
HANNAN METALS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022

(Unaudited - Expressed in Canadian Dollars)

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

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

HANNAN METALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	February 28, 2022 \$	May 31, 2021 \$
ASSETS			
Current assets			
Cash		3,041,747	1,799,811
GST/VAT receivable		6,471	16,234
Prepaid expenses		<u>54,749</u>	<u>72,280</u>
Total current assets		<u>3,102,967</u>	<u>1,888,325</u>
Non-current assets			
Equipment	4	113,259	120,412
Exploration and evaluation assets	5	<u>5,221,117</u>	<u>5,240,168</u>
Total non-current assets		<u>5,334,376</u>	<u>5,360,580</u>
TOTAL ASSETS		<u>8,437,343</u>	<u>7,248,905</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>248,470</u>	<u>237,979</u>
TOTAL LIABILITIES		<u>248,470</u>	<u>237,979</u>
SHAREHOLDERS' EQUITY			
Share capital	6	14,977,095	13,017,064
Share-based payments reserve		4,307,777	4,338,292
Deficit		<u>(11,095,999)</u>	<u>(10,344,430)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>8,188,873</u>	<u>7,010,926</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>8,437,343</u>	<u>7,248,905</u>

Nature of Operations - Note 1

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 25, 2022 and are signed on its behalf by:

/s/ Nick DeMare
 Nick DeMare
 Director

/s/ Michael Hudson
 Michael Hudson
 Director

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

HANNAN METALS LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS***(Unaudited - Expressed in Canadian Dollars)*

	Note	Three Months Ended		Nine Months Ended	
		February 28, 2022 \$	February 28, 2021 \$	February 28, 2022 \$	February 28, 2021 \$
Expenses					
Accounting and administration	7(b)(ii)	15,596	11,783	60,581	43,647
Audit		-	-	35,000	20,000
Corporate development		16,945	56,403	52,782	168,168
Depreciation		6,155	-	18,425	-
Director and officers compensation	7	48,528	45,391	212,743	157,749
Drill core storage		10,110	3,092	16,705	9,316
General exploration		-	-	-	50,000
Insurance		2,779	3,437	8,678	7,870
Investor relations		21,878	62,079	66,643	166,800
Legal		873	17,052	4,869	33,467
Marketing		-	-	12,835	118,544
Office		5,233	6,037	18,951	20,055
Professional fees		37,251	9,245	109,711	32,680
Regulatory fees		708	3,249	8,623	12,307
Share-based compensation	6(d)	16,800	53,292	76,825	205,473
Shareholder costs		-	3,965	7,708	17,398
Transfer agent fees		1,012	4,641	8,072	9,843
Travel		-	-	-	842
		<u>183,868</u>	<u>279,666</u>	<u>719,151</u>	<u>1,074,159</u>
Loss before other items		<u>(183,868)</u>	<u>(279,666)</u>	<u>(719,151)</u>	<u>(1,074,159)</u>
Other items					
Interest income		3,886	1,805	12,075	8,815
Foreign exchange		(46,908)	(57,503)	(44,493)	(57,811)
Interest expense		-	-	-	(1,808)
		<u>(43,022)</u>	<u>(55,698)</u>	<u>(32,418)</u>	<u>(50,804)</u>
Net loss and comprehensive loss for the period		<u>(226,890)</u>	<u>(335,364)</u>	<u>(751,569)</u>	<u>(1,124,963)</u>
Basic and diluted loss per common share		<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>92,300,509</u>	<u>81,283,030</u>	<u>91,013,798</u>	<u>79,955,516</u>

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

HANNAN METALS LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY***(Unaudited - Expressed in Canadian Dollars)*

Nine Months Ended February 28, 2022					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$			
Balance at May 31, 2021	85,075,644	13,017,064	4,338,292	(10,344,430)	7,010,926
Common shares issued for cash:					
- share options exercised	1,011,000	138,600	-	-	138,600
- warrants exercised	6,735,465	1,714,091	-	-	1,714,091
Transfer on exercise of share options	-	107,340	(107,340)	-	-
Share-based compensation	-	-	76,825	-	76,825
Net loss for the period	-	-	-	(751,569)	(751,569)
Balance at February 28, 2022	92,822,109	14,977,095	4,307,777	(11,095,999)	8,188,873

Nine Months Ended February 28, 2021					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$			
Balance at May 31, 2020	74,664,211	10,454,991	4,276,541	(8,750,621)	5,980,911
Common shares issued for cash:					
- private placement	4,000,000	1,000,000	-	-	1,000,000
- share options exercised	785,000	154,000	-	-	154,000
- warrants exercised	2,839,067	656,265	-	-	656,265
Share issue costs	-	(20,346)	-	-	(20,346)
Transfer on exercise of share options	-	138,658	(138,658)	-	-
Transfer on exercise of finder's warrants	-	1,280	(1,280)	-	-
Share-based compensation	-	-	205,473	-	205,473
Net loss for the period	-	-	-	(1,124,963)	(1,124,963)
Balance at February 28, 2021	82,288,278	12,384,848	4,342,076	(9,875,584)	6,851,340

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

HANNAN METALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended	
	February 28, 2022 \$	February 28, 2021 \$
Operating activities		
Net loss for the period	(751,569)	(1,124,963)
Adjustments for:		
Depreciation	18,425	-
Interest expense	-	1,808
Share-based compensation	76,825	205,473
Changes in non-cash working capital items:		
Amounts receivable	-	(16,148)
GST/VAT receivable	9,763	(3,637)
Prepaid expenses	17,531	(239,595)
Accounts payable and accrued liabilities	10,491	12,780
Net cash used in operating activities	<u>(618,534)</u>	<u>(1,164,282)</u>
Investing activities		
Additions to equipment	(11,272)	-
Exploration and evaluation asset expenditures, net of cost recoveries	19,051	(537,156)
Net cash provided by (used in) investing activities	<u>7,779</u>	<u>(537,156)</u>
Financing activities		
Issuance of common shares	1,852,691	1,810,265
Share issue costs	-	(20,346)
Repayment of promissory notes	-	(216,658)
Repayment of advances from related party	-	(20,000)
Net cash provided by financing activities	<u>1,852,691</u>	<u>1,553,261</u>
Net change in cash during the period	1,241,936	(148,177)
Cash at beginning of period	<u>1,799,811</u>	<u>1,690,911</u>
Cash at end of period	<u>3,041,747</u>	<u>1,542,734</u>

Supplemental cash flow information - Note 10

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

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

The Company was incorporated under the provisions of the Company Act (British Columbia). The Company's common shares currently trade on the TSX Venture Exchange ("TSXV") under the symbol "HAN". The Company's principal, registered and records office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company is a junior mineral exploration company engaged in the acquisition and exploration of mineral properties. As at February 28, 2022 the Company has not earned any production revenue, nor has it determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As a mineral Company in the exploration stage the ability of the Company to complete the exploration and development of its mineral property interests will be affected primarily by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

The Company has a history of losses with no operating revenues and, as at February 28, 2022, the Company had working capital of \$2,854,497. The Company's San Martin JV Project is funded by an arms length party as described in Note 5(a) under an option agreement and its other mineral property interests and operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. As at February 28, 2022 management considers that the Company has adequate resources to maintain its core operations, conduct planned exploration programs on its existing exploration and evaluation assets and discharge its obligations as they become due in the next twelve months.

These condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to February 28, 2022.

In March 2020 the World Health Organization ("WHO") declared the outbreak of a novel coronavirus, identified as "COVID-19", as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have 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. All work requires the implementation of health protocols including self-distancing, disinfection procedures, use of protective masks and COVID-19 testing. Activities in Ireland have been restricted to minimal care and maintenance levels. The Company has implemented safety and physical distancing procedures, including working from home and continuing desktop and office work remotely where possible. In Peru, local social work continues to build on relationships remotely with existing stakeholders. The Company will continue to monitor the impact of the COVID-19 outbreak.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's audited consolidated financial statements for the year ended May 31, 2021.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Comparative Figures

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

3. Subsidiaries

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Hannan Metals BC Ltd.	Canada	100%
Hannan Metals Peru Ltd.	Canada	100%
Hannan Metals Ireland Limited	Ireland	100%
Hannan Metals Peru S.A.C.	Peru	100%
Hannan Resources Peru S.A.C.	Peru	100%
Hannan Servicios Peru S.A.C.	Peru	100%

4. Equipment

	Field Equipment \$	Office Equipment \$	Total \$
Cost:			
Balance at May 31, 2020	-	-	-
Additions	<u>125,438</u>	<u>10,966</u>	<u>136,404</u>
Balance at May 31, 2021	125,438	10,966	136,404
Additions	<u>11,272</u>	<u>-</u>	<u>11,272</u>
Balance at February 28, 2022	<u>136,710</u>	<u>10,966</u>	<u>147,676</u>
Accumulated Depreciation:			
Balance at May 31, 2020	-	-	-
Depreciation	<u>(15,680)</u>	<u>(312)</u>	<u>(15,992)</u>
Balance at May 31, 2021	(15,680)	(312)	(15,992)
Depreciation	<u>(17,118)</u>	<u>(1,307)</u>	<u>(18,425)</u>
Balance at February 28, 2022	<u>(32,798)</u>	<u>(1,619)</u>	<u>(34,417)</u>
Carrying Value:			
Balance at May 31, 2021	<u>109,758</u>	<u>10,654</u>	<u>120,412</u>
Balance at February 28, 2022	<u>103,912</u>	<u>9,347</u>	<u>113,259</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. Exploration and Evaluation Assets

	<u>February 28, 2022</u>			<u>May 31, 2021</u>		
	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>
Peru						
- San Martin JV Project	-	49,797	49,797	-	601,602	601,602
- San Martin 100% Project	191,264	10,684	201,948	191,264	10,684	201,948
- Valiente Project	554,617	489,887	1,044,504	417,947	93,803	511,750
Ireland - Claire Project	1,452,949	2,468,603	3,921,552	1,452,949	2,468,603	3,921,552
Other	<u>3,316</u>	<u>-</u>	<u>3,316</u>	<u>3,316</u>	<u>-</u>	<u>3,316</u>
	<u>2,202,146</u>	<u>3,018,971</u>	<u>5,221,117</u>	<u>2,065,476</u>	<u>3,174,692</u>	<u>5,240,168</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

	Peru			Ireland	Other	Total \$
	San Martin JV Project \$	San Martin 100% Project \$	Valiente Project \$	Clare Project \$	\$	
Balance at May 31, 2020	742,875	-	-	3,921,552	-	4,664,427
Exploration costs						
Community	9,941	-	-	-	-	9,941
Consulting	618,202	-	38,066	-	-	656,268
Exploration site	14,940	-	-	-	-	14,940
Geological	62,060	10,684	31,310	-	-	104,054
Insurance	2,264	-	142	-	-	2,406
Legal	13,644	-	-	-	-	13,644
Logistics	94,434	-	19,953	-	-	114,387
VAT incurred	59,130	-	4,332	-	-	63,462
	874,615	10,684	93,803	-	-	979,102
Acquisition costs						
License applications and fees	305,347	191,264	417,947	-	3,316	917,874
Other						
Cost recoveries	(1,251,886)	-	-	-	-	(1,251,886)
Management fees	(69,349)	-	-	-	-	(69,349)
	(1,321,235)	-	-	-	-	(1,321,235)
Balance at May 31, 2021	601,602	201,948	511,750	3,921,552	3,316	5,240,168
Exploration costs						
Assays	-	-	10,050	-	-	10,050
Community	8,682	-	632	-	-	9,314
Consulting	831,937	-	209,224	-	-	1,041,161
Insurance	3,549	-	550	-	-	4,099
Legal	2,944	-	5,365	-	-	8,309
Logistics	198,864	-	61,732	-	-	260,596
Salaries	88,642	-	66,448	-	-	155,090
VAT incurred	115,625	-	42,083	-	-	157,708
	1,250,243	-	396,084	-	-	1,646,327
Acquisition costs						
License applications and fees	191,030	-	136,670	-	-	327,700
Other						
Cost recoveries	(1,860,887)	-	-	-	-	(1,860,887)
Management fees	(132,191)	-	-	-	-	(132,191)
	(1,993,078)	-	-	-	-	(1,993,078)
Balance at February 28, 2022	49,797	201,948	1,044,504	3,921,552	3,316	5,221,117

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. Exploration and Evaluation Assets (continued)

(a) **Peru**

San Martin

(i) *San Martin JV Project*

On November 27, 2020 the Company entered into a binding letter agreement for an option and joint venture agreement (the "Agreement") with Japan Oil, Gas and Metals National Corporation ("JOGMEC"). Under the Agreement, JOGMEC has the option to earn up to a 75% interest in mining concessions in San Martin Province of the Department of San Martin, northern Peru (the "San Martin JV Project").

The Agreement grants JOGMEC the option to earn an initial 51% interest by funding US \$8,000,000 in project expenditures on the San Martin JV Project over a four year period, subject to acceleration at JOGMEC's discretion.

JOGMEC, at its election, can then earn:

- an additional 16% interest for a total 67% interest by achieving either a prefeasibility study or funding a further US \$12,000,000 in project expenditures in amounts of at least US \$1,000,000 per annum (for a US \$20,000,000 total expenditure); and,
- subject to owning a 67% interest, a further 8% interest for a total 75% interest by achieving either a feasibility study or funding a further US \$15,000,000 in project expenditures in amounts of at least US \$1,000,000 per annum (for a US \$35,000,000 total expenditure).

Should JOGMEC not proceed to a prefeasibility study or spend US \$20,000,000 in total, the Company shall have the right to purchase from JOGMEC for US \$1, a 2% interest, whereby the Company's interest will be increased to 51% and JOGMEC's interest will be reduced to 49%.

At the completion of a feasibility study, JOGMEC has the right to either:

- purchase up to an additional 10% interest from the Company (for a total 85% interest) at fair value as determined in accordance with internationally recognized professional standards by an agreed upon independent third-party valuator; or
- receive up to an additional 10% interest from the Company (for a total 85% interest) in consideration of JOGMEC's agreement to fund development of the San Martin JV Project, by loan carrying the Company until the San Martin JV Project generates positive cash flow.

After US \$35,000,000 has been spent by JOGMEC and before a feasibility study has been achieved, both parties will fund expenditures pro rata or dilute via a standard industry dilution formula:

- if the interest in any party is diluted to less than 5% then that party's interest will be automatically converted to a 2% net smelter royalty ("NSR"), and the other party may at any time purchase 1% of the 2% NSR for a cash payment of US \$1,000,000; and
- the Company will manage exploration at least until JOGMEC earns a 51% interest, after which the majority interest holder will be entitled to act as the operator of the San Martin JV Project.

As at February 28, 2022 the Company had 98 mining concessions granted or under application for the San Martin JV Project.

(ii) *San Martin 100% Project*

As at February 28, 2022 the Company had 28 mining concessions granted or under application outside of the San Martin JV Project.

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5. Exploration and Evaluation Assets (continued)

Valiente Project (formerly Previsto Project)

As at February 28, 2022 the Company had 122 mining concessions granted or under application located in central eastern Peru.

(b) **Ireland**

Clare Project

The Company holds a 100% interest in seven prospecting licences located in County Clare, Ireland (the "Licences") pursuant to an assignment agreement. Under a separate asset purchase agreement dated June 3, 2016 (the "Asset Purchase Agreement") between the Company and Lundin Mining Exploration Limited ("Lundin"), the Company purchased all exploration data associated with the Licences for an initial cash payment of \$191,910 (US \$150,000) in fiscal 2017 and additional cash payments totalling \$1,057,473 (US \$850,000) in fiscal 2018.

The Company is also required to pay Lundin a one-time bonus payment of US \$5,000,000 within the earlier of: (i) a decision to proceed with mine construction, or: (ii) within 90 days of the establishment of a commercial financing to finance capital costs for mine construction. Lundin retains a 2% net smelter return royalty on all sales of mineral products extracted from the area of land subject to the Licences, subject to a 0.5% buy back right of the Company for US \$5,000,000, which must be exercised within one year from the date of commercial production.

6. Share Capital

(a) *Authorized Share Capital*

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

(b) *Equity Financings*

During the nine months ended February 28, 2022 the Company did not complete any equity financings.

Fiscal 2021

On July 13, 2020 the Company completed a private placement of 4,000,000 units at \$0.25 per unit for \$1,000,000. Each unit consisted of one common share of the Company and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at an exercise price of \$0.35 per share expiring July 13, 2022.

The Company incurred a total of \$20,346 for legal and filing costs associated with this private placement.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

6. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at February 28, 2022 and 2021 and the changes for the nine months ended on those dates, is as follows:

	<u>2022</u>		<u>2021</u>	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	20,767,729	0.29	24,249,162	0.28
Issued	-	-	2,000,000	0.35
Exercised	(6,735,465)	0.25	(2,839,067)	0.23
Expired	<u>(12,032,264)</u>	0.30	<u>-</u>	-
Balance, end of period	<u>2,000,000</u>	0.35	<u>22,410,095</u>	0.28

As at February 28, 2022 warrants to purchase 2,000,000 common shares were outstanding and exercisable at an exercise price of \$0.35 per share expiring July 13, 2022.

(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. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During the nine months ended February 28, 2022 the Company granted share options to purchase 425,000 common shares and recorded compensation expense of \$77,200 on the granting of share options and also recorded a compensation expense recovery of \$375 on the vesting of share options previously granted.

During the nine months ended February 28, 2021 the Company granted share options to purchase 700,000 common shares and recorded compensation expense of \$131,000 on the granting of share options and \$74,473 compensation expense on the vesting of share options previously granted.

The fair value of share options granted during the nine months ended February 28, 2022 and 2021 was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	<u>2022</u>	<u>2021</u>
Risk-free interest rate	0.43% - 1.22%	0.22% - 0.36%
Estimated volatility	97% - 105%	103% - 112%
Expected life	2 years - 3 years	2.25 years - 3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The estimated volatility was based on the historical share prices of the Company. The weighted average grant date fair value of all share options granted during the nine months ended February 28, 2022 was \$0.18 (2021 - \$0.26) 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 a reliable measure of the fair value of the Company's share options.

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6. Share Capital (continued)

A summary of the Company's share options at February 28, 2022 and 2021 and the changes for the nine months ended on those dates, is as follows:

	2022		2021	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	5,356,000	0.25	5,711,000	0.22
Granted	425,000	0.27	700,000	0.43
Exercised	(1,011,000)	0.14	(785,000)	0.20
Expired	-	-	(125,000)	0.35
Balance, end of period	4,770,000	0.27	5,501,000	0.24

The following table summarizes information about the share options outstanding and exercisable at February 28, 2022:

Number	Exercise Price \$	Expiry Date
3,295,000	0.25	January 23, 2023
100,000	0.28	May 28, 2023
250,000	0.44	July 21, 2023
250,000	0.455	August 11, 2023
250,000	0.13	September 4, 2023
100,000	0.365	October 8, 2023
100,000	0.435	December 2, 2023
275,000	0.285	June 14, 2024
30,000	0.285	October 4, 2024
120,000	0.235	December 3, 2024
4,770,000		

7. Related Party Transactions

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) *Transactions with Key Management Personnel*

The Company has determined that key management personnel consists of the Chief Executive Officer, the President and the Chief Financial Officer of the Company. During the nine months ended February 28, 2022 the Company incurred a total of \$263,415 (2021 - \$181,646) to key management personnel for their services which have been allocated based on the nature of the services provided: expensed \$144,303 (2021 - \$106,389) to director and officer compensation; and capitalized \$119,112 (2021 - \$75,257) to exploration and evaluation assets. As at February 28, 2022 \$46,331 (May 31, 2021 - \$51,132) remained unpaid and has been included in accounts payable and accrued liabilities.

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7. Related Party Transactions (continued)

(b) *Transactions with Other Related Parties*

- (i) During the nine months ended February 28, 2022 the Company incurred \$68,440 (2021 - \$51,360) director and officer compensation with respect to the positions of non-management directors and the Corporate Secretary of the Company. As at February 28, 2022 \$123,500 (May 31, 2021 - \$151,550) remained unpaid and has been included in accounts payable and accrued liabilities.
- (ii) During the nine months ended February 28, 2022 the Company incurred a total of \$35,800 (2021 - \$29,750) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by a director of the Company. As at February 28, 2022 \$700 (May 31, 2021 - \$6,500) remained unpaid and has been included in accounts payable and accrued liabilities.

8. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); amortized cost; and fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	February 28, 2022 \$	May 31, 2021 \$
Cash	Amortized cost	3,041,747	1,799,811
Accounts payable and accrued liabilities	Amortized cost	(248,470)	(237,979)

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 cash and accounts payable and accrued liabilities approximate their fair value.

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. Management believes that the credit risk concentration with respect to cash is remote as cash is held with high quality financial institutions.

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8. Financial Instruments and Risk Management (continued)

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. 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.

	Contractual Maturity Analysis at February 28, 2022				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	3,041,747	-	-	-	3,041,747
Accounts payable and accrued liabilities	(248,470)	-	-	-	(248,470)

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 is not considered significant. The Company had interest bearing debt at fixed rates and was therefore not subject to fluctuating interest rate risk on its promissory note payable.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company maintains foreign currency bank accounts to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At February 28, 2022, 1 Canadian Dollar was equal to 2.99 Peruvian Nuevo Soles, 0.71 Euro, and 0.79 US Dollar.

Balances are as follows

	Nuevo Soles	Euros	US Dollars	CDN \$ Equivalent
Cash	2,872,140	8,183	49,251	1,034,450
VAT receivable	-	1,319	-	1,858
Accounts payable and accrued liabilities	(478,178)	(1,817)	(12,658)	(178,507)
	<u>2,393,962</u>	<u>7,685</u>	<u>36,593</u>	<u>857,801</u>

Based on the net exposures as of February 28, 2022 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Soles, Euro and US Dollar would result in the Company's loss and comprehensive loss being approximately \$87,000 higher (or lower).

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8. Financial Instruments and Risk Management (continued)

Capital Risk 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 future 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.

9. Segmented Information

The Company operates in one reportable segment, being the exploration and evaluation of unproven exploration and evaluation assets. The Company's exploration and evaluation assets are located in Ireland and Peru and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	As at February 28, 2022			
	Canada	Ireland	Peru	Total
	\$	\$	\$	\$
Current assets	2,094,957	13,423	994,587	3,102,967
Equipment	-	-	113,259	113,259
Exploration and evaluation assets	-	<u>3,921,552</u>	<u>1,299,565</u>	<u>5,221,117</u>
	<u>2,094,957</u>	<u>3,934,975</u>	<u>2,407,411</u>	<u>8,437,343</u>
	As at May 31, 2021			
	Canada	Ireland	Peru	Total
	\$	\$	\$	\$
Current assets	1,373,019	17,358	497,948	1,888,325
Equipment	-	-	120,412	120,412
Exploration and evaluation assets	-	<u>3,921,552</u>	<u>1,318,616</u>	<u>5,240,168</u>
	<u>1,373,019</u>	<u>3,938,910</u>	<u>1,936,976</u>	<u>7,248,905</u>

10. Supplemental Cash Flow Information

During the nine months ended February 28, 2022 and 2021 non-cash activities were conducted by the Company as follows:

	2022	2021
	\$	\$
Financing activities		
Share-based payments reserve	(107,340)	(139,938)
Transfer on exercise of share options and finder's warrants	<u>107,340</u>	<u>139,938</u>
	<u>-</u>	<u>-</u>