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**MONTERO MINING AND EXPLORATION LTD.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**March 31, 2022 and 2021**  
**Expressed in Canadian Dollars**

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The accompanying unaudited interim financial statements of Montero Mining and Exploration Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	Notes	March 31, 2022	December 31, 2021
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		110,445	241,178
Other receivables		3,446	4,924
Prepaid expenses and deposits		50,376	49,547
<b>Total current assets</b>		<b>164,267</b>	<b>295,649</b>
<b>Non-current assets</b>			
Plant and equipment	4	835	906
Exploration and evaluation assets	5	588,344	474,835
<b>Total non-current assets</b>		<b>589,179</b>	<b>475,741</b>
<b>TOTAL ASSETS</b>		<b>753,446</b>	<b>771,390</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	549,358	438,969
<b>Total current liabilities</b>		<b>549,358</b>	<b>438,969</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	18,116,063	18,116,063
Warrants	7	756,506	756,506
Share based payment reserve	7	8,080,043	8,080,043
Foreign currency translation reserve		1,047,560	1,047,560
Accumulated deficit		(27,796,084)	(27,667,751)
<b>Total shareholders' equity</b>		<b>204,088</b>	<b>332,421</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>753,446</b>	<b>771,390</b>

**Note 1** - Nature and continuance of operations

**Note 14** – Subsequent event

**On behalf of the Board:**

"Antony Harwood"  
Antony Harwood, Director

"Andrew Thomson"  
Andrew Thomson, Director

See accompanying notes to the condensed interim financial statements

**MONTERO MINING AND EXPLORATION LTD**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	Notes	Three months ended March 31, 2022 \$	Three months ended March 31, 2021 \$
<b>EXPENSES</b>			
Consulting, administrative and management fee	8	52,800	71,205
Directors' fee	8	9,875	9,875
Depreciation	4	71	104
General and administrative	8	26,271	32,216
Other expenses			314
Professional fees		25,919	32,867
Project investigation costs	8	11,613	2,029
Shareholder and regulatory		2,085	8,344
<b>OPERATING EXPENSES</b>		<b>(128,634)</b>	<b>(156,954)</b>
<b>OTHER ITEMS</b>			
Interest expense		(616)	-
Foreign exchange gain		917	2,471
<b>TOTAL OTHER ITEMS</b>		<b>301</b>	<b>2,471</b>
<b>NET LOSS</b>		<b>(128,333)</b>	<b>(154,483)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange difference on translating foreign operations	3	-	(6,637)
<b>COMPREHENSIVE LOSS</b>		<b>(128,333)</b>	<b>(161,120)</b>
Loss per share, basic and diluted	7	\$ 0.00	\$ 0.01

See accompanying notes to the condensed interim financial statements

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

	Share Capital				Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	Note	Number of shares	Amount	Warrants				
			\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2020</b>		<b>38,547,485</b>	<b>18,050,471</b>	<b>756,506</b>	<b>8,110,635</b>	<b>1,047,560</b>	<b>(26,298,226)</b>	<b>1,666,946</b>
Net loss and comprehensive loss		-	-	-	-	(6,637)	(154,483)	(161,120)
Stock options exercised		100,000	65,592	-	(30,591)	-	-	35,001
Stock options cancelled		-	-	-	(10,705)	-	10,705	-
<b>Balance, March 31, 2021</b>		<b>38,647,485</b>	<b>18,116,063</b>	<b>756,506</b>	<b>8,069,339</b>	<b>1,040,923</b>	<b>(26,442,004)</b>	<b>1,540,827</b>
Net loss and comprehensive loss		-	-	-	-	6,637	(1,215,043)	(1,208,406)
Stock options cancelled		-	-	-	10,704	-	(10,704)	-
<b>Balance, December 31, 2021</b>		<b>38,647,485</b>	<b>18,116,063</b>	<b>756,506</b>	<b>8,080,043</b>	<b>1,047,560</b>	<b>(27,667,751)</b>	<b>332,421</b>
Net loss and comprehensive loss		-	-	-	-	-	(128,333)	(128,333)
<b>Balance, March 31, 2022</b>		<b>38,647,485</b>	<b>18,116,063</b>	<b>756,506</b>	<b>8,080,043</b>	<b>1,047,560</b>	<b>(27,796,084)</b>	<b>204,088</b>

See accompanying notes to the condensed interim financial statements

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

	<b>Three months ended March 31, 2022</b>	Three months ended March 31, 2021
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(128,333)	(154,483)
Adjustments for non-cash items		
Depreciation	71	105
Net change in non-cash working capital items		
Other receivables	1,478	1,926
Prepaid expenses and deposits	(829)	(51,594)
Trade and other payables	131,020	160,347
Net cash flow changes in operating activities	3,407	(43,699)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	(134,140)	(665,435)
Net cash used in investing activities	(134,140)	(665,435)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Stock options exercise funds received	-	35,000
Net cash flows provided by financing activities	-	35,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(130,733)</b>	<b>(674,134)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>241,178</b>	<b>1,704,095</b>
<b>CASH, END OF PERIOD</b>	<b>110,445</b>	<b>1,029,961</b>

See accompanying notes to the condensed interim financial statements

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

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

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

### **Going Concern**

These condensed interim financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2022, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to significant doubt about the Company’s ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments.

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

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

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

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

## 2. BASIS OF PREPARATION

### Statement of Compliance

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

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

The condensed financial statements were authorized for issue on May 27, 2022 by the Board of Directors of the Company.

### Basis of Measurement

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

## 4. PLANT AND EQUIPMENT

	Field Equipment	Furniture and Fixtures	TOTAL
<b>Cost:</b>			
Balance, December 31, 2021	\$ 39,993	\$ 3,087	\$ 43,080
Balance, March 31, 2022	39,993	3,087	43,080
<b>Accumulated Depreciation:</b>			
Balance, December 31, 2021	\$ 39,139	\$ 3,035	\$ 42,174
Additions	64	7	71
Balance, March 31, 2022	\$ 39,203	\$ 3,042	\$ 42,245
<b>Net Book Value</b>			
Balance, December 31, 2021	\$ 854	\$ 52	\$ 906
<b>Balance, March 31, 2022</b>	<b>\$ 790</b>	<b>\$ 45</b>	<b>\$ 835</b>

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars - unaudited)

**5. EXPLORATION AND EVALUATION PROJECTS**

**a) CHILE**

**Isabella Gold Silver Project**

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

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

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

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

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

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

**Avispa Copper Molybdenum Project**

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

On March 14, 2022 the Company was awarded a further 200.8 km<sup>2</sup> of exploration concessions that includes the original Avispa and recently awarded Abeja exploration concessions.

During the period ended March 31, 2022, the Company capitalized \$60,988 in costs related to the application and grant of these concessions.

Details of the Company’s exploration and evaluation activity for the period ended March 31, 2022 are as follows:

	<b>Isabella Gold Silver Project</b>	<b>Avispa Copper Molybdenum Project</b>	<b>Total</b>
Balance, December 31, 2021	\$ 294,965	\$ 179,870	\$ 474,835
Consultants	34,561	14,951	49,512
Licenses and claims	3,867	11,811	15,678
Field and camp costs	493	5,842	6,335
Project and administration	10,849	5,657	16,506
Travel and accommodation	744	7,713	8,457
Cash advances	2,007	4,853	6,860
Assays	-	10,161	10,161
<b>Balance, March 31, 2022</b>	<b>\$ 347,486</b>	<b>\$ 240,858</b>	<b>\$ 588,344</b>

**5. EXPLORATION AND EVALUATION PROJECTS – *Continued***

**b) TANZANIA**

Montero’s Wigu Hill Rare Earth Element Retention License was expropriated by the Tanzanian government in 2018 when the Mining (Local Content) Regulations 2018, published on January 10, 2018, cancelled all previously issued Retention Licenses. The Company commenced exploration activities on the project in March 2008 under a prospecting license, before obtaining a five-year retention license for the property in 2015. See Note 11. On January 10, 2018 the Government of Tanzania cancelled all Retention Licenses at which point they ceased to have any legal effect. During the year ended December 31, 2021 the dispute resolution process dealing with the expropriation of the Wigu Hill rare earth element project in Tanzania was underway. The International Centre for Settlement of Investment Disputes’ (“ICSID”) arbitration tribunal was constituted on the November 18, 2021 signaling that the process initiated by Montero to protect its investment and exploration rights in Tanzania will now proceed. The arbitration tribunal is composed of Dr Achille Ngwanza, who will act as president, Mr Eric Teynier, an arbitrator appointed by Montero and Mr Cecil W. M. Abraham, an arbitrator appointed by the government of Tanzania. ICSID requires that each party to the dispute make a deposit of US\$ 150,000, after which a first hearing to establish the procedural calendar for the proceedings will be held within 60 days.

**6. TRADE AND OTHER PAYABLES**

The components of trade and other payables is as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
	\$	\$
Trade payables	154,679	112,889
Amounts due to related parties (Note 8)	303,160	299,799
Accrued liabilities	41,519	26,281
<b>Total</b>	<b>549,358</b>	<b>438,969</b>

**7. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares without par value.

**Issued and Outstanding**

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

**Changes During the Period Ended March 31, 2022**

There were no changes to the Company’s share capital during the recent period ended March 31, 2022.

**Stock Options**

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

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**  
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**7. SHARE CAPITAL - Continued**

**Stock Options – Continued**

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

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

1,707,500 of the stock options expire on May 14, 2023 and 1,572,500 expire on December 21, 2023 and the weighted average remaining contractual life of the outstanding stock options is 1.41 years.

No stock options were granted during the period ended March 31, 2022.

**Warrants**

The issued and outstanding warrants are comprised of the following:

<b>Date of expiry</b>	<b>Warrants reserve</b>	<b>Number of warrants</b>	<b>Exercise price</b>
December 11, 2022	\$ 765,506	8,333,333	\$0.25
<b>Balance, March 31, 2022</b>	<b>\$ 765,506</b>	<b>8,333,333</b>	<b>\$0.25</b>

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

	<b>March 31, 2022</b>		<b>December 31, 2021</b>	
	Number of shares issuable	Weighted average exercise price	Number of shares issuable	Weighted average exercise price
Warrants outstanding, beginning of year	8,333,333	\$ 0.25	8,333,333	\$ 0.25
Issued	-	-	-	-
Expired	-	-	-	-
<b>Warrants outstanding, end of period</b>	<b>8,333,333</b>	<b>\$ 0.25</b>	<b>8,333,333</b>	<b>\$ 0.25</b>

At March 31, 2022, the weighted average remaining contractual life of the outstanding warrants was 0.70 years.

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

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**7. SHARE CAPITAL - Continued**

**Share Based Payment Reserve**

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

Expired warrants	\$	5,392,834
Expired stock options		1,784,707
Unexpired stock options		902,502
<b>Balance, March 31, 2022</b>	<b>\$</b>	<b>8,080,043</b>

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

**Loss Per Share**

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

	March 31,	
	2022	2021
Net loss attributable to owners of the parent company	\$ 128,333	\$ 154,483
Weighted average number of ordinary shares outstanding	38,647,485	38,627,485
Basic and diluted loss per ordinary share	\$ 0.00	\$ 0.01

**8. RELATED PARTY TRANSACTIONS**

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

	Three months ended March 31,	
	2022	2021
	\$	\$
Consulting and management	46,424	46,225
Directors' fee	9,875	9,875
General and administrative	1,155	2,966
<b>Total remuneration of directors and key management personnel</b>	<b>57,454</b>	<b>59,066</b>

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

	March 31, 2022	December 31, 2021
	\$	\$
Due to related parties	252,544	199,800
Promissory note	100,616	99,999
<b>Total</b>	<b>353,160</b>	<b>299,799</b>

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

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**  
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**9. SEGMENTED INFORMATION**

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

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

As at March 31, 2022

	Chile		Total	
Plant and equipment	\$	835	\$	835
Exploration and evaluation assets		588,344		588,344
<b>Total non-current assets</b>	<b>\$</b>	<b>589,179</b>	<b>\$</b>	<b>589,179</b>

As at December 31, 2021

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

**10. COMMITMENTS AND CONTINGENCIES**

The Company has no lease commitments.

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

**11. NON-CASH TRANSACTIONS**

There were no non-cash transactions during the three months ended March 31, 2022 and 2021 that are not reflected in the statement of cash flows.

**12. CAPITAL MANAGEMENT**

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

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

## **12. CAPITAL MANAGEMENT – Continued**

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

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

## **13. RISK MANAGEMENT**

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

### *Industry Risk*

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

### *Credit Risk*

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

### *Liquidity Risk*

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

### *Interest Rate Risk*

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

### **13. RISK MANAGEMENT – *Continued***

#### *Foreign Currency Risk*

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

#### *Commodity Price Risk*

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

### **14. SUBSEQUENT EVENT**

On April 12, 2022 Montero announced an update on the arbitration proceedings against the United Republic of Tanzania over the expropriation of the Wigu Hill rare earth element project before International Centre for Settlement of Investment Disputes. The arbitral tribunal President and appointees of Montero and Tanzania held its first session on 17th January 2022, and procedural issues agreed, including the timeline and timetable of the proceedings. Montero intends to file its Memorial on the merits of the case and a valuation of its claims for damages in May 2022. The arbitration will take place in Washington DC.