
**MONTERO MINING AND EXPLORATION
LTD.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**Three Months Ended March 31, 2023 and 2022
Expressed in Canadian Dollars**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

	Notes	March 31, 2023	December 31, 2022
		\$	\$
ASSETS			
Current assets			
Cash		3,781	4,718
Other receivables		5,714	4,336
Prepaid expenses and deposits		19,600	29,086
Total current assets		29,095	38,140
Non-current assets			
Plant and equipment	4	576	624
Exploration and evaluation assets	5	582,710	559,694
Total non-current assets		583,286	560,318
TOTAL ASSETS		612,381	598,458
LIABILITIES			
Current liabilities			
Trade and other payables	6, 8	893,366	759,292
Total current liabilities		893,366	759,292
SHAREHOLDERS' DEFICIT			
Share capital	7	18,116,063	18,116,063
Share based payment reserve	7	8,836,549	8,836,549
Foreign currency translation reserve		1,047,560	1,047,560
Accumulated deficit		(28,281,157)	(28,161,006)
Total shareholders' deficit		(280,985)	(160,834)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		612,381	598,458

Note 1 - Nature and continuance of operations

Note 13 – Subsequent event

On behalf of the Board:

"Antony Harwood"
Antony Harwood, Director

"Andrew Thomson"
Andrew Thomson, Director

See accompanying notes to the condensed interim consolidated financial statements.

MONTERO MINING AND EXPLORATION LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars - unaudited)

	Note	Three Months ended March 31, 2023 \$	Three Months ended March 31, 2022 \$
EXPENSES			
Consulting, administrative and management fee	8	61,105	52,800
Directors' fee	8	9,875	9,875
Depreciation	4	48	71
General and administrative	8	36,936	26,271
Professional fees		14,428	25,919
Project investigation costs		-	11,613
Shareholder and regulatory		5,227	2,085
OPERATING EXPENSES		(127,619)	(128,634)
OTHER ITEMS			
Interest expense	8	(825)	(616)
Foreign exchange gain		8,291	917
TOTAL OTHER ITEMS		7,466	301
NET AND COMPREHENSIVE LOSS		(120,153)	(128,333)
Loss per share, basic and diluted	8	(0.00)	(0.00)
Weighted average number of shares outstanding		38,647,485	38,647,485

See accompanying notes to the condensed interim consolidated financial statements

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

	Share Capital						Total Deficit
	Number of shares	Amount	Warrants	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	38,647,485	18,116,063	756,506	8,080,043	1,047,560	(27,667,751)	332,421
Net loss and comprehensive loss	-	-	-	-	-	(128,333)	(128,333)
Balance, March 31, 2022	38,647,485	18,116,063	756,506	8,080,043	1,047,560	(27,796,084)	204,088
Net loss and comprehensive loss	-	-	-	-	-	(364,922)	(364,922)
Expired warrants	-	-	(756,506)	756,506	-	-	-
Balance, December 31, 2022	38,647,485	18,116,063	-	8,836,549	1,047,560	(28,161,006)	(160,834)
Net loss and comprehensive loss	-	-	-	-	-	(120,151)	120,151.0
Balance, March 31, 2023	38,647,485	18,116,063	-	8,836,549	1,047,560	(28,281,157)	(280,985)

See accompanying notes to the condensed interim consolidated financial statements.

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

	Three Months ended March 31, 2023	Three Months ended March 31, 2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(120,151)	(128,333)
Adjustments for non-cash items		
Depreciation	48	71
Interest expense	825	-
Other receivables	(1,378)	1,478
Prepaid expenses and deposits	9,486	(829)
Trade and other payables	40,239	131,020
Net cash provided by (used in) operating activities	(70,931)	3,407
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(24,413)	(134,140)
Net cash used in investing activities	(24,413)	(134,140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from related party	94,407	-
Net cash provided by financing activities	94,407	-
NET DECREASE IN CASH	(937)	(130,733)
CASH, BEGINNING OF THE PERIOD	4,718	241,178
CASH, END OF THE PERIOD	3,781	110,445

See accompanying notes to the condensed interim consolidated 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 consolidated 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, 2023, 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.

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

The preparation of condensed interim consolidated 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 condensed interim consolidated financial statements are disclosed in Note 3.

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2023 AND 2022
(Expressed in Canadian dollars - unaudited)

2. BASIS OF PREPARATION (continued)

Statement of Compliance (continued)

The condensed interim consolidated financial statements for the three months ended March 31, 2023 were authorized for issue on May 29, 2023 by the Audit Committee of the Company.

Basis of Measurement

These condensed interim consolidated 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 consolidated 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 condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated 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
Cost:			
Balance, March 31, 2023 and December 31, 2022	\$ 39,994	\$ 3,086	\$ 43,080
Accumulated Depreciation:			
Balance, December 31, 2022	\$ 39,397	\$ 3,060	\$ 42,456
Depreciation	45	3	48
Balance, March 31, 2023	\$ 39,441	\$ 3,063	\$ 42,504
Net Book Value			
Balance, December 31, 2022	\$ 598	\$ 26	\$ 624
Balance, March 31, 2023	\$ 553	\$ 23	\$ 576

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 held 100% of the mineral rights to 38 mineral exploration concessions and has two subsidiaries with additional minerals rights. These concessions have not been renewed and have been allowed to lapse.

5. EXPLORATION AND EVALUATION PROJECTS (continued)

a. CHILE (continued)

Isabella Gold Silver Project (continued)

The Company, through ChileCo, holds a 100% interest in Subsidiary 1 which held 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. These concessions have not been renewed and have been allowed to lapse. ChileCo now only holds 6 mining concessions (the "Roy Claims") in the Isabella area.

Due to poor drilling results, during the year ended December 31, 2022, the Company recorded an impairment of \$294,965 relating to costs incurred on the Isabella West exploration mining concessions that were allowed to lapse. The carrying value of the Isabella Gold Silver Project at December 31, 2022 consists of costs relating to the Roy Claims.

The Company, through ChileCo, holds a 100% interest in Subsidiary 2 (Minera Joy East SpA) 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 (unpaid); and
US \$250,000 by August 31, 2022 (unpaid).

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 August 31, 2021 and was unable to renegotiate more favorable terms and terminated the earn-in agreement and rights to the Isabella East concessions on August 31, 2021 resulting in an impairment of \$1,018,964.

During the period ended March 31, 2023, the Company capitalized \$12,853 in costs related to the Isabella Gold Silver project (December 31, 2022 - \$97,917).

Avispa Copper Molybdenum Project

On October 2019 the Company applied for exploration mining concessions in northern Atacama to explore for copper and molybdenum and these were awarded in October 4, 2020. The Company submitted further applications in April 2021 and on March 14, 2022, the Company was awarded further exploration concessions that includes the original Avispa and recently awarded Abeja exploration concessions.

During the period ended March 31, 2023, the Company capitalized \$10,164 in costs related to the application and grant of these concessions (December 31, 2022 - \$281,907).

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5. EXPLORATION AND EVALUATION PROJECTS (continued)

a) **CHILE (continued)**

Avispa Copper Molybdenum Project (continued)

Details of the Company's exploration and evaluation activity for the period ended March 31, 2023 and year ended December 31, 2022 are as follows:

	Isabella Gold/Silver Project	Avispa Copper Molybdenum Project	Total
	\$	\$	\$
Balance, December 31, 2022	97,917	461,777	559,694
Costs incurred during the period			
Assays	-	404	404
Consultants	12,853	9,165	22,017
Geophysical and maps	-	595	595
Total costs	12,853	10,164	23,016
Balance, March 31, 2023	110,770	\$ 471,941	\$ 582,710

	Isabella Gold/Silver Project	Avispa Copper Molybdenum Project	Total
	\$	\$	\$
Balance, December 31, 2021	294,965	179,870	474,835
Costs incurred during the year			
Assays	227	29,746	29,973
Cash advances	202	2,646	2,848
Consultants	69,201	82,348	151,549
Drilling	2,795	-	2,795
Field and camp costs	12,675	8,749	21,424
Licenses and claims	8,397	127,718	136,115
Geophysical and maps	-	5,555	5,555
Project and administration	3,633	13,967	17,600
Travel and accommodation	787	11,178	11,965
Total costs	97,917	281,907	379,824
Impairment	(294,965)	-	(294,965)
Balance, December 31, 2022	97,917	\$ 461,777	\$ 559,694

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. On January 10, 2018 the Government of Tanzania cancelled all Retention Licenses at which point they ceased to have any legal effect.

The Company is seeking damages from the Tanzanian government over the expropriation of the Retention Licenses before the International Centre for Settlement of Investment Disputes, part of the World Bank group. An arbitration process is underway, but the outcome remains uncertain at this time (Note 10).

6. TRADE AND OTHER PAYABLES

The components of trade and other payables is as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Trade payables	48,802	99,881
Amounts due to related parties (Note 8)	806,160	626,718
Accrued liabilities	38,404	32,693
Total	893,366	759,292

7. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

At March 31, 2023 there were 38,647,485 (December 31, 2022 – 38,647,485) issued and fully paid common shares outstanding.

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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7. SHARE CAPITAL (continued)

Stock options (continued)

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

As at March 31, 2023 and year ended December 31, 2022, the company had 3,280,000 options outstanding and exercisable at a weighted average exercise price of \$0.30.

On May 14, 2023, 1,707,500 of the stock options will expire and on December 21, 2023, 1,572,500 stock options will expire. The weighted average remaining contractual life of the outstanding stock options is 0.41 years.

No stock options were granted during the period ended March 31, 2023.

Warrants

The company has no warrants outstanding as at March 31, 2023 and as at year ended December 31, 2022.

Share Based Payment Reserve

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

Expired warrants	\$	6,149,340
Expired stock options		1,795,411
Unexpired stock options		891,798
Balance, March 31, 2023	\$	8,836,549

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 periods ended March 31, 2023 and 2022.

	Period ended March 31,	
	2023	2022
Net loss attributable to owners of the parent company	(120,151)	(128,333)
Weighted average number of ordinary shares outstanding	38,647,485	38,647,485
Basic and diluted loss per ordinary share	(0.00)	(0.00)

MONTERO MINING AND EXPLORATION LTD.
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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,	
	2023	2022
	\$	\$
Consulting and management	23,478	46,424
Directors' fee	9,875	9,875
General and administrative	6,176	1,155
Total remuneration of directors and key management personnel	39,529	57,454

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

	March 31,	December 31,
	2023	2022
	\$	\$
Due to related parties	617,836	524,219
Promissory note	188,324	102,499
Total	806,160	626,718

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 from prior year, was due and payable in full on or before December 31, 2023. No demand for repayment has been made.

During the period ended March 31, 2023, the Company received an aggregate of \$85,000 loans that bears interest at 5% per annum and due and payable in full on or before December 31, 2023.

During the period ended March 31, 2023, the Company accrued interest of \$825 on the promissory notes (period ended March 31, 2022 - \$616).

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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 its reportable geographic segment is located in Chile.

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

As at March 31, 2023

	Chile	Total
Plant and equipment	\$ 576	\$ 624
Exploration and evaluation assets	582,710	559,694
Total non-current assets	\$ 583,286	\$ 560,318

As at December 31, 2022

	Chile	Total
Plant and equipment	\$ 624	\$ 624
Exploration and evaluation assets	559,694	559,694
Total non-current assets	\$ 560,318	\$ 560,318

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 (Notes 5).

11.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.

11. 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 believe 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 year. The Company is not subject to any externally imposed capital requirements.

12. 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 represents 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.

12. 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, 2023 and December 31, 2022, 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.