various health and safety protocols, work on all the projects have been carried out with only minor disruptions and most of the Company's offices and sites are now on a hybrid model where possible. Essential travel has resumed, and work is returning to pre-pandemic levels.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

2. Basis of Preparation (continued)

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases. See also Note 6.

3. Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

(iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

During fiscal 2021 management determined impairment indicators were present in certain of its exploration and evaluation assets and an impairment test was performed. See also Note 5(a) for details.

During fiscal 2020 management determined that no impairment indicators were present and no impairment charge was required.

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

3. Significant Accounting Policies (continued)

(v) With respect to its investment in associate, the Company is required to make estimates and judgments about future events and circumstances and whether the carrying amount of the asset exceeds its recoverable amount. Recoverability depends on various factors, including the identification of economic recoverability of reserves at Salazar Holdings Ltd. ("Salazar Holdings") exploration properties, the ability of Salazar Holdings to obtain the necessary financing to complete the development, and future profitable production.

(vi) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

(ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at December 31, 2021 and 2020, there were no decommissioning liabilities.

(iii) The assessment of any impairment of exploration and evaluation assets is dependent upon estimates of the recoverable amounts that take into account factors such as reserves, economic and market conditions and the useful lives of assets. As a result of this assessment, management has carried out an impairment test on the Company's exploration and evaluation assets and an impairment charge of $1,231,150 was made in fiscal 2021. In fiscal 2020 management concluded there were no impairment indicators and no impairment charge was required.

Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform with the current fiscal year's presentation.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at December 31, 2021 and 2020 the Company did not have any cash equivalents.

3. Significant Accounting Policies (continued)

Amounts Receivable

Receivables are recognized initially at fair value and classified as amortized cost. Receivables are subsequently measured at amortized cost using the effective interest method, less expected credit losses. At each reporting date, the Company records a credit losses at an amount equal to the lifetime expected credit losses using a present value and probability-weighted model.

Materials and Supplies

Materials and supplies are valued at the lower of cost and replacement cost.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as amortized cost initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Investment in Associate

An associate is an entity over which the Company has significant influence, and which is neither a subsidiary nor a joint arrangement.

The Company has significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control.

The Company's investment in Salazar Holdings has been treated as an investment in associate and accounted for using the equity method. See also Note 6.

Under the equity method, the Company's investment in the common shares of the associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period.

Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. A significant or prolonged decline in the fair value of an equity investment below its cost is also objective evidence of impairment. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal and value-in-use. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net income in the period in which the reversal occurs.

3. Significant Accounting Policies (continued)

Exploration and Evaluation Assets

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful lives of the assets, at a rate of between 10% and 33% commencing when the related asset is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

3. Significant Accounting Policies (continued)

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2021 and 2020 the Company does not have any decommissioning obligations.

Financial Instruments

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

3. Significant Accounting Policies (continued)

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. Significant Accounting Policies (continued)

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Income (Loss) Per Share

Basic income (loss) per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted income (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on income (loss) per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Advances from Joint Venture Partner

When acting as operator of a particular project, the Company typically receives funds in advance of performing exploration work. The Company records such advances as a deferred liability until such time as the applicable costs are incurred, at which point these advances are offset against costs.

Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Company’s entities’ functional currencies are the Canadian dollar and the United States dollar. The consolidated financial statements are presented in Canadian dollars which is the Company’s presentation currency.

The Company’s active subsidiaries have the United States dollar as the functional currency. Assets, liabilities and transactions are therefore translated into Canadian dollars using the report date closing exchange rate. Income and expenses are translated into Canadian dollars at the average exchange rate over the reporting period. Exchange differences are presented in other comprehensive income and recognized in the accumulated other comprehensive income.

3. Significant Accounting Policies (continued)

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive income.

Accounting Standards and Interpretations Issued but Not Yet Effective

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current* (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counter-party of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. There is currently a proposal outstanding that would defer the effective date until January 1, 2023.

(Expressed in Canadian Dollars)

4. Property, Plant and Equipment

	Land $	Drill Rigs and Equipment $	Total $
Cost:			
Balance at December 31, 2019	264,763	2,249,739	2,514,502
Additions	1,889,942	985,603	2,875,545
Cost recoveries (Note 5(a))	(1,753,140)	(503,666)	(2,256,806)
Foreign exchange movement	(13,566)	(85,654)	(99,220)
Balance at December 31, 2020	387,999	2,646,022	3,034,021
Additions	1,165,941	371,488	1,537,429
Cost recoveries (Note 5(a))	(1,165,941)	(119,309)	(1,285,250)
Foreign exchange movement	(1,645)	(6,749)	(8,394)
Balance at December 31, 2021	386,354	2,891,452	3,277,806
Accumulated Depreciation:			
Balance at December 31, 2019	-	(1,456,183)	(1,456,183)
Depreciation	-	(161,725)	(161,725)
Foreign exchange movement	-	42,492	42,492
Balance at December 31, 2020	-	(1,575,416)	(1,575,416)
Depreciation	-	(195,665)	(195,665)
Foreign exchange movement	-	3,672	3,672
Balance at December 31, 2021	-	(1,767,409)	(1,767,409)
Carrying Value:			
Balance at December 31, 2020	387,999	1,070,606	1,458,605
Balance at December 31, 2021	386,354	1,124,043	1,510,397

5. Exploration and Evaluation Assets

	As at December 31, 2021			
	Acquisition Costs $	Deferred Exploration Costs $	Foreign Exchange Movement $	Total $
Ecuador				
Other	1,323,999	6,245,234	(143,991)	7,425,242

	As at December 31, 2020			
	Acquisition Costs $	Deferred Exploration Costs $	Foreign Exchange Movement $	Total $
Ecuador				
Curipamba	-	12,008,151	5,615,044	17,623,195
Other	754,855	2,322,370	(133,211)	2,944,014
	754,855	14,330,521	5,481,833	20,567,209

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

	Curipamba $	Other $	Total $
Balance at December 31, 2019	18,793,643	1,192,820	19,986,463
Exploration costs			
Assay analysis	323,038	71,050	394,088
Camp supervision and personnel	113,707	677,957	791,664
Camp supplies	-	113,969	113,969
Community relations	754,264	28,568	782,832
Construction	144,310	-	144,310
Consulting	159,388	-	159,388
Depreciation	-	14,902	14,902
Drilling	1,456,980	275,422	1,732,402
Environmental studies	222,408	28,913	251,321
Equipment maintenance	373,071	35,163	408,234
Exploration site	260,845	94,692	355,537
Geological	717,093	65,099	782,192
Legal	137,328	32,556	169,884
Permits	33,085	-	33,085
Salaries	2,562,805	2,916	2,565,721
Supplies	22,819	96,148	118,967
Travel	215,414	51,024	266,438
VAT incurred	421,253	36,082	457,335
	7,917,808	1,624,461	9,542,269
Acquisition costs			
Property / concession / option payments	231,089	248,886	479,975
Other			
Cost recoveries	(7,897,627)	-	(7,897,627)
Management fees	(502,950)	-	(502,950)
Advance payment	(335,300)	-	(335,300)
Drilling services	(59,497)	-	(59,497)
Foreign exchange movement	(523,971)	(122,153)	(646,124)
	(9,319,345)	(122,153)	(9,441,498)
Balance at December 31, 2020	17,623,195	2,944,014	20,567,209
Exploration costs			
Assay analysis	969,722	245,124	1,214,846
Camp supervision and personnel	417,094	1,086,049	1,503,143
Camp supplies	-	140,198	140,198
Community relations	1,852,180	62,645	1,914,825
Depreciation	-	45,303	45,303
Drilling	3,655,970	803,285	4,459,255
Environmental studies	555,512	21,835	577,347
Equipment maintenance	540,270	93,569	633,839
Exploration site	1,203,864	349,764	1,553,628
Geological	3,278,580	73,448	3,352,028
Legal	-	69,514	69,514
Salaries	3,714,300	519,893	4,234,193
Supplies	440,718	202,049	642,767
Travel	262,316	111,389	373,705
VAT incurred	1,018,910	98,799	1,117,709
	17,909,436	3,922,864	21,832,300
Acquisition costs			
Property / concession / option payments	255,604	569,144	824,748

[Table continued on next page]

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

	Curipamba $	Other $	Total $
Other			
Cost recoveries	(18,165,040)	-	(18,165,040)
Management fees	(564,165)	-	(564,165)
Advance payment	(313,425)	-	(313,425)
Drilling services	(249,189)	-	(249,189)
Foreign exchange movement	(184,266)	(10,780)	(195,046)
	(19,476,085)	(10,780)	(19,486,865)
Impairment provision	(1,231,150)	-	(1,231,150)
Transfer on loss of control	(15,081,000)	-	(15,081,000)
Balance at December 31, 2021	-	7,425,242	7,425,242

The Company holds interests in the following properties in Ecuador:

(a) ***Curipamba Project***

The Curipamba Project consists of seven concessions located in the provinces of Bolivar and Los Rios, Ecuador. The Curipamba Project is subject to a 2% net smelter return royalty ("NSR").

On September 14, 2017, as amended September 19, 2019, the Company entered into a definitive option agreement (the "Curipamba Option") whereby Adventus Mining Corporation ("Adventus") would earn (the "Earn-In") a 75% interest in the Company's Curipamba Project by funding costs on the Curipamba Project of US $25,000,000 over the next five years, including the completion of a feasibility study on the El Domo deposit, subject to certain exceptions. In December 2021 Adventus delivered the completed feasibility study and provided written notice of its exercise of the Earn-in. Effective December 31, 2021 the Company agreed to the transfer of a 75% ownership interest in Salazar Holdings, the entity holding the 100% interest in the Curipamba Project, to Adventus. See also Note 6.

With the receipt of the feasibility study the Company completed an asset impairment test that determined that the recoverable amount of its effective ownership interest on the Curipamba Project based on a fair value less costs of disposal ("FVLCD") model of $15,081,000 exceeded the carrying value resulting in an asset impairment charge of $1,231,150 for fiscal 2021. Estimates of future cash flows used in the calculation of the recoverable amount of the Curipamba Project are based on a reserve evaluation report prepared by independent engineers.

Key Assumptions

The key assumptions and estimates used in determining the FVLCD are related to the estimation of life of mine ("LOM") production profile and reserves, future commodity prices, royalties, operating and capital costs and discount rates. The FVLCD estimates are determined to be categorized as level 3 according to the IFRS 13 fair value hierarchy. The following describes the impact on net loss relating to unobservable inputs that would have a significant impact on the determined FVLCD and impairment recognized for fiscal 2021:

5. Exploration and Evaluation Assets (continued)

(i) Production volumes: estimates of the quantities of proven and probable mineral reserves and resources form the basis of the LOM plan. The ore reserves and mineral resources were based on information effective December 31, 2021, as compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirement. Production volumes take into account a number of variables, including but not limited to the recoverable quantities, production profile, production costs, capital costs to develop the infrastructure required to extract the reserves and duration of mining rights. The production profiles and volumes used were consistent with the reserves and resource volumes used as a part of our process for the estimation of proved and probable reserves, which are then assessed to reflect what a market participant would estimate;

(ii) Metal prices: forecast gold and copper prices used to estimate future revenues are derived from consensus prices from external sources and range from US $1,600 per ounce for gold and US $3.50 per pound for copper throughout the LOM; and

(iii) Discount rates: in calculating the FVLCD, after-tax discount rate of 16% was used based on a weighted average cost of capital ("WACC") analysis. Consistent with the cash flows in the LOM plan, the WACC is expressed in real terms.

The LOM plan used to determine impairment is based on management's best estimates on market participant assumptions using internal and external data which may generate results that are not necessarily indicative of future performance. In addition, in deriving this analysis, managment has made assumptions based on the structure and relationships of variables as at the balance sheet date which may differ due to fluctuations throughout future years with all other variables assumed to remain constant. Actual changes in one variable may contribute to changes in another variable, which may amplify or offset the individual effect of each assumption.

The key assumptions and values derived are compared to observable market multiples, including comparable entities and assets and related value per ounce of reserves and/or resources.

Although these estimates are based on management's best knowledge of the amounts, events or actions as of the measurement date, the actual results may differ from these estimates.

Adventus has agreed to provide the Company with non-refundable advance payments of US $250,000 per year until achievement of commercial production, to a maximum cumulative total of US $1,500,000. As at December 31, 2021 the Company has received total advance payments of US $1,250,000 (2020 - US $1,000,000).

Adventus is required to fund 100% of the development and construction expenditures to commercial production. Upon achievement of commercial production, Adventus will receive 95% of the dividends from the Curipamba Project until its aggregate investment has been recouped minus the approximate Company carrying value of US $18,200,000 when the Curipamba Option was signed, after which dividends will be shared on a pro-rata basis according to their respective ownership. In certain circumstances where project development is delayed post earn-in, Adventus' ownership position could be diluted.

Adventus has also agreed to pay the Company a 10% management fee on certain expenditures for the duration of the Curipamba Option, with a prescribed minimum annual amount of US $350,000 by each anniversary date. During fiscal 2021 the Company earned $564,165 (2020 - $502,950) in management fees and, as ad December 31, 2021 $110,993 (2020 - $148,805) remained outstanding and was included in amounts receivable

During fiscal 2021 Adventus funded a total of $19,601,839 (2020 - $10,462,071) for costs incurred by the Company, of which $1,285,250 (2020 - $2,256,806) was applied against property, plant and equipment, $18,165,040 (2020 - $7,897,627) against exploration and evaluation assets and $151,549 (2020 - $307,638) as an expense recovery.

5. Exploration and Evaluation Assets (continued)

Drilling services required by Adventus' exploration program as part of Adventus' Earn-In are being provided by a subsidiary of the Company. As drilling services to third parties are not in the Company's ordinary activities and the drilling services have been contracted with Adventus in which both the Company and Adventus share in the risks and benefits that result from the drilling services Adventus is not considered a customer and the drilling services are not in the scope of IFRS 15 - *Revenue from Contracts with Customers*. In accordance with IFRS 6 - *Exploration for and Evaluation of Mineral Resources* the Company recognizes all amounts received from drilling services against the carrying amount of the Curipamba exploration and evaluation asset.

During fiscal 2021 the Company recorded $2,640,442 (2020 - $753,013) revenue and incurred $2,391,253 (2020 - $693,516) operating costs resulting in $249,189 (2020 - $59,497) credit to the Curipamba exploration and evaluation asset.

(b) ***Exploration Alliance***

On September 13, 2017, as amended December 21, 2017, the Company and Adventus signed an exploration alliance memorandum of understanding (the "MOU") to jointly explore in Ecuador (the "Alliance"). Under the MOU the venture would be owned 80% by Adventus and 20% by the Company, with the Company operating the Alliance and Adventus funding all activities incurred on behalf of the Alliance up to a construction decision.

Dos Gemas

On February 19, 2018 the Company, Adventus and Minera Dos Gemas M2G S.A. ("Dos Gemas") entered into the definitive exploration alliance agreement (the "Exploration Alliance Agreement") to formalize the terms of the MOU. Dos Gemas is owned 80% by Adventus and 20% by the Company. As operator of the Alliance the Company will be paid a 10% operator's fee on all expenditures incurred, subject to an annual maximum fee of US $200,000 on costs pertaining to surface rights acquisitions. During fiscal 2021 the Company earned $10,477 (2020 - $7,507) in operator fees and, as at December 31, 2021 $4,517 (2020 - $6,258) has been included in amounts receivable. In addition, commencing fiscal 2020 the Company provided drilling services to Dos Gemas. During fiscal 2021 the Company recorded $389,380 (2020 - $1,397,768) revenue and incurred $331,221 (2020 - $1,327,169) operating costs resulting in $58,159 (2020 - $70,599) in net drill income.

During fiscal 2018 Adventus assumed control of Dos Gemas and, as such, the Company derecognized the assets and liabilities of Dos Gemas from the consolidated financial statements. The remaining 20% investment retained in Dos Gemas was recognized at fair value when control was assumed by Adventus and the Company subsequently accounted for its investment using the equity method. The Company's share of losses exceeds its interest in Dos Gemas and, as such, the Company has discontinued recognizing its share of any further losses as there are no legal or constructive obligations.

Pijili Project

In August 2017 the Company was awarded three concessions (the "Pijili Project"), located in the province of Azuay, Ecuador. On March 28, 2018 the Company, Adventus and Dos Gemas entered into a letter agreement whereby the Company agreed to transfer the Pijili Project to Dos Gemas under the Alliance upon completion by Adventus of the following considerations:

(i) on July 17, 2018 the Company received 2,536,232 Adventus common shares at an ascribed value of $2,028,986;
(ii) Adventus was also required to fully fund a US $1,000,000 exploration budget on the Pijili Project by September 28, 2020. Adventus fulfilled this funding commitment in fiscal 2018; and
(iii) payment of US $150,000 cash, of which $129,320 (US $100,000) was received by the Company as at December 31, 2018, and the remaining $66,385 (US $50,000) was received in August 2019.

5. Exploration and Evaluation Assets (continued)

The official transfer of the Pijili Project was completed in May 2021. During fiscal 2021 the Company earned $37,525 (2020 - $77,583) in operator fees and, as at December 31, 2021 $6,540 (2020 - $66,500) has been included in amounts receivable.

Santiago Concession

The Company held a 100% interest in a concession (the "Santiago Concession") located in the province of Loja, Ecuador. On May 22, 2018 the Company, Adventus and Dos Gemas entered into an agreement whereby the Company agreed to transfer the Santiago Project to Dos Gemas under the Alliance upon completion of the following considerations:

(i) on July 17, 2018 the Company received 1,268,116 Adventus common shares at an ascribed value of $1,014,492;
(ii) Adventus was also required to fully fund a US $500,000 exploration budget on the Santiago Project by May 22, 2020. Adventus fulfilled this funding commitment in March 2019; and
(iii) payment of US $75,000 in cash to the Company, of which $64,365 (US $50,000) was received during fiscal 2018 and the remaining $32,753 (US $25,000) was received in July 2019.

During fiscal 2021 the Company earned $1,676 (2020 - $nil) in operator fees and as at December 31, 2021 $1,676 (2020 - $nil) has been included in amounts receivable.

The official transfer of the Santiago Project was completed in fiscal 2019. The Santiago Project is subject to a 1.5% net smelter royalty that can be bought out for US $1,000,000, as well as a 4% net profits interest royalty that is in favour of INV Metals Inc.

(c) ***Other***

Macara Project

The Macara Project comprises two concessions as follows:

(i) On November 6, 2017 the Company entered into an option agreement with an Ecuadorian individual (the "Macara Vendor") whereby the Company was granted an option (the "Macara Option") to acquire a 100% interest in one concession (the "Macara Concession") located in the province of Loja, Ecuador. The Macara Vendor is currently an employee of the Company however, at the time the Macara Vendor acquired the Macara concessions they were at arm's length to the Company. Pursuant to the terms of the Macara Option the Company has paid US $200,000 and agreed to make additional cash payments totalling US $400,000 (collectively the "Option Proceeds"), as follows:

- US $200,000 on the earlier of a NI43-101 resource calculation or November 6, 2021; and
- US $200,000 on the earlier of a preliminary economics assessment of November 21, 2024.

The Macara Vendor also retains a 0.5% NSR, which may be purchased by the Company for US $1,000,000 at any time.

The Macara Vendor has entered into a participation agreement with an employee of the Company and the son of the Company's President to share the Option Proceeds equally.

As at December 31, 2021 the Company has incurred $867,797 (2020 - $243,272) of costs on the Macara Project; and

(ii) In July 2017 the Company was awarded a concession (the "Bonanza Concession") located in the provinces of Loja and Tacamoros, Ecuador. As at December 31, 2021 the Company has incurred $2,606,419 (2020 - $1,333,267) of costs on the Bonanza Concession.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

Ruminahui Project

The Company owns a 100% interest in two concessions (the "Ruminahui Project") located in the province of Pichincha, Ecuador. As at December 31, 2021 the Company has incurred $1,990,921 (2020 - $720,023) of costs on the Ruminahui Project.

Los Osos Concession

On March 21, 2019 the Company entered into an option agreement with an Ecuadorian individual (the "Los Osos Vendor"), whereby the Company has been granted the option to acquire up to a 100% interest in one mineral concession ("Los Osos Concession") located in the province of El Oro, Ecuador. The Los Osos Vendor is currently an employee of the Company however, at the time the Los Osos Vendor acquired the Los Osos concession they were at arm's length to the Company. Pursuant to the terms of the agreement the Company may earn the following interests by payments of:

Interest	**Amount US $**	
15% on March 21, 2019	35,000	(paid)
15% on March 21, 2020	35,000	(paid)
20% on March 21, 2021	50,000	(paid)
25% on March 21, 2022	65,000	
25% on March 21, 2023	65,000	
	250,000	

The Los Osos Vendor also retains a 1% NSR, which may be purchased by the Company for US $1,000,000 at any time. As at December 31, 2021 the Company has incurred $1,372,011 (2020 - $533,955) of costs on the Los Osos Concession.

Los Santos Concession

On December 8, 2020 the Company entered into a binding letter of intent (the "Los Santos LOI") with Minera Mesaloma S.A. ("Mesaloma") whereby the Company may acquire up to a 100% interest in the Los Santos Concession, located in southwest Ecuador. Pursuant to the terms of the LOI the Company made an initial payment of US $25,000 in December 2020 and, at Mesaloma's election, in January 2021 the Company issued 177,283 units, comprising 177,283 common shares and 88,642 warrants, with each warrant entitling Mesaloma to acquire an additional common share at a price of $0.385 per share, expiring July 22, 2022. The value assigned to the common shares was $62,935 and to the warrants was $11,523 for a total fair value of $74,458. The fair value of the warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.14%; expected volatility of 83%; an expected life of 1.5 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

On November 24, 2021 the Company and Mesaloma and other parties (collectively the "Optionor") completed the definitive agreement (the "Mining Option and Shareholders' Agreement") under which the Company may acquire up to a 90% beneficial interest in the Los Santos Concession, by making option payments (the "Option Payments") totalling US $1,950,000, as follows:

(i) US$150,000 (the "First Option Exercise Payment"), due on or before the date which is 12 months after the later of: (a) June 17, 2021; or (b) the date on which the "Certificado de No Afectacion" permit has been granted by the Ministry of Environment of Ecuador in respect of the Los Santos Concession to earn an initial 26% interest;

(ii) US$250,000 (the "Second Option Exercise Payment") on or before the 12 month anniversary of the date of making the First Option Exercise Payment to earn an additional 25% interest (for a total of 51%);

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(iii) US$350,000 (the "Third Option Exercise Payment") on or before the 12 month anniversary of the date of making the Second Option Exercise Payment to earn an additional 10% interest (for a total of 61%);
(iv) US$500,000 (the "Fourth Option Exercise Payment") on or before the 12 month anniversary of the date of making the Third Option Exercise Payment to earn an additional 19% interest (for a total of 80%); and
(v) US$700,000 to the Optionor on or before the 12 month anniversary of the date of payment of the Fourth Option Exercise Payment to earn an additional 10% interest (for a total of 90%) (the "Fifth Earn-in Option").

The Optionor can elect to receive any of the Option Payments, in lieu of the respective cash amounts, in units of the Company. Each unit will comprise one common share and one-half share purchase warrant. Each unit will be issuable at the greater of $0.23 or the five-day volume weighted average price of the Company's common shares minus a discount of 7.5% from the market price prior to the payment date. Each warrant will be exercisable for 18 months at the greater of $0.305 or the market price prior to the payment date.

Upon the Company having earned a beneficial 90% interest in the Los Santos Concession the Company may acquire the remaining 10% interest by paying the Optionor US $2,000,000 and granting a 1.5% NSR, which may be repurchased by the Company for a price of US $1,250,000 per 0.5% NSR.

As at December 31, 2021 the Company has incurred a total of $169,648 (2020 - $85,190) of options payments and exploration costs on the Los Santos Concession.

El Potro Concession

On August 30, 2021 the Company entered into an option to purchase agreement whereby the Company has been granted the mineral title (the "El Potro Concession") located in the province of Loja, Ecuador. As at December 31, 2021 the Company has paid US $50,000 and agreed to make additional cash payments totalling US $1,100,000, as follows:

	Amount US $
First anniversary	50,000
Second anniversary	100,000
Third anniversary	150,000
Fourth anniversary	200,000
Fifth anniversary	600,000
	1,100,000

As at December 31, 2021 the Company has incurred a total of $152,363 of option payments and exploration costs on the El Potro Concession.

6. Investment in Associated Company

In fiscal 2017 the Company entered into the Curipamba Option, as described in Note 5(a), pursuant to which Adventus was to have the option to acquire 75% of the interest in Salazar Holdings Ltd. ("Salazar Holdings"), the entity which holds Curimining Mining S.A. ("Curimining"), which owns the Curipamba Project, by spending US $25,000,000 and completing a feasibility study report.

On December 10, 2021, Adventus filed the feasibility study report (the "Feasibility Study") and, having completed its obligations under the Curipamba Option, delivered written notice of its exercise (the "Option Exercise Notice") to the Company. On December 31, 2021 (the "Option Exercise Date") the Company approved the transfer of a 75% ownership interest in Salazar Holdings, effectively reducing the Company's ownership interest to 25%.

(Expressed in Canadian Dollars)

6. Investment in Associated Company (continued)

Pursuant to the Curipamba Option, as of the Option Exercise Date:

(a) the aggregate amount of advances from Adventus for the Curipamba Project shall be capitalized in Salazar Holdings. Adventus shall be granted 75 Class A common shares representing 75% of the total issued and outstanding Class A common shares, and 95 Class B preferred shares, representing 100% of the total issued and outstanding Class B preferred shares; and

(b) the Company, Adventus, Salazar Holdings and Curimining shall enter into a shareholders' agreement ("Shareholders' Agreement") and reconstitute the board of directors of Curimining ("Curimining Board") with two Adventus nominees and one Company nominee. The Company and Adventus proceeded to finalize the Shareholders Agreement on January 4, 2022.

As the rights of Adventus to the earn-in were substantively achieved on the Option Exercise Date, the Company and Adventus agreed that Adventus has obtained control of Salazar Holdings as from the Option Exercise Date and acquired 75% of the interest of Salazar Holdings.

In accordance with IFRS 10, *Consolidated Financial Statements*, the Company has derecognized the assets and liabilities of Salazar Holdings and recognized the 25% interest as investment in associated company at its fair value of $15,081,000. The Company will continue to account for the investment in Salazar Holdings using the equity method. As the Option Exercise Date occurred on December 31, 2021 there was no equity income adjustment for fiscal 2021. In addition, on the Option Exercise Date the Company reclassified $5,551,762 from the Accumulated Other Comprehensive Income (Loss) ("AOCI"), this being the cumulative amount of exchange differences relating to Salazar Holdings.

Pursuant to the Curipamba Option and the Shareholders' Agreement, Adventus has priority repayment of its investment in Salazar Holdings according to an agreed distribution formula. Based on this formula, the percentage of non-controlling interest of the net asset on the date of acquisition was 15.74%. In subsequent periods, the percentage share of non-controlling interest will change as a function of advances made by Adventus and the earnings or loss recorded by Salazar Holdings over the period.

The following is a summary of Salazar Holdings balance sheet on a 100% basis as at December 31, 2021. Salazar Holdings financial statements are prepared in accordance with IFRS.

	$
Current assets	203,432
Non-current assets	81,003,932
Current liabilities	(1,711,704)
Net assets	79,495,660

7. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

(b) ***Reconciliation of Changes in Share Capital***

Fiscal 2021

On February 2, 2021 the Company completed a non-brokered private placement of 18,572,000 common shares at $0.35 per share, for total proceeds of $6,500,200. The Company paid finders' fees totalling $390,012 and issued 1,114,320 finders' warrants. Each finders' warrant entitles the holder to purchase one common share of the Company at a price of $0.35 per share, expiring February 2, 2026. The value assigned to the finders' warrants was $267,437. The weighted average fair value of the Broker Warrants issued was $0.24 per warrant. The fair value of the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.44%; expected volatility of 78%; an expected life of 5 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred a total of $21,185 for legal and other costs associated with this private placement financing.

In January 2021 the Company received TSXV approval to the Los Santos LOI and issued 177,283 units of the Company at a fair value of $74,458. See also Note 5(c).

Fiscal 2020

No financings were conducted during fiscal 2020.

(c) ***Warrants***

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at December 31, 2021 and 2020 and the changes for the years ended on those dates is as follows:

	2021		2020	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	1,000,000	0.12	1,000,000	0.12
Issued	1,202,962	0.35	-	-
Balance, end of year	2,202,962	0.25	1,000,000	0.12

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at December 31, 2021:

Number	Exercise Price $	Expiry Date
88,642	0.385	July 22, 2022
1,000,000	0.12	February 16, 2024
1,114,320	0.35	February 2, 2026
2,202,962		

(Expressed in Canadian Dollars)

7. Share Capital (continued)

(d) ***Share Option Plan***

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

During fiscal 2021 the Company granted share options to purchase 2,450,000 (2020 - 100,000) common shares and recorded compensation expense of $188,301 (2020 - $35,418). The fair value of share options granted and vested is estimated using the Black-Scholes option pricing model using the following assumptions:

	2021	2020
Risk-free interest rate	0.86% - 0.92%	0.34% - 1.89%
Estimated volatility	71% - 75%	94% - 100%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average measurement date fair value of all share options granted during fiscal 2021 was $0.18 (2020 - $0.16) per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at December 31, 2021 and 2020 and the changes for the years ended on those dates, is as follows:

	2021		2020	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	11,462,000	0.14	11,972,000	0.14
Granted	2,450,000	0.31	100,000	0.22
Exercised	(6,825,000)	0.14	(610,000)	0.14
Expired	(150,000)	0.24	-	-
Balance, end of year	6,937,000	0.19	11,462,000	0.14

The following table summarizes information about the share options outstanding and exercisable at December 31, 2021:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
1,000,000	1,000,000	0.12	January 25, 2024
3,587,000	3,587,000	0.135	February 14, 2024
1,850,000	-	0.29	April 6, 2026
500,000	-	0.37	June 14, 2026
6,937,000	4,587,000		

(Expressed in Canadian Dollars)

7. **Share Capital** (continued)

(e) ***Restricted Share Units ("RSU") Plan***

On August 27, 2020 the Company adopted a restricted share unit plan (the "RSU Plan"). The RSU Plan provides for the issuance of up to 1,000,000 restricted share units (the "RSUs"). Under the RSU Plan, RSUs may be granted to directors, officers, employees and consultants of the Company (excluding investor relations consultants) as partial compensation for the services they provide to the Company. The RSU Plan is a fixed number plan, and the number of common shares issued under the RSU Plan, when combined with the number of stock options available under the Company's share option plan, will not exceed 10% of the Company's outstanding common shares.

On April 6, 2021 the Company awarded 798,000 RSUs which will vest, as to 100%, on April 6, 2023. On June 14, 2021 the Company awarded 100,000 RSUs which will vest, as to 100%, on June 14, 2023. During fiscal 2021 35,000 RSUs forfeited upon the resignation of a director.

During fiscal 2021 the Company recorded $91,674 as share-based compensation expense relating to the RSUs.

8. **Related Party Disclosures**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Compensation of Key Management Personnel*

During fiscal 2021 and 2020 the following amounts were incurred with respect to the President & Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and the Executive Vice-President of the Company:

	2021 $	2020 $
Salaries and fees	391,806	343,749
Health benefits	6,512	6,966
Share-based compensation - share options	85,474	19,418
Share-based compensation - RSUs	41,892	-
	525,684	370,133

As at December 31, 2021 $11,000 (2020 - $14,335) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Other Related Party Transactions*

(i) During fiscal 2021 and 2020 the following amounts were incurred with respect to non-executive directors of the Company:

	2021 $	2020 $
Consulting	87,053	114,405
Share-based compensation - share options	53,608	-
Share-based compensation - RSUs	21,887	-
	162,548	114,405

(Expressed in Canadian Dollars)

8. Related Party Disclosures (continued)

As at December 31, 2021 \$6,339 (2020 - \$nil) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2021 the Company incurred a total of \$62,039 (2020 - \$56,055) to Chase Management Ltd. ("Chase"), a private corporation owned by a director of the Company, for accounting and administration services provided by Chase personnel, excluding the director. As at December 31, 2021 \$4,437 (2020 - \$4,456) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) During fiscal 2021 the Company incurred \$240,710 (2020 - \$151,465) for equipment rental services and \$202,786 (2020 - \$148,202) for professional services provided by a private corporation controlled by the President and the CFO of the Company. As at December 31, 2021 \$74,298 (2020 - \$95,244) remained unpaid and has been included in accounts payable and accrued liabilities.

(iv) During fiscal 2021 the Company incurred \$34,602 (2020 - \$37,017) for storage rental provided by a private corporation controlled by the son of the President of the Company.

(v) During fiscal 2021 the Company incurred \$167,459 (2020 - \$160,483) for environmental studies provided by a private corporation controlled by the CFO of the Company.

(vi) During fiscal 2021 the Company incurred \$4,513 (2020 - \$6,894) for geological services provided by a private corporation controlled by the CFO of the Company.

(vii) See also Note 5(c).

(c) Certain of the expenses incurred by the Company with related parties and remuneration paid to Company personnel have been recovered from Adventus. See Note 5.

9. Income Taxes

Deferred income tax assets and liabilities of the Company as at December 31, 2021 and 2020, are as follows:

	2021 $	2020 $
Deferred income tax assets (liabilities):		
Losses available for future periods	1,889,500	2,765,100
Financing costs	88,800	-
Difference between book value and income tax costs of:		
- exploration and evaluation assets	432,900	6,464,400
- property, plant and equipment	(62,800)	1,033,400
	2,348,400	10,262,900
Unrecognized deferred tax asset	(2,338,400)	(10,262,900)
Net deferred tax asset	-	-

(Expressed in Canadian Dollars)

9. Income Taxes (continued)

The recovery of income taxes shown in the consolidated statements of operations differs from the amounts obtained by employing substantively enacted statutory rates to the loss before provision for income taxes for fiscal 2021 and 2020 as follows:

	2021 $	2020 $
Income (loss) before income taxes	2,727,621	(997,462)
Statutory tax rate	27.0%	27.0%
Expected income tax expense (recovery)	736,500	(269,300)
Foreign income tax rate differences	(30,100)	(7,100)
Other	(1,445,600)	7,800
Change in unrecognized deductible temporary differences	739,200	268,600
Actual income tax expense (recovery)	-	-

As at December 31, 2021 the Company has approximately $6,953,700 (2020 - $10,198,100) of non-capital losses carried forward, and unclaimed deductions of $1,876,800 (2020 - $2,067,800) for Canadian tax purposes available to offset future income. The non-capital losses expire from 2027 to 2041. The Company also has non-capital losses of approximately $54,800 (2020 - $52,800) for Ecuadorian tax purposes.

Deferred income tax benefits which may arise as a result of these losses have not been recognized in the consolidated financial statements as their realization is unlikely.

10. Commitments

The Company is obligated to fulfill certain investment obligations on its mineral concessions in Ecuador pursuant to the following rules:

(a) When applying for new concessions via the public tender process in Ecuador, the Company, either directly or under option agreement, presented its investment offers for each concession. The investment offer represents the total amount that is required to be spent in order to maintain possession of the concession area at the end of the four-year investment period required by the Government of Ecuador. Accordingly, should the Company wish to retain possession of all the concession areas it holds as at December 31, 2021, the Company's commitment for fiscal 2022 is approximately US $2,300,000.

(b) Concessions in Ecuador that were not acquired via the public tender process require the Company to submit an annual expenditure plan to the Government of Ecuador outlining the minimum amount of committed expenditures for the upcoming year. The total obligation of the Company for these concession areas for the fiscal 2022 is approximately US $270,000.

(Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL, FVOCI and amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2021 $	December 31, 2020 $
Cash	FVTPL	3,721,815	1,345,851
Restricted cash	FVTPL	-	215,980
Amounts receivable	Amortized cost	223,936	253,082
Accounts payable and accrued liabilities	Amortized cost	(401,923)	(2,103,828)
Advances from joint-venture partner	Amortized cost	-	(155,340)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, accounts payable and accrued liabilities and due from joint venture partner approximate their fair value due to their short-term nature. The Company's cash, restricted cash and investments under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

11. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at December 31, 2021				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	3,721,815	-	-	-	3,721,815
Amounts receivable	223,936	-	-	-	223,936
Accounts payable and accrued liabilities	(401,923)	-	-	-	(401,923)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's significant subsidiary is located in Ecuador which has adopted the US Dollar as its currency.

The Company also maintains cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At December 31, 2021, 1 Canadian Dollar was equal to 0.79 US Dollar.

Balances are as follows:

	US $	CDN $ Equivalent
Cash	1,386,904	1,755,574
Amounts receivable	176,630	223,582
VAT receivable	246,904	312,537
Accounts payable and accrued liabilities	(267,776)	(338,957)
	1,542,662	1,952,736

Based on the net exposures as of December 31, 2021 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's comprehensive loss being approximately $199,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Expressed in Canadian Dollars)

12. Supplemental Cash Flow Information

During fiscal 2021 and 2020 non-cash activities were conducted by the Company as follows:

	2021 $	2020 $
Investing activity		
Exploration and evaluation assets	(384,708)	-
Financing activities		
Issuance of common shares	1,061,685	61,000
Share-based payments reserve	(409,540)	(61,000)
Share issue costs	(267,437)	-
	384,708	-

13. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's exploration and evaluation assets are located in Ecuador and its corporate assets are located in Canada.

	December 31, 2021		
	Corporate Canada $	Mineral Operations Ecuador $	Total $
Current assets	3,707,216	1,454,242	5,161,458
Property, plant and equipment	-	1,510,397	1,510,397
Exploration and evaluation assets	-	7,425,242	7,425,242
Investment in associated company	15,081,000	-	15,081,000
	18,788,216	10,389,881	29,178,097
Impairment of exploration and evaluation assets	-	1,231,150	1,231,150

	December 31, 2020		
	Corporate Canada $	Mineral Operations Ecuador $	Total $
Current assets	1,260,165	2,806,923	4,067,088
Property, plant and equipment	-	1,458,605	1,458,605
Exploration and evaluation assets	-	20,567,209	20,567,209
	1,260,165	24,832,737	26,092,902

14. Event after the Reporting Period

Subsequent to December 31, 2021 the Company issued 50,000 common shares for $6,750 on the exercise of options.