MONTERO MINING AND EXPLORATION LTD.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021
Expressed in Canadian Dollars

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Montero Mining and Exploration Ltd.

Opinion

We have audited the consolidated financial statements of Montero Mining and Exploration Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 26, 2023

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

	Note	December 31, 2022	December 31, 2021
		$	$
ASSETS			
Current assets			
Cash		4,718	241,178
Other receivables		4,336	4,924
Prepaid expenses and deposits		29,086	49,547
Total current assets		38,140	295,649
Non-current assets			
Plant and equipment	5	624	906
Exploration and evaluation assets	6	559,694	474,835
Total non-current assets		560,318	475,741
TOTAL ASSETS		598,458	771,390
LIABILITIES			
Current liabilities			
Trade and other payables	7,10	759,292	438,969
Total current liabilities		759,292	438,969
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	8	18,116,063	18,116,063
Warrants	8	-	756,506
Share based payment reserve	8	8,836,549	8,080,043
Foreign currency translation reserve		1,047,560	1,047,560
Accumulated deficit		(28,161,006)	(27,667,751)
Total shareholders' equity (deficit)		(160,834)	332,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		598,458	771,390

Note 1 - Nature and continuance of operations

On behalf of the Board:

“Antony Harwood”
Antony Harwood, Director

“Andrew Thomson”
Andrew Thomson, Director

See accompanying notes to the consolidated financial statements

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

	Note	Year ended December 31, 2022	Year ended December 31, 2021
		$	$
EXPENSES			
Consulting, administrative and management fee	10	87,216	237,438
Directors' fee	10	-	39,500
Depreciation	5	282	418
General and administrative	10	150,030	90,067
Professional fees		80,532	98,713
Project investigation costs		12,014	5,386
Shareholder and regulatory		17,384	23,782
OPERATING EXPENSES		(347,458)	(495,304)
OTHER ITEMS			
Reversal of payables		-	62,311
Interest expense	10	(2,500)	(2,500)
Impariment of exploration and evaluation assets	6	(294,965)	(1,018,964)
Gain on winding up of subsidiaries	4	-	71,240
Gain on forgiveness of debt	10	150,000	-
Foreign exchange gain		1,668	13,692
TOTAL OTHER ITEMS		(145,797)	(874,221)
NET AND COMPREHENSIVE LOSS		**(493,255)**	**(1,369,525)**
Loss per share, basic and diluted	8	(0.01)	(0.04)

See accompanying notes to the consolidated financial statements

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

		Share Capital						
	Note	Number of shares	Amount	Warrants	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity (Deficit)
			$	$	$	$	$	$
Balance, December 31, 2020		38,547,485	18,050,471	756,506	8,110,635	1,047,560	(26,298,226)	1,666,946
Net loss and comprehensive loss		-	-	-	-	-	(1,369,525)	(1,369,525)
Stock options exercised	8	100,000	65,592	-	(30,592)	-	-	35,000
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		-	-	-	-	-	(493,255)	(493,255)
Expired warrants	8	-	-	(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)

See accompanying notes to the consolidated financial statements

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

	Year ended December 31, 2022	Year ended December 31, 2021
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(493,255)	(1,369,525)
Adjustments for non-cash items		
Depreciation	282	418
Gain on forgiveness of debt	(150,000)	-
Impairment of exploration and evaluation assets	294,965	1,018,964
Gain on winding up of subsidiaries	-	(71,240)
Revesal of payables	-	(62,311)
Interest expense	2,500	2,500
Net changes in non-cash working capital items		
Other receivables	588	1,806
Prepaid expenses and deposits	20,461	(14,011)
Trade and other payables	152,260	164,007
Net cash used in operating activities	(172,199)	(329,392)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(340,226)	(1,168,525)
Net cash used in investing activities	(340,226)	(1,168,525)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from related party	275,965	-
Cash from exercise of stock options	-	35,000
Net cash provided by financing activities	275,965	35,000
NET DECREASE IN CASH	(236,460)	(1,462,917)
CASH, BEGINNING OF YEAR	241,178	1,704,095
CASH, END OF YEAR	4,718	241,178

Note 13 - Supplemental cash flow information

See accompanying notes to the 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 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 December 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.

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. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue on April 26, 2023 by the Board of Directors of the Company.

3. BASIS OF PRESENTATION

These 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 consolidated financial statements are presented in Canadian dollars ("CAD"), which is also the Company's functional currency.

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Montero, the parent company, and its controlled subsidiaries, after the elimination of all intercompany balances and transactions. Control is achieved when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceased. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The Company's controlled subsidiaries included in these consolidated financial statements are:

Name	Country of Incorporation	Ownership
Minera Joy SpA	Chile	100%
Minera Joy East SpA	Chile	100%
Minera Joy West SpA	Chile	100%
Montero Mining Namibia (Proprietary) Limited	Namibia	100%
Soris Mining (Proprietary) Limited	Namibia	80%
Montero Wigu Hill (Tanzania) Limited	Tanzania	100%
Montero Resources Limited	Tanzania	100%
Lumba Exploration Limited	Tanzania	100%
Wigu Hill Mining Company Limited	Tanzania	82.25%
Lumba Mining Company Limited	Tanzania	82.25%

Due to the Company's focus on exploration in Chile and the termination of exploration activities in Namibia and South Africa, the expropriation of the Wigu Hill Retention license in Tanzania which is now the subject of International Centre for Settlement of Investment Disputes ("ICSID") arbitration between Montero Mining and Exploration Ltd in Canada and the Government of Tanzania, during the year ended December 31, 2021 the Company applied for the winding up of certain of its subsidiaries and relinquished control of these entities.

The following entities were included in the consolidated financial statements of the Company up to the point in time that control was relinquished:

Name	Country of Incorporation	Ownership
Montero Resource Holding Limited	British Virgin Islands	100%
Wigu Hill (BVI) Limited	British Virgin Islands	100%
Lumba (BVI) Limited	British Virgin Islands	100%
Montero Projects Limited	British Virgin Islands	100%

On deconsolidation, the Company recognized a gain of $71,240 during the year ended December 31, 2021 resulting from the reversal of the net liabilities of the subsidiaries, as well as other miscellaneous provisions the Company determined are no longer required.

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 year. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Exploration and evaluation assets

The Company records and carries its interest in exploration and evaluation assets at cost. These capitalized costs include the direct costs of acquisition, exploration and the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. Government tax credits received are recorded as a reduction of the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The Company's criterion for testing impairment includes, but is not limited to, when:

i) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed;
ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and / or
iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within plant and equipment.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farm outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized or expensed.

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is provided at rates calculated to write off the cost of the asset over their estimated useful lives. Depreciation is calculated on a declining balance basis on its assets at the following rates: field equipment at 30% per annum and furniture and fixtures at 20% per annum.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Asset retirement and environmental obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2022, the Company does not have any asset retirement or environmental obligations.

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets and plant and equipment) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term highly liquid interest-bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the *Black- Scholes Option Pricing Model*. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Income taxes

Current income taxes
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes
Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company, Montero, is the Canadian dollar and the functional currency of the Company's subsidiaries located in Tanzania and BVI was the United States dollar and the functional currency of the Company's subsidiaries located in Namibia and Chile is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction, whereas non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, are recognized in the statement of comprehensive loss in the period in which they arise. When a gain or loss on non-monetary items is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the statement of comprehensive loss, any exchange component of that gain or loss is recognized in also recognized in the statement of comprehensive loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Foreign currency translation - *Continued*

At the end of each reporting period, the subsidiaries translate their results and financial position into the presentation currency of the Company which is the Canadian dollar. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end. Income and expenses for each statement of comprehensive loss are translated at the average exchange rates. Equity transactions are translated using the exchange rate at the date of the transaction. All resulting exchange differences are recognized in the Company's foreign currency translation reserve in other comprehensive income. These exchange differences are recognized in the statement of loss in the period in which the operation is disposed.

Loss per share

Loss per share is calculated based on the weighted average number of shares issued and outstanding during the year. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets/liabilities	**Classification under IFRS 9**
Cash	Amortized cost
Other receivables	Amortized cost
Deposits	Amortized cost
Trade and other payables	Amortized cost

ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Financial instruments - *Continued*

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

Accounting standards and interpretations issued but not yet effective

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. PLANT AND EQUIPMENT

		Field Equipment		Furniture and Fixtures		TOTAL
Cost:						
Balance, December 31, 2020	$	147,409	$	21,301	$	168,710
Disposal		(107,416)		(18,214)		(125,630)
Balance, December 31, 2021 and 2022	$	39,993	$	3,087	$	43,080
Accumulated Depreciation:						
Balance, December 31, 2020	$	146,189	$	21,197	$	167,386
Additions		366		52		418
Disposal		(107,416)		(18,214)		(125,630)
Balance, December 31, 2021	$	39,139	$	3,035	$	42,174
Additions		256		26		282
Balance, December 31, 2022	$	39,395	$	3,061	$	42,456
Net Book Value						
Balance, December 31, 2021	$	854	$	52	$	906
Balance, December 31, 2022	$	598	$	26	$	624

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION PROJECTS – *Continued*

a) CHILE - *Continued*

Details of the Company's exploration and evaluation activity for the years ended December 31, 2022 and 2021 are as follows:

	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

	Isabella Gold Silver Project	Avispa Copper Molybdenum Project	Total
	$	$	$
Balance, December 31, 2020	295,172	30,102	325,274
Costs incurred during the year			
Licenses and claims	78,952	136,215	215,167
Option payments	62,351	-	62,351
Administration	106,677	118	106,795
Assays	18,738	-	18,738
Consultants	76,046	-	76,046
Drilling	536,976	-	536,976
Field and camp costs	34,045	9,461	43,506
Geophysical and geological	74,295	470	74,765
Travel	30,677	3,504	34,181
Total costs	1,018,757	149,768	1,168,525
Impairment	(1,018,964)	-	(1,018,964)
Balance, December 31, 2021	294,965	179,870	474,835

6. 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.

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 year ended December 31, 2022, the Company capitalized $97,917 in costs related to the Isabella Gold Silver project (2021 - $1,018,757).

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 December 31, 2022, the Company capitalized $281,907 in costs related to the application and grant of these concessions (2021 - $149,768).

(Expressed in Canadian Dollars)

6. 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 12).

7. TRADE AND OTHER PAYABLES

The components of trade and other payables is as follows:

	December 31, 2022	December 31, 2021
	$	$
Trade payables	99,881	112,889
Amounts due to related parties (Note 10)	626,718	299,799
Accrued liabilities	32,693	26,281
Total	759,292	438,969

8. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

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

Changes during the year ended December 31, 2022

There were no changes to the Company's share capital during the year ended December 31, 2022.

Changes during the year ended December 31, 2021

On January 18, 2021, 100,000 stock options were exercised at $0.35 per share. The Company received $35,000 upon the exercise and the share-based payment reserve has been adjusted for $30,592. The share price on the date of exercise was $0.70.

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.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL – *Continued*

Stock options – *Continued*

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

	Year ended December 31,					
	2022			2021		
	Number of options issuable		Weighted average exercise price	Number of options issuable		Weighted average exercise price
Options outstanding, beginning of year	3,280,000	$	0.30	3,424,500	$	0.30
Exercised	-		-	(100,000)		0.35
Cancelled	-		-	(44,500)		0.25
Options outstanding and exercisable, end of year	3,280,000	$	0.30	3,280,000	$	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 0.64 years.

No stock options were granted during the years ended December 31, 2022 and 2021.

Warrants

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

	Year ended December 31,					
	2022			2021		
	Number of warrants issuable		Weighted average exercise price	Number of warrants issuable		Weighted average exercise price
Warrants outstanding, Beginning of year	8,333,333	$	0.25	8,333,333	$	0.25
Expired	(8,333,333)		0.25	-		-
Warrants outstanding, end of year	-	$	0.25	8,333,333	$	0.25

During the year ended December 31, 2022, 8,333,333 warrants expired unexercised,

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.

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, December 31, 2022	$	8,836,549

(Expressed in Canadian Dollars)

8. SHARE CAPITAL - *Continued*

Share Based Payment Reserve – *Continued*

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 2022 and 2021.

	Year ended December 31,	
	2022	2021
Net loss attributable to owners of the parent company	(493,255)	(1,369,525)
Weighted average number of ordinary shares outstanding	38,647,485	38,642,553
Basic and diluted loss per ordinary share	(0.01)	(0.04)

9. INCOME TAX NOTE

A reconciliation of current taxes at the statutory tax rates with the reported taxes is as follows based on an income tax rate of 27% (2021 - 27%) as at December 31:

	2022	2021
	$	$
Net loss before income taxes	(493,255)	(1,369,525)
Expected tax recovery at statutory rates	(133,179)	(369,772)
Decrease (increase) resulting from:		
Permanent differences	418	51
Change in valuation allowance	280,827	(476,348)
Other	(148,066)	846,069
Income tax recovery	-	-

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2022	2021
	$	$
Canadian non-capital losses carried forward	2,272,643	2,234,720
African tax losses carried forward	3,507,007	3,507,007
Exploration and evaluation assets and equipment	601,400	339,495
Other	12,306	31,307
Total	6,393,356	6,112,529
Valuation allowance	(6,393,356)	(6,112,529)
Deferred tax liabilities	-	-

Management has determined that the realization of these deferred income tax assets is uncertain at this time and cannot be viewed as more likely than not. Accordingly, the Company has not recognized the potential deferred income tax assets.

The following summarizes the expiry of deductible temporary differences for which no deferred tax asset has been recognized.

(Expressed in Canadian Dollars)

9. INCOME TAX NOTE - *Continued*

	Canadian non-capital losses	Canadian equipment and resource pools	Canadian share issue costs
2027	$ 5,937	$	$
2028	282,809		
2029	326,707		
2030	646,312		
2031	1,921,687		
2032	1,343,367		
2033	769,752		
2034	512,993		
2035	482,103		
2037	334,793		
2038	476,585		
2039	404,687		
2040	225,642		
2041	464,201		
2042	219,617		
No expiry		2,787,726	45,579
Total	8,417,192	2,787,726	45,579

10. 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.

	Years ended December 31,	
	2022	**2021**
	$	$
Consulting and management	48,048	184,002
Directors' fee	-	39,500
General and administrative	10,316	10,237
Total remuneration of directors and key management personel	58,364	233,739

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

	Years ended December 31,	
	2022	**2021**
	$	$
Due to related parties	524,219	199,800
Promissory note	102,499	99,999
Total	626,718	299,799

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, 2022. No demand for repayment has been made. During the year ended December 31, 2022, the Company accrued interest of $2,500 on the Promissory note (2021 - $2,500).

During the year ended December 31, 2022, officers and directors of the Company agreed to forgive $150,000 (2021 - $Nil) of previously charged consulting and director fees.

(Expressed in Canadian Dollars)

11. 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.

12. 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 6).

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transactions that occurred during the years ended December 31, 2022 and 2021 are as follows:

		December 31, 2022		December 31, 2021
Supplemental cash flow information:				
Non-cash transactions:				
Expired Warrants	$	756,506	$	-
Expenditures on exploration and evaluation assets in accounts payable	$	39,598	$	-

14. 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.

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.

14. CAPITAL MANAGEMENT - *Continued*

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.

15. RISK MANAGEMENT

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company'soperations. 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 inforeign 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'sprimary 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 whichare 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.

15. 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 December 31, 2022 and 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.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company issued two promissory notes to a company controlled by a director of the Company for aggregate proceeds of $85,000. The notes bear interest at 5.0% per annum and have a maturity date of December 31, 2023.