

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)

Consolidated Financial Statements

For the Year Ended February 28, 2022 and Period from May 25, 2020 (Date of Incorporation) to February 28, 2021

(Expressed in Canadian Dollars)

Mantaro Precious Metals Corp. (formerly Mantaro Silver Corp.)

Consolidated Financial Statements

Year ended February 28, 2022 and Period from May 25, 2020 (Date of Incorporation) to February 28, 2021
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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Mantaro Precious Metals Corp.

Opinion

We have audited the consolidated financial statements of Mantaro Precious Metals Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at February 28, 2022 and 2021, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the periods ended February 28, 2022 and 2021 and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2022 and 2021, and its financial performance and its cash flows for the periods ended February 28, 2022 and 2021 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

/s/ Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
June 28, 2022

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at February 28, 2022 and 2021
(Expressed in Canadian Dollars)

	Notes	2022 \$	2021 \$
ASSETS			
Current assets			
Cash		4,579,522	246,569
Restricted cash	8(c)	-	7,926,848
Prepaid expenses and deposits		43,217	-
Accounts receivable	6	51,451	-
Deferred transaction costs	8(c)	-	459,280
		<u>4,674,190</u>	<u>8,632,697</u>
Non-current assets			
Equipment		6,836	-
Exploration and evaluation assets	7	5,586,659	1,735,779
		<u>10,267,685</u>	<u>10,368,476</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	325,948	101,986
Subscriptions payable		-	6,700
Share subscription receipts	8(c)	-	8,251,828
		<u>325,948</u>	<u>8,360,514</u>
Equity			
Share capital	8	11,694,938	1,658,385
Subscriptions received	8(b)	-	188,212
Reserves		3,211,917	337,100
Deficit		(4,965,118)	(175,735)
		<u>9,941,737</u>	<u>2,007,962</u>
		<u>10,267,685</u>	<u>10,368,476</u>

Nature of Operations (Note 1)

Going Concern (Note 2)

Subsequent Events (Notes 8(e) and 13)

Approved by the Board of Directors on June 28, 2022

"Craig Hairfield" Director
Craig Hairfield

"Christopher Wilson" Director
Christopher Wilson

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

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
(Expressed in Canadian Dollars)

	Notes	2022 \$	2021 \$
EXPENSES			
Accounting and audit		118,072	-
Advertising and promotion		26,663	24,780
Director fees	9	76,375	-
Legal fees	9	146,843	55,242
Management and consulting	9	289,286	99,750
Office and miscellaneous		76,546	3,921
Project investigation costs		204,846	-
Regulatory and transfer agent fees		58,822	-
Shareholder communications		276,331	-
Share-based payments	8(d)	1,426,814	-
Loss before other items		(2,700,598)	(183,693)
Other income (expense) items			
Interest income		18,833	7,958
Impairment of exploration and evaluation assets	7	(26,438)	-
Listing expense	5	(2,081,180)	-
Net loss and comprehensive loss		(4,789,383)	(175,735)
Basic and diluted loss per share	8(f)	(0.09)	(0.01)
Weighted average number of common shares outstanding – basic and diluted		52,523,957	17,365,796

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

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
(Expressed in Canadian Dollars)

	2022 \$	2021 \$
Cash (used in) provided by		
OPERATING ACTIVITIES		
Net loss	(4,789,383)	(175,735)
Non-cash items:		
Share-based payments	1,426,814	-
Impairment of exploration and evaluation assets	26,438	-
Listing expense	2,081,180	-
	<u>(1,254,951)</u>	<u>(175,735)</u>
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(48,904)	-
Accounts receivable	(43,217)	-
Accounts payable and accrued liabilities	20,692	101,986
	<u>(1,326,380)</u>	<u>(73,749)</u>
INVESTING ACTIVITIES		
Exploration and evaluation assets	(3,148,378)	(1,735,779)
Cash acquired on RTO (Note 5)	350,023	-
Purchase of property and equipment	(6,836)	-
	<u>(2,805,191)</u>	<u>(1,735,779)</u>
FINANCING ACTIVITIES		
Issuance of common shares	572,338	1,877,155
Share issuance costs	(34,662)	(9,270)
Share subscription receipts	-	8,251,828
Deferred transaction costs	-	(324,980)
Proceeds from subscriptions received	-	188,212
	<u>537,676</u>	<u>9,982,945</u>
Change in cash	(3,593,895)	8,173,417
Cash and restricted cash, beginning	8,173,417	-
Cash and restricted cash, end	<u>4,579,522</u>	<u>8,173,417</u>
Cash paid for interest	-	-
Cash paid for income taxes	-	-

Non-cash Transactions (Note 12)

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

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
(Expressed in Canadian Dollars)

	Number of Shares #	Share Capital \$	Share subscriptions received \$	Reserves \$	Deficit \$	Total \$
Balance, May 25, 2020 (Date of Incorporation)	-	-	-	-	-	-
Issued during the period:						
Incorporation share	1	-	-	-	-	-
Common share issuances	25,239,000	1,668,905	-	202,800	-	1,871,705
Less: Issue costs – cash	-	(9,270)	-	-	-	(9,270)
Subscriptions receivable	-	(1,250)	-	-	-	(1,250)
Subscriptions received	-	-	188,212	-	-	188,212
Share subscription receipts issuance costs	-	-	-	134,300	-	134,300
Comprehensive loss for the period	-	-	-	-	(175,735)	(175,735)
Balance, February 28, 2021	25,239,001	1,658,385	188,212	337,100	(175,735)	2,007,962
Issued during the year:						
Common shares pursuant to the RTO	8,178,538	2,396,312	-	-	-	2,396,312
Units pursuant to private placement	1,072,142	314,144	(188,212)	61,106	-	187,038
Units pursuant to subscription receipts	23,576,652	6,908,101	-	1,343,727	-	8,251,828
Less: Issue costs – cash	-	(359,642)	-	-	-	(359,642)
Less: Issue costs – finders warrants	-	(134,300)	-	-	-	(134,300)
Common shares pursuant to mineral property agreements	2,250,000	468,000	-	-	-	468,000
Warrants pursuant to mineral property agreements	-	-	-	95,108	-	95,108
Common shares pursuant to exercise of options	50,000	-	-	-	-	-
Transfer on exercise of options	-	13,486	-	(13,486)	-	-
Common shares pursuant to exercise of warrants	1,120,000	392,000	-	-	-	392,000
Transfer on exercise of warrants	-	38,452	-	(38,452)	-	-
Share-based payments	-	-	-	1,426,814	-	1,426,814
Comprehensive loss for the year	-	-	-	-	(4,789,383)	(4,789,383)
Balance, February 28, 2022	61,486,333	11,694,938	-	3,211,917	(4,965,118)	9,941,737

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

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)

Notes to the Consolidated Financial Statements

For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
(Expressed in Canadian Dollars)

1. Nature of Operations

Mantaro Precious Metals Corp. (formerly Mantaro Silver Corp.) (the "Company", "Mantaro") (formerly Yuntone Capital Corp.) ("Yuntone") was incorporated under the Business Corporations Act (British Columbia) on March 6, 2008 and is an exploration stage company focusing on mineral properties in Bolivia and Peru. The Company's head and registered and records office is located at Suite 704, 595 Howe Street, Vancouver, BC V6C 2T5. The Company's common shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol "MNTR.V", commenced trading on the Frankfurt Stock Exchange on June 10, 2021 under the symbol "9TZ" and are quoted on the OTCQB Marketplace under the symbol "MSLVF".

On May 21, 2021, the Company completed a reverse takeover transaction (the "RTO" or the "Transaction"). Upon completion of the Transaction, the consolidated financial statements present the accounts of Mantaro Holding Inc. (formerly Mantaro Silver Corp.) as the continuity entity. Refer to Note 5.

2. Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

At February 28, 2022, the Company had not yet achieved profitable operations, had an accumulated deficit of \$4,965,118 since inception and expects to incur further losses in the development of its business. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The above factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

3. Basis of Presentation and Significant Accounting Policies

These consolidated financial statements, including comparatives have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments recorded at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting. The policies applied in these consolidated financial statements are based on IFRS in effect as of February 28, 2022.

Unless otherwise stated, all dollar amounts are in Canadian dollars.

These consolidated financial statements were approved by the Board of Directors on June 28, 2022.

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)

Notes to the Consolidated Financial Statements

For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
(Expressed in Canadian Dollars)

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of the subsidiaries are as follows:

	Incorporated in	Percentage owned	
		February 28, 2022	February 28, 2021
Mantaro Holding Inc.	Canada	100%	0%
Santa Gloria Silver Corp.	Canada	100%	100%
San Jose Silver Corp Peru S.A.C.	Peru	100%	100%
Santas Gloria Silver Corp Peru S.A.C.	Peru	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents are unrestricted to use and consists of deposits and short-term interest bearing accounts with original maturities of 90 days or less, which are subject to insignificant risk of changes in fair value.

Equipment and amortization

The Company records its acquisition of equipment at cost. The Company provides for amortization, once the assets are in use, over their estimated useful lives on the declining balance method at a rate of 30% per year for computer equipment.

Mineral properties

(i) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option. Costs incurred prior to obtaining the legal rights to explore a property are recognized as an expense in the period in which they are incurred.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- 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 entity has decided to discontinue such activities in the specific area; and
- sufficient data exist 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.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)

Notes to the Consolidated Financial Statements

For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
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(ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development expenditure is net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete. The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

(iii) Impairment

The carrying amount of the Company's assets, which include exploration and evaluation assets, 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 in order 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.

(iv) Provision for environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Financial Instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of comprehensive loss. The Company classifies cash and restricted cash as fair value through profit or loss.

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)

Notes to the Consolidated Financial Statements

For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
(Expressed in Canadian Dollars)

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

(ii) Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's financial liabilities include accounts payable, subscriptions payable and share subscription receipts.

(iv) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash and restricted cash. The carrying values of accounts payable, subscriptions payable and share subscription receipts approximate the fair values due to short-term maturity of these instruments.

The Company's financial assets and financial liabilities are classified and measured as follows:

Financial Instrument	Category
Cash and restricted cash	Fair value through profit or loss
Accounts payable	Amortized cost
Subscriptions payable	Amortized cost
Share subscription receipts	Amortized cost

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. The Company uses the residual method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the units are first allocated between the common shares and share purchase warrants based on the more readily determinable fair value and the residual balance, if any, is allocated to the common shares or share purchase warrants. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)

Notes to the Consolidated Financial Statements

For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
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Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Foreign currencies

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are recognized in the consolidated statements of loss and comprehensive loss.

Share-based payments

The fair value of all stock options granted is recorded as a charge to profit or loss with a credit to contributed surplus. The fair value of the stock options is recorded to share-based payments expense over the vesting period. Stock options granted are measured at their fair value on the grant date. Warrants issued to brokers are measured at their fair value on the grant date and are recognized as a deduction from equity and credited to contributed surplus. The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model.

Any consideration received on the exercise of stock options or warrants together with the related portion of reserves is credited to share capital.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

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Significant areas requiring the use of management's estimates and judgments include:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Capitalization of mineral properties

The application of the Company's accounting policy for mineral properties requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Inputs to the Black-Scholes options pricing model

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Income taxes

Income assets and liabilities are recognized for the estimated tax consequences between amounts included in the consolidated financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. The Company believes that its accruals for tax balances are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. These differences could materially impact net income (loss).

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of financial performance and cash flows.

4. Accounting Standards Issued But Not Yet Effective

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

5. Reverse Takeover

On May 21, 2021, the Company completed a reverse takeover pursuant to which the Company acquired all of the issued and outstanding common shares of Mantaro Holding Inc. (formerly Mantaro Silver Corp.) ("Mantaro PrivateCo"). Subsequent to the Transaction, the original shareholders of Mantaro PrivateCo obtained control of the Company, which resulted in a RTO. As a result, Mantaro PrivateCo was deemed to be the continuing entity for accounting purposes. The historical operations, assets and liabilities of Mantaro PrivateCo are included in the February 28, 2022 consolidated financial statements, as well as the net assets and operations of the Company from the date of the Transaction. The Company also changed its name from Yuntone Capital Corp. to Mantaro Silver Corp. and changed its stock symbol to "MSL.V" from "YTC.H". On October 28, 2021, the Company changed its name from Mantaro Silver Corp. to Mantaro Precious Metals Corp. and changed its stock symbol to "MNTR.V"

For accounting purposes, the Transaction is considered to be outside the scope of IFRS 3 Business Combinations ("IFRS 3") since the Company's operations did not constitute a business under IFRS at the time of the RTO. As a result, the Transaction is accounted for in accordance with IFRS 2 Share-based Payments whereby Mantaro PrivateCo is deemed to have issued shares in exchange for the net assets of the Company together with its listing status at the fair value of the consideration deemed received by Mantaro PrivateCo. The accounting for this transaction resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Mantaro Precious Metals Corp. (formerly Yuntone Capital Corp.) but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, Mantaro PrivateCo.

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(ii) Mantaro PrivateCo is deemed to be the continuing entity for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

(iii) As part of the completion of the Transaction, the original shareholders of the Company retained 8,178,538 common shares of the Company.

(iii) Since the shares deemed issued to the shareholders of Yuntone on closing of the Transaction is considered within the scope of IFRS 2, and Mantaro PrivateCo identified the net assets received and the TSX Capital Pool Company status as the goods received, the value in excess of the net identifiable assets or obligations of Yuntone acquired on closing was expensed in the consolidated statement of comprehensive loss as listing expense.

Prior to the RTO, Yuntone completed a share consolidation on the basis of two pre-consolidation common shares for one post-consolidation common share of the Company (the "Consolidation").

The listing expense of \$2,081,180 was determined as follows:

Net assets acquired	\$
Assets acquired	
Cash	350,023
Accounts receivable	2,547
Liabilities assumed	
Accounts payable and accrued liabilities	(37,438)
Net assets acquired	315,132
Consideration paid	
8,178,538 common shares of the Company at \$0.293 per share	2,396,312
Total consideration paid	2,396,312
Listing expense	2,081,180

6. Receivables

	February 28, 2022 \$	February 28, 2021 \$
GST receivable	51,451	-
Total receivables	51,451	-

7. Exploration and Evaluation Assets

	Santas Gloria Silver Property(a)	San Jose Silver Property(b)	La Purisima, Cerro Luque and Huaranay Properties(c)	Golden Hill Property(d)	Total
Balance, May 25, 2020	-	-	-	-	-
Acquisition costs	758,188	270,714	26,438	-	1,055,340
Exploration costs	439,491	240,948	-	-	680,439
Balance, February 28, 2021	1,197,679	511,662	26,438	-	1,735,779
Acquisition costs	298,601	407,055	-	1,052,252	1,757,908
Exploration costs	848,759	690,820	-	579,831	2,119,410
Impairment	-	-	(26,438)	-	(26,438)
Balance, February 28, 2022	2,345,039	1,609,537	-	1,632,083	5,586,659

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(a) Santas Gloria Silver Property

The Santas Gloria Silver Property ("Santas Gloria") is 100% owned by Mantaro. It is comprised of three mineral concessions totaling 1,100 hectares and is located 55 kilometers directly east of Lima, Peru.

Mantaro entered into an acquisition agreement for three mineral concessions dated October 6, 2020 (the "Santas Gloria Agreement") with the former property owners of the Santas Gloria Property. Under the terms of the Santas Gloria Agreement, Mantaro is required to pay the former property owners (i) US \$340,000 (paid), (ii) US \$200,000 in monthly installments (paid), and (iii) incur a total of US \$1,500,000 in exploration expenditures (US \$500,000 by October 2021 (incurred) and US \$1,000,000 by October 2022) on the Santas Gloria Silver Property.

Mantaro will also pay a one-time discovery bonus of US \$1,000,000 upon announcement of a resource estimate of 10,000,000 ounces Ag equivalent on the three mineral concessions on the Santas Gloria Property acquired on October 6, 2020. This bonus is contingent purchase consideration and no amount has been accrued as a liability due to uncertainty in an obligation based solely on a future resource estimate on an exploration stage property.

On July 15, 2021, Mantaro entered into a purchase agreement with a third party property vendor to acquire four mineral concessions totaling 2,172 hectares. The mineral concessions are located adjacent and/or in the near vicinity of the Santas Gloria Silver Property. On September 7, 2021, the Company issued 500,000 shares at the fair value of \$132,500 and paid US\$50,000 (\$63,724) to the property vendor to acquire these four mineral concessions. The title to these new concessions is in the process of being legally transferred.

(b) San Jose Silver Property

The San Jose Silver Property is 100% owned by Mantaro. It is comprised of five concessions totaling 3,300 hectares and located 180 kilometers directly north of Lima, Peru.

Mantaro entered into an acquisition agreement dated July 29, 2020, as amended in November 2020, ("San Jose Agreement") with the former owners of the San Jose Silver Property. Under the terms of the San Jose Agreement, Mantaro is required to pay and issue to the former owners of four of the five concessions that comprise the San Jose Silver Property: (i) US \$80,000 on signing of the San Jose Agreement (paid), (ii) US \$40,000 on October 28, 2020 (paid), (iii) US \$60,000 in July 2021 (paid), (iv) US \$90,000 in July 2022, (v) US \$150,000 in July 2023, (vi) 375,000 shares (issued) and 125,000 warrants (issued) on listing with the Exchange, and (vii) 375,000 shares (issued) and 125,000 warrants (issued) on six months after listing on the Exchange. In the event that the Company determines not to make any of the payments, the title to the concessions will return to the former owners.

Mantaro is also required to incur a total of US \$150,000 in exploration expenditures on the San Jose Property by July 2023. Four of the five concessions of the San Jose Silver Property are subject to a 2% Net Smelter Return Royalty, of which Mantaro may repurchase each 1% Net Smelter Return Royalty with a payment of US \$750,000 or US \$1,500,000 for the entire 2% Net Smelter Return Royalty.

On October 16, 2020, Mantaro entered into a public deed with a third party vendor to acquire the Fortune Key Jof mineral concession, which totals 600 hectares. In consideration of the Fortune Key Jof mineral concession, Mantaro paid US \$50,000 to the property owners. The Fortune Key Jof mineral concession is located adjacent to the San Jose Silver Property.

(c) La Purisima, Cerro Luque and Huaranay Properties

The La Purisima, Cerro Luque and Huaranay Properties are 100% owned by Mantaro, by way of staking, and are located in northwest Peru.

During the year ended February 28, 2022, the Company incurred only staking costs and \$nil in acquisition costs and \$nil of exploration and evaluation expenditures on these properties. The Company determined that there were impairment indicators on the properties as no exploration is planned in the foreseeable future and accordingly, the Company recorded an impairment expense of \$26,438 to the statement of comprehensive loss during the year ended February 28, 2022.

(d) Golden Hill Property

The Company has an option to acquire up to 80% of the Golden Hill Property, by way of a property option agreement with Minera Golden Hill S.R.L. and Luis Fernando Kinn Cortez and is located in Santa Cruz, Bolivia. It is comprised of one concession totaling 5,971.65 hectares.

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Under the terms of the Golden Hill Property Option Agreement dated August 23, 2021, the Company may acquire up to an 80% interest in the Golden Hill Property by making the following cash payments, share issuances and incurring the following exploration expenditures.

The Company will earn an initial 51% interest (the "First Option") in the Golden Hill Property by:

Paying US \$500,000 to the Optionor as follows:

- i. US \$25,000 on August 23, 2021 (the "effective date"), (paid)
- ii. US \$75,000 six weeks after the effective date, (paid)
- iii. US \$200,000 six months after the effective date (paid subsequent to February 28, 2022), and,
- iv. US \$200,000 twelve months after the effective date.

Issuing a total of 2,000,000 units of the Company (a "Unit") to the Optionor as follows:

- i. 500,000 units three months after the effective date, (issued)
- ii. 500,000 units six months after the effective date (issued), and
- iii. 1,000,000 units twelve months after the effective date.
- iv. Incurring US \$250,000 in exploration expenditures on or before the first anniversary of the effective date.

The Company will earn an additional 19% interest (the "Second Option") for a total of 70% interest in the Golden Hill Property by:

- i. Paying US \$500,000 to the Optionor on or before the second anniversary of the effective date;
- ii. Issuing 1,500,000 Units to the Optionor on or before the second anniversary of the effective date; and
- iii. Incurring US \$250,000 in exploration expenditures on or before the second anniversary of the effective date.

The Company will earn an additional 10% interest (the "Third Option") for a total of 80% interest in the Golden Hill Property by:

- i. Paying US \$500,000 to the Optionor on or before the third anniversary of the effective date;
- ii. Issuing 500,000 units to the Optionor on or before the third anniversary of the effective date; and
- iii. Incurring US \$1,000,000 in exploration expenditures on or before the third anniversary of the effective date.

Each Unit consists of one common share of the Company and one-half of one share purchase warrant (a "Warrant"), with each Warrant exercisable at the Market Price (as defined by the rules of the TSX Venture Exchange) on the date of issue for a period of two years from the date of issue.

In the event that the Company exercises the First Option or Second Option but fails to exercise the Third Option, the Company's interest will be reverted to a 2% Net Smelter Return Royalty, which may be repurchased at a price of US \$1,000,000. If the Company acquires an 80% interest in the Golden Hill Property, the Company will grant a 2% Net Smelter Return Royalty to the Optionor, which may be repurchased at a price of US \$1,000,000.

The Optionor will also be entitled to a discovery of bonus as follows: (i) US \$2 for every ounce of gold or gold equivalent set out in an indicated or measured resource estimate up to a maximum of 250,000 ounces (US \$500,000), (ii) an additional US \$4 for every ounce of gold or gold equivalent set out in an indicated or measured resource estimate above 250,000 ounces to up 500,000 ounces (an additional payment of up to US \$1,000,000), and (iii) an additional US \$5 for every ounce of gold or gold equivalent set out in an indicated or measured resource estimate above 500,000 ounces and up to 1,000,000 ounces (an additional payment of up to US \$2,500,000).

8. Share Capital

a. Common shares authorized

Unlimited number of common shares.

b. Common share issuances

During the year ended February 28, 2022, the Company entered into the following common share transactions:

- On March 17, 2021, the Company issued a total of 1,072,142 units at \$0.35 per unit for gross proceeds of \$375,250. Each unit consists of one common share and one-half of a warrant, with each whole warrant entitling the holder to acquire one additional common share at a price of \$0.55 per share up to March 17, 2022. As at February 28, 2021, \$188,212 was included as subscriptions received. The Company used the residual method to value the warrants, with the fair value of \$61,106 allocated to warrants and the \$314,144 residual value allocated to common shares (\$0.293 per share). The fair value of the share purchase warrants was estimated using the Black-Scholes option pricing model with the following assumptions: share price - \$0.35; exercise price - \$0.55; risk-free interest rate of 0.25%; expected life - 1 year; dividend yield - 0%; forfeiture rate - 0% and annualized volatility - 119%.

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- On May 21, 2021, 375,000 common shares were issued for the San Jose Silver Property at the fair value of \$109,875.
- On May 21, 2021, 8,178,538 common shares were deemed to be issued as a result of the RTO (refer to Note 5). The fair value of the 8,178,538 common shares deemed issued (\$2,396,312) was estimated using a fair value of \$0.293 per share.
- On May 21, 2021, the Company issued 375,000 shares with a fair value of \$109,875 and 125,000 warrants related to the acquisition of the San Jose Silver Property. The share purchase warrants were fair valued at \$32,708 using the Black-Scholes option pricing model with the following assumptions: share price - \$0.35; exercise price - \$0.25; risk-free interest rate of 0.60%; expected life - 3 years; dividend yield - 0%; forfeiture rate - 0% and annualized volatility - 119%.
- On September 7, 2021, the Company acquired a 100% interest in four concessions adjacent to and/or in the vicinity of the Santos Gloria Silver Property. In consideration of the new concessions, the Company paid US\$50,000 (\$63,724) and issued 500,000 common shares of the Company with a fair value of \$132,500. The title to these new concessions is in the process of being legally transferred.
- On December 1, 2021, 375,000 common shares were issued for the San Jose Silver Property at the fair value of \$50,625.
- On January 18, 2022, 500,000 common shares were issued for the Golden Hill Property at the fair value of \$95,000.
- On February 18, 2022, 500,000 common shares were issued for the Golden Hill Property at the fair value of \$80,000.

During the period ended February 28, 2021, the Company entered into the following common share transactions:

- On May 25, 2020, the Company issued 3,285,001 common shares at a nominal amount per share for gross proceeds of \$5.
- On June 1, 2020, the Company issued 2,490,000 common shares at \$0.005 per share for gross proceeds of \$12,450.
- On August 31, 2020, the Company issued 7,650,000 common shares at \$0.05 per share for gross proceeds of \$382,500.
- On September 23, 2020, the Company issued 11,814,000 units at \$0.125 per unit for gross proceeds of \$1,476,750. Each unit consists of one common share of the Company and one-half of one share purchase warrant, with each whole warrant exercisable at \$0.35 per share up to September 23, 2021. The share purchase warrants were fair valued at \$202,800 using the Black-Scholes option pricing model with the following assumptions: share price - \$0.125; exercise price - \$0.35; risk-free interest rate - 0.23%; expected life - one year; dividend yield - 0%; forfeiture rate - 0% and annualized volatility - 140%. As the Company does not have a significant history of trading prices, the Company utilized annualized volatility of comparable exploration stage mining companies.

c. Share subscription receipts

On November 27, 2020, the Company closed the first tranche of a non-brokered private placement for 15,484,094 subscription receipts ("Subscription Receipts") at \$0.35 per Subscription Receipt for gross proceeds of \$5,419,433. Each Subscription Receipt entitles the holder to acquire, without further payment, one unit of the Company. Each unit consists of one common share of the Company and one-half of a warrant, with each whole warrant exercisable at \$0.55 per share for a period of one year from the date of closing the Transaction.

On December 4, 2020, the Company closed the second tranche of 6,926,058 Subscription Receipts for gross proceeds of \$2,424,120.

On December 18, 2020, the Company closed the third tranche of 285,000 Subscription Receipts for gross proceeds of \$99,750.

On January 22, 2021, the Company closed the fourth tranche of 881,500 Subscription Receipts for gross proceeds of \$308,525.

As at February 28, 2021, the total gross proceeds of \$8,251,828 were recorded as a share subscription receipts liability and the cash that was received by the Company on the issuance of Subscription Receipts was presented as a restricted cash asset pursuant to the terms of the Subscription Receipts and was net of cash issuance costs. On closing of the RTO, the proceeds from the Subscription Receipt private placement were released to the Company and the Subscription Receipts were converted to units of the Company.

The Company has incurred total transaction costs of \$459,280 in relation to these Subscription Receipts including \$324,980 in cash and the issuance of 943,407 finders' warrants on November 27, 2020 that are exercisable at \$0.55 per share up to

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November 27, 2021. These finders' warrants were fair valued at \$134,300 using the Black-Scholes option pricing model with the following assumptions: share price - \$0.35; exercise price - \$0.55; risk-free interest rate - 0.24%; expected life - one year; dividend yield - 0%; forfeiture rate - 0% and annualized volatility -140%. As the Company does not have a significant history of trading prices, the Company utilized annualized volatility of comparable exploration stage mining companies. Issuance costs of \$459,280 were recorded as a deferred transaction cost asset as at February 28, 2021 and an additional \$34,662 of transaction costs were incurred during the year ended February 28, 2022.

On May 21, 2021, the Company converted 23,576,652 Subscription Receipts into common shares of the Company.

d. Options

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants. The maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 1% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the market price of a common share on the trading day immediately preceding the date of option grant. The vesting terms of the awards are in the sole discretion of the Board of Directors. Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 30 days of termination of employment or holding office as a director or officer of the Company.

Changes in share purchase options during the year ended February 28, 2022 and period ended February 28, 2021 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, February 28, 2021 and May 25, 2020	-	-	-
Granted	5,990,000	\$0.35	
Exercised	(50,000)	\$0.35	
Forfeited	(425,000)	\$0.33	
Outstanding and exercisable, February 28, 2022	5,515,000	\$0.35	4.28

The share price on the date of option exercise was \$0.45.

During the year ended February 28, 2022, the Company recorded share-based payment expense of \$1,426,814 (2021 - \$nil). The weighted average fair value of share purchase options granted during the year ended February 28, 2022 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.30; exercise price - \$0.35; risk-free interest rate - 0.91%; expected life - five years; dividend yield - 0%; forfeiture rate - 0% and annualized volatility - 119%

At February 28, 2022, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
⁽¹⁾ 4,865,000	\$0.35	June 1, 2026
250,000	\$0.49	June 16, 2026
400,000	\$0.25	September 15, 2026
5,515,000		

⁽¹⁾ Subsequent to February 28, 2022, 100,000 of these options were forfeited.

e. Warrants

Changes in share purchase warrants during the years ended February 28, 2022 and the period ended February 28, 2021 are as follows:

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	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, May 25, 2020 (date of incorporation)	-	-	-
Issued	6,850,407	\$0.38	
Balance, February 28, 2021	6,850,407	\$0.38	0.59
Issued	13,074,401	\$0.53	
Exercised	(1,120,000)	\$0.35	
Expired	(5,730,407)	\$0.38	
Balance, February 28, 2022	13,074,401	\$0.53	0.32

At February 28, 2022, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
⁽¹⁾ 536,070	\$0.55	March 17, 2022
⁽¹⁾ 11,788,331	\$0.55	May 21, 2022
125,000	\$0.25	May 21, 2024
125,000	\$0.25	November 30, 2024
250,000	\$0.19	January 18, 2024
250,000	\$0.17	February 18, 2024
<u>13,074,401</u>		

⁽²⁾ Subsequent to February 28, 2022, these share purchase warrants expired unexercised.

f. Basic and diluted loss per share

As at February 28, 2022, potentially dilutive common shares totaling 18,589,401 (2021 – 6,850,407) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive. Potentially dilutive common shares are from exercisable share purchase options and share purchase warrants.

g. Escrow shares

The Company entered into escrow agreements and 6,889,415 common shares of the Company were placed in escrow. Under the escrow agreements, the common shares held in escrow will be released from escrow as to 688,941 on May 21, 2021 (released) and 1,033,412 common shares on each of November 21, 2021 (released), May 21, 2022, November 21, 2022, May 21, 2023, November 21, 2023 and May 21, 2024.

In addition, the Company entered into pooling and voluntary lock-up agreements and 5,225,000 common shares of the Company were placed in escrow. Under the terms of the agreements, the common shares held in escrow will be released from escrow as to 1,045,000 on May 21, 2021 (released), August 21, 2021 (released), November 21, 2021 (released), February 21, 2022 (released), and May 21, 2022.

As at February 28, 2022, 6,212,062 common shares remained in escrow.

9. Related Party Transactions and Balances

The Company's related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During the year ended February 28, 2022 and the period ended February 28, 2021, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders of:

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	2022 \$	2021 \$
Directors fees	76,375	-
Legal fees and share issuance costs	161,696	69,154
Management and consulting	168,500	-
Mineral property expenditures	349,237	106,302
Share-based payments - options	735,747	-
	1,491,555	175,456

At February 28, 2022, accounts payable and accrued liabilities included due to related parties of \$92,728 (2021 - \$74,598) included amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

10. Income Taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax expense for the year ended February 28, 2022 and the period ended February 28, 2021 is as follows:

	2022 \$	2021 \$
Statutory tax rate	27.00%	27.00%
Loss for the period before income taxes	(4,789,383)	(175,735)
Expected income tax expense (recovery)	(1,293,134)	(47,448)
Permanent and other difference	924,051	(112,690)
Non-deductible portion of capital items and rate differences	(13,588)	-
Change in unrecognized deferred tax assets	382,671	160,138
Income tax expense	-	-

The significant components of the Company's deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same jurisdiction, as at February 28, 2022 and 2021 are as follows:

	2022 \$	2021 \$
Deferred income tax assets (liabilities)		
Non-capital and capital losses carried forward	431,740	69,986
Mineral properties	19,780	-
Share issuance costs	91,289	90,152
Total unrecognized deferred income tax assets	542,809	160,138

At February 28, 2022, the Company has non-capital losses of approximately \$1,571,000 (2021 - \$259,000) that expire between 2040 and 2042, available for deduction against future years taxable income. As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized.

MANTARO PRECIOUS METALS CORP. (formerly Mantaro Silver Corp.)

Notes to the Consolidated Financial Statements

For the year ended February 28, 2022 and period from May 25, 2020 (Date of Incorporation) to February 28, 2021
(Expressed in Canadian Dollars)

11. Financial Instruments

Management of Capital

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern in order to facilitate the exploration and development of its mineral properties and to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met; and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of share capital, reserves and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and by controlling the capital expenditures program.

The mineral properties are in the exploration stage. As such, the Company is dependent on external financing to develop its properties and fund its activities. In order to carry out its planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available, and may even dispose of its interest in the mineral properties.

Management reviews its capital management approach on an ongoing basis and no changes were made to the approach during the year ended February 28, 2022. At February 28, 2022, the Company was not subject to any externally imposed capital requirements.

Risk Management

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of minerals under exploration.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. Refer to the going concern note for additional disclosure (Note 2). As at February 28, 2022 and 2021, the Company had working capital as follows:

	2022	2021
	\$	\$
Current assets	4,674,190	8,632,697
Current liabilities	(325,948)	(8,360,514)
Working capital (deficiency)	4,348,242	272,183

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

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a) Currency Risk

As at February 28, 2022 and 2021, most of the Company's cash was held in Canadian dollars, the Company's functional currency. The Company has operations in foreign jurisdictions outside of Canada and as such has currency risk associated with its operations. The Company mitigates this risk by holding a small amount of cash in foreign currencies.

b) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. As the Company has no interest bearing financial instruments, the Company is not exposed to interest rate risk.

c) Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company has no financial instruments subject to price risk.

12. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended February 28, 2022 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$208,265 included in accounts payable and accrued liabilities at February 28, 2022, less expenditures included in accounts payable at February 28, 2021 of \$42,433 (net inclusion of \$165,832);
- b) the issuance by the Company of an aggregate of 2,250,000 common shares at the fair value of \$468,000 pursuant to mineral property agreements;
- c) the transfer of \$51,938 from reserves to share capital on the exercise of options and warrants; and,
- d) the transfer of \$8,251,828 of subscription receipts to share capital on the issuance of common shares.

During the period ended February 28, 2021 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$42,433 included in accounts payable and accrued liabilities at February 28, 2022; and,
- b) the issuance by the Company of 943,407 share purchase warrants at the fair value of \$134,300.

13. Subsequent Events

Subsequent to February 28, 2022:

- 12,324,401 share purchase warrants expired unexercised.
- On March 29, 2022, the Company entered into a drilling contract whereby the Company is committed to incurring a minimum of US\$600,000 of drilling expenses.
- On April 5, 2022, the Company granted 250,000 share purchase options to an officer exercisable at a price of \$0.20 up to April 5, 2027.
- On May 3, 2022, the Company granted 100,000 share purchase options to an officer exercisable at a price of \$0.35 up to May 3, 2027.