Denarius Metals Corp.

Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2022

Denarius Metals Corp.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited; Expressed in thousands of U.S. dollars)

	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current			
Cash and cash equivalents		$ 4,340	$ 14,821
Cash in trust	6	368	352
Other receivables		898	774
Prepaid expenses and deposits		722	625
		6,328	16,572
Non-current			
Deferred acquisition costs	6	543	416
Plant and equipment	5	514	111
Exploration and evaluation assets	6	33,989	31,669
Total assets		$ 41,374	$ 48,768
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities		$ 1,919	$ 1,481
Current portion of lease obligations	7	71	55
Due to related party	10	66	104
		2,056	1,640
Non-current			
Lease obligations	7	101	11
Total liabilities		2,157	1,651
Equity			
Share capital	8b	94,903	94,811
Share purchase warrants	8c	6,623	6,623
Contributed surplus	8d	3,688	3,760
Accumulated other comprehensive loss		(8,900)	(3,261)
Deficit		(57,097)	(54,816)
Total equity		39,217	47,117
Total liabilities and shareholders' equity		$ 41,374	$ 48,768

Basis of presentation and going concern **(Note 2)**
Share consolidation **(Note 8b)**
Subsequent events **(Notes 8b, 12)**

See accompanying notes to the interim condensed consolidated financial statements.

Denarius Metals Corp.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited; Expressed in thousands of U.S. dollars, except share amounts)

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021 (Recast Note 8c)
Expenses					
General and administrative		$ 705	$ 984	$ 2,343	$ 1,501
Share-based compensation	8d	-	-	-	2,392
Loss before the following		(705)	(984)	(2,343)	(3,893)
Other income (expense)					
Excess of the consideration transferred in the RTO Transaction	4	-	-	-	(12,935)
Loss on financial instruments	8c	-	-	-	(6,700)
Accretion of lease obligation		(1)	(1)	(2)	(1)
Finance income		30	22	72	29
Foreign exchange (loss) gain		(2)	56	(8)	114
Net loss		**(678)**	**(907)**	**(2,281)**	**(23,386)**
Other comprehensive loss:					
Items that may be reclassified to profit in subsequent periods:					
Foreign currency translation adjustment (nil tax effect)		(2,973)	(1,854)	(5,639)	(1,924)
Comprehensive loss		**$ (3,651)**	**$ (2,761)**	**$ (7,920)**	**$ (25,310)**
Basic and diluted loss per share		**$ (0.03)**	**$ (0.04)**	**$ (0.11)**	**$ (1.68)**
Weighted average number of common shares outstanding		20,762,188	20,579,826	20,757,884	13,942,793

Share consolidation **(Note 8b)**

See accompanying notes to the interim condensed consolidated financial statements.

Denarius Metals Corp.
Interim Condensed Consolidated Statements of Equity
(Unaudited; Expressed in thousands of U.S. dollars)

	Notes	Nine months ended September 30, 2022	2021 (Recast Note 8c)
Share capital			
Balance, beginning of period		$ 94,811	$ 30,086
Fair value of RTO Transaction consideration	4	-	23,295
Financial advisory fee paid in shares	4	-	300
Issuance of common shares in acquisition of Lomero Project		-	12,792
Success fee paid in shares in the acquisition of Lomero Project		-	257
Issuance of common shares on conversion of Subscription Receipts	8c	-	27,411
Financing costs paid in shares		-	236
Share issue costs		-	(554)
Options exercised	8b	92	139
Warrants exercised	8b	-	849
Balance, end of period		94,903	94,811
Share purchase warrants			
Balance, beginning of period		6,623	-
Fair value of RTO Transaction warrants	4	-	660
Fair value of warrants issued on conversion of Subscription Receipts	8c	-	6,700
Financing costs paid in warrants		-	58
Warrant issue costs		-	(135)
Exercise of warrants		-	(660)
Balance, end of period		6,623	6,623
Contributed surplus			
Balance, beginning of period		3,760	-
Fair value of RTO Transaction stock options	4	-	554
Share-based compensation	8d	-	2,641
Options exercised	8d	(72)	(109)
Balance, end of period		3,688	3,086
Accumulated other comprehensive loss			
Balance, beginning of period		(3,261)	(688)
Foreign currency translation adjustment		(5,639)	(1,924)
Balance, end of period		(8,900)	(2,612)
Deficit			
Balance, beginning of period		(54,816)	(29,369)
Net loss		(2,281)	(23,386)
Balance, end of period		(57,097)	(52,755)
Total equity		**$ 39,217**	**$ 49,153**

See accompanying notes to the interim condensed consolidated financial statements.

Denarius Metals Corp.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited; Expressed in thousands of U.S. dollars)

	Notes	Nine months ended September 30, 2022	Nine months ended September 30, 2021 (Recast Note 8c)
Operating Activities			
Net loss		$ (2,281)	$ (23,386)
Adjusted for the following items:			
Share-based compensation	8d	-	2,392
Amortization	5	70	40
Accretion of lease obligation	7	2	1
RTO Transaction costs	4	-	12,935
Loss on financial instruments	8c	-	6,700
Changes in non-cash working capital items:			
Other receivables		(286)	(187)
Prepaid expenses and deposits		(188)	(722)
Accounts payable and accrued liabilities		173	(615)
Due to related party	10	(93)	179
Net cash used in operating activities		(2,603)	(2,663)
Investing Activities			
Additions to plant and equipment	5	(370)	-
Additions to exploration and evaluation assets	6	(6,650)	(1,509)
Acquisition of Lomero Project		-	(10,180)
Transaction costs incurred in the acquisition of Lomero Project		-	(775)
Deferred acquisition costs	6	(202)	-
Increase in cash in trust	6	(40)	-
Cash acquired through RTO Transaction	4	-	6,720
Net cash used in investing activities		(7,262)	(5,744)
Financing Activities			
Proceeds from Subscription Receipt Financing	8c	-	27,411
Share issue costs		-	(395)
Payment of lease obligations	7	(35)	(71)
Exercise of stock options	8b	20	30
Exercise of warrants	8b	-	189
Net cash provided by financing activities		(15)	27,164
Impact of foreign exchange rate changes on cash and cash equivalents		(601)	(475)
(Decrease) increase in cash and cash equivalents		**(10,481)**	**18,282**
Cash and cash equivalents, beginning of period		14,821	30
Cash and cash equivalents, end of period		**$ 4,340**	**$ 18,312**

See accompanying notes to the interim condensed consolidated financial statements.

1. NATURE OF OPERATIONS

Denarius Metals Corp. (the "Company") is a company incorporated under the laws of the Province of British Columbia, Canada. The Company's head office is located in Toronto, Canada. The Company and its wholly-owned subsidiaries are engaged in the acquisition, exploration, development and operation of mineral properties, primarily in Spain and Colombia. The Company is listed on the TSX Venture Exchange ("TSXV") under the symbol "DSLV" and, on February 17, 2022, the Company commenced trading on the OTCQB Market ("OTCQB") in the United States under the symbol "DNRSF".

On February 19, 2021, the Company, which was named ESV Resources ("ESV"), acquired two silver-gold exploration projects located in Colombia, the Guia Antigua and Zancudo Projects, through two share exchange agreements and completed a private placement (collectively, the "Transaction"). The Transaction was accounted for as a reverse takeover ("RTO Transaction"). Following the completion of the RTO Transaction, the Company changed its name to Denarius Silver Corp. and, on April 29, 2021, acquired the Lomero Project in Spain. On February 1, 2022, the Company changed its name to Denarius Metals Corp.

As explained in note 8b, on November 21, 2022, the Company completed a 1 for 10 common share consolidation which also resulted in amendments to exercise prices and numbers of stock options and warrants. All references in these interim financial statements to common shares, earnings per share, numbers and pricing of options and warrants, as applicable, are retrospectively restated on a post-consolidation basis.

2. BASIS OF PRESENTATION AND GOING CONCERN

These interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, under International Financial Reporting Standards ("IFRS").

The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended December 31, 2021, except as disclosed herein. The interim financial statements do not include all the disclosures included in the annual audited consolidated financial statements and, accordingly, should be read in conjunction with the annual audited consolidated financial statements and the notes thereto for the year ended December 31, 2021.

These interim financial statements were approved by the Audit Committee of the Company for issue on November 25, 2022.

The interim financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, and are presented in U.S. dollars, rounded to the nearest thousand except when otherwise indicated.

These interim financial statements have been prepared on a going concern basis assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

The Company currently has no production and has no source of revenue. Further, during the nine months ended September 30, 2022, the Company reported a net loss of $2.3 million and net cash used in operating activities of $2.7 million. Although the Company has working capital of $4.3 million, including cash and cash equivalents of $4.3 million, as at September 30, 2022, the Company will require additional sources of capital to fund ongoing operational requirements and planned exploration and capital expenditures related to its exploration and evaluation assets. To continue as a going concern, the Company must generate sufficient operating cash flow to fund these requirements or secure new funding. There can be no assurance that these initiatives will be successful. These material uncertainties cast significant doubt as to the ability of the Company to meet its business plan and obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The recoverability of the amounts shown for mineral properties is dependent on the existence and economic extraction of resources, the capacity to obtain financing to complete the development of such resources, the ability to obtain the necessary licenses and permits, stability or increases in future commodity prices, and the success of future operations or dispositions of the mineral properties.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

These financial statements do not include adjustments to the recoverability and classifications of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Consolidation

These financial statements comprise the financial results of the Company, including its subsidiaries, at September 30, 2022 as follows:

Entity	Property/ function	Registered	Functional currency(1)	Interest as at September 30, 2022	December 31, 2021
Denarius Metals Corp.	Corporate	Canada	CA	-	-
Gran Colombia Gold Titiribi Sucursal Colombia ("Titiribi")	Zancudo Project	Colombia	COP	100%	100%
Industrias Argentum S.A.S.	Guia Antigua Project	Colombia	COP	100%	100%
Alto Minerals S.L.U. ("Alto")	Lomero Project	Spain	Euro	100%	100%

(1) "CA= Canadian dollar", "USD" = U.S. dollar; "COP" = Colombian peso

Intercompany transactions, balances and unrealized gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

New accounting standards issued but not effective

IAS 1 – Presentation of Financial Statements

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements, providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to management's intentions or expectations of exercising the right to defer settlement of the liability. Management would classify debt as non-current only when the Company complies with all the conditions at the reporting date. The amendments further clarify that settlement of a liability refers to the transfer of cash, equity instruments, other assets or services to the counterparty.

The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 8 – Definition of Accounting Estimates

The IASB has issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 12 – Income Taxes

The IASB has issued an amendment to IAS 12, Income Taxes, to narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

4. RTO TRANSACTION

On February 19, 2021, the Company acquired the rights for exploration, mining and processing operations and the commercialization of mineral products from the Guia Antigua Project in Colombia. As part of the consideration, the Company issued 1,500,000 common shares to the former shareholders (the "Guia Antigua Vendor") of the Guia Antigua Project and paid a financial advisory fee to a third party of 30,000 common shares.

In preparation for the acquisition of the Guia Antigua Project, in November 2020, the Guia Antigua Vendor completed a private placement of 1,867,505 subscription receipts at a price of CA$4.50 per share ("Guia Antigua Private Placement") for gross proceeds of approximately CA$8.4 million. Immediately prior to closing of the acquisition of the Guia Antigua Project, the Guia Antigua Subscription Receipts automatically converted into an equivalent number of common shares of the Guia Antigua Vendor for no additional consideration and were immediately exchanged for common shares of the Company on a one-for-one basis.

Also on February 19, 2021, pursuant to a Share Purchase Agreement ("SPA") the Company acquired all of the issued and outstanding shares of Titiribi, a subsidiary of GCM Mining Corp. ("GCM Mining") and owner of the Zancudo Project in Colombia. In exchange, the Company issued 2,700,000 common shares to GCM Mining and paid a financial advisory fee to a third party of 54,000 common shares.

The concurrent acquisition of the Guia Antigua Project, the closing of the Guia Antigua Private Placement and the SPA resulted in an RTO Transaction. Although legally the Company became the parent of Titiribi and the Guia Antigua Vendor, Titiribi was determined to be the accounting acquirer and the Company and the Guia Antigua Vendor were determined to be the acquirees for accounting purposes. Upon completion of the RTO Transaction, the former shareholders of Titiribi became the controlling shareholders of the Company. As Titiribi was determined to be the acquirer in the RTO Transaction, the assets and liabilities of Titiribi were accounted for at historical cost, and the assets and liabilities of the Company and the Guia Antigua Vendor were accounted for at fair value on acquisition. Since the Company's operations did not constitute a business, the transaction was accounted for as an asset acquisition. Therefore, the Company's share capital, equity reserve and deficit at the time of the RTO Transaction were eliminated. The capital structure recognized in the consolidated statement of financial position was that of the Company, but the dollar amount of the issued share capital prior to the RTO Transaction was that of Titiribi.

In the accounting for the RTO Transaction, the consideration effectively transferred was determined by reference to the fair value of the most reliable measure, which was determined to be the Company's (formerly ESV) common shares. The excess of the fair value of the RTO Transaction consideration to the Company over the fair value of the assets and liabilities of the Company and the Guia Antigua Vendor acquired by Titiribi as at February 19, 2021 is summarized in the following table:

	Total
Fair value of the deemed acquisition consideration	
Common shares	$ 23,295
Warrants honoured	660
Stock options honoured	554
Advisory fees paid in shares	300
Total consideration paid	24,809

	ESV	Guia Antigua Vendor	Total
Fair value of assets and liabilities acquired			
Cash and cash equivalents	$ 40	$ 6,680	6,720
Accounts receivable	16	6	22
Prepaid expenses and deposits	-	3	3
Mining interest – Guia Antigua project	-	5,979	5,979
Accounts payable and accrued liabilities	(305)	(545)	(850)
Net (liabilities) assets acquired	(249)	12,123	11,874
Excess of RTO Transaction consideration over net assets acquired			$ 12,935

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

The fair value of the RTO Warrants and stock options honoured was determined using a Black-Scholes option pricing model and level 2 fair value inputs. The main assumptions used for the fair value of the warrants honoured include an expected volatility of 84%, a risk-free interest rate of 0.12%, an estimated remaining life of six months and a dividend yield of 0%.

The fair value of stock options honoured include an expected volatility of 87%, a risk-free interest rate of 0.22%, an estimated remaining life of 2.5 years and a dividend yield of 0%.

The fair values of cash and cash equivalents, accounts receivable, prepaid expenses and deposits and accounts payable and accrued liabilities was determined based on Level 1 inputs. The fair value of the mining interest acquired was based on Level 3 inputs.

The $12.9 million excess of the RTO Transaction consideration was expensed in the statement of operations in the nine-month period ended September 30, 2021.

5. PLANT AND EQUIPMENT

	Equipment	Leasehold improvements	ROU Asset	Total
Nine months ended September 30, 2022				
Opening net book value	$ 34	$ -	$ 77	$ 111
Additions	247	122	155	524
Depreciation and amortization	(17)	(6)	(47)	(70)
Exchange difference	(23)	(13)	(15)	(51)
Closing net book value	$ 241	$ 103	$ 170	$ 514
As at September 30, 2022				
Cost	$ 257	$ 109	$ 260	$ 626
Accumulated depreciation and amortization	(16)	(6)	(90)	(112)
Net book value	$ 241	$ 103	$ 170	$ 514
Year ended December 31, 2021				
Opening net book value	$ -	$ -	$ -	$ -
Additions	35	-	137	172
Depreciation and amortization	(1)	-	(56)	(57)
Exchange difference	-	-	(4)	(4)
Closing net book value	$ 34	$ -	$ 77	$ 111
As at December 31, 2021				
Cost	$ 35	$ -	$ 132	$ 167
Accumulated depreciation and amortization	(1)	-	(55)	(56)
Net book value	$ 34	$ -	$ 77	$ 111

6. EXPLORATION AND EVALUATION ASSETS

	Zancudo	Guia Antigua	Lomero	Total
Nine months ended September 30, 2022				
Opening net book value	$ -	$ 6,718	$ 24,951	$ 31,669
Additions	-	900	6,241	7,141
Exchange difference	-	(930)	(3,891)	(4,821)
Closing net book value	$ -	$ 6,688	$ 27,301	$ 33,989

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

	Zancudo	Guia Antigua	Lomero	Total
Year ended December 31, 2021				
Opening net book value	$ -	$ -	$ -	$ -
Acquisitions	-	5,979	24,287	30,266
Additions	-	1,369	2,225	3,594
Exchange difference	-	(630)	(1,561)	(2,191)
Closing net book value	$ -	$ 6,718	$ 24,951	$ 31,669

As at September 30, 2022, accounts payable and accrued liabilities includes $1.7 million related to expenditures on exploration and evaluation assets (December 31, 2021 - $1.2 million).

Zancudo Project

The Company owns 100% of the Zancudo Project located in the municipality of Titiribi, in the mining district of Antioquia, Colombia.

IAMGOLD Option Agreement

GCM Mining had entered into an option agreement dated as of February 27, 2017 (the “Option Agreement”) with IAMGOLD Corp. (“IAMGOLD”) for the exploration and potential purchase by IAMGOLD of an interest in the Zancudo Project. Under the Option Agreement, IAMGOLD had been granted an option to acquire an initial undivided 65% interest (the "First Option") in the Zancudo Project by incurring an aggregate of $10.0 million of mineral exploration expenditures over a six-year period ending in March 2023, subject to meeting specified annual work commitments during the First Option period. In conjunction with the acquisition of the Zancudo Project in the RTO Transaction (Note 4), GCM Mining’s interest in the Option Agreement was transferred to the Company.

In July 2022, in response to a shortfall by IAMGOLD in meeting its annual work commitment, the Company and IAMGOLD mutually agreed to terminate the Option Agreement and the Company granted a 1% NSR on future production from the Zancudo Project, payable in cash, to IAMGOLD. The NSR was assigned a nil value at the date of grant.

Guia Antigua Project

The Company owns the right for exploration, mining and processing operations and the commercialization of mineral products from the Guia Antigua Project which is located northeast of Medellin in the Segovia-Remedios mining district, Department of Antioquia, Colombia. The Guia Antigua Project is subject to a 1% NSR on 70% of the project, payable in kind or in cash at the election of the royalty holder.

Lomero Project

The Company owns a 100% interest in the Lomero Project through Investigation Permit Nº 14,977, also identified as Rubia, covering the areas occupied by the former Lomero-Poyatos Concessions and the mine within them in southern Spain. The Lomero Project is subject to a 2% NSR on the production of the project, payable in cash.

Deferred acquisition costs and cash in trust

In August 2021, the Company, through its subsidiary, Alto, entered into an agreement with the creditors of Corporation de Recursos Iberia SL (“CRI”) pursuant to which it will make payments to the creditors totaling approximately EUR 1.7 million in five instalments over a four-year period commencing on approval of the Commercial Court nº 12 of Madrid. CRI is currently undergoing a bankruptcy process in Spain and through the creditors’ agreement, the Company is to acquire all the assets of CRI related to the Lomero Project, including, but not limited to, physical assets, lands, warehouse and mining rights. The proceedings in connection with the creditors’ agreement are being carried out under the supervision of the Commercial Court nº 12 of Madrid.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

As at September 30, 2022, the Company had incurred legal costs of approximately $0.5 million (December 31, 2021 - $0.4 million) associated with this process and had placed $0.4 million (December 31, 2021 - $0.3 million) of cash in trust to guarantee certain future payments to creditors of CRI in connection with the acquisition. The legal costs have been recorded as deferred acquisition costs in the consolidated financial statements.

7. LEASES

The lease obligation is summarized as follows:

	Maturity	Currency	Interest rate	September 30, 2022	December 31, 2021
Leases	2023	EUR	4.29%	$ 25	$ 66
Leases	2025	CAD	7.07%	147	-
Total lease obligations				172	66
Less: current portion				71	55
Non-current portion				$ 101	$ 11

The table below summarizes the changes in the lease obligation during the nine months ended September 30, 2022:

	Amount
As at December 31, 2021	$ 66
Additions	147
Accretion	2
Lease payments	(35)
Exchange difference	(8)
As at September 30, 2022	$ 172

The undiscounted and discounted future lease payments are as follows:

	September 30, 2022	December 31, 2021
Within one year	$ 79	$ 57
More than one year	108	11
Total undiscounted lease obligations	187	68
Amount representing interest	(15)	(2)
Lease obligations – discounted	$ 172	$ 66

During the nine months ended September 30, 2022, the Company recognized total payments in the consolidated statement of cash flows in the amount of $35,000 (2021 - $71,000).

Scheduled future undiscounted lease payments, comprising principal and interest, are as follows:

	2022	2023	2024	2025	Total
Total payments	$ 28	$ 65	$ 56	$ 38	$ 187

8. SHARE CAPITAL

a) *Authorized*

Authorized share capital comprises an unlimited number of common shares without par value and 10,000,000 preferred shares at CA$1.00 par value. No preferred shares have been issued.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

b) ***Issued and fully paid***

Subsequent to September 30, 2022, following approval by the Company's Board of Directors and the TSXV, the Company's issued and outstanding common shares were consolidated on a one post-consolidation share for every ten pre-consolidation shares (1:10) basis. The common shares commenced trading on a post-consolidated basis on the TSXV and OTCQB at market open on November 21, 2022. The Company's name and trading symbols remained unchanged. All references in these interim financial statements to earnings per share, weighted average number of common shares outstanding, common shares issued and outstanding and authorized common shares have been adjusted to reflect the share consolidation. As a result of the consolidation, as at September 30, 2022 and December 31, 2021, after rounding of fractional shares, there were 20,762,188 and 20,737,188 common shares, respectively, issued and outstanding on a post-consolidation basis.

A summary of the change in the issued and outstanding common shares during the nine-month period ended September 30, 2022 is as follows:

	Shares	Amount
Balance, December 31, 2021	**20,737,188**	**$ 94,811**
Options exercised	25,000	92
Balance, September 30, 2022	**20,762,188**	**$ 94,903**

c) Share Purchase Warrants (DSLV.WT)

On March 17, 2021, the Company completed a non-brokered private placement financing (the "Subscription Receipts Financing") of Subscription Receipts for aggregate gross cash proceeds of CA$33.75 million (equivalent to approximately $27.4 million). On April 29, 2021, the Subscription Receipts were subsequently exchanged for 7,500,000 common shares and 75,000,000 common share purchase warrants expiring March 17, 2026. After the effect of the share consolidation, warrant holders are entitled to purchase one of the Company's common shares at the equivalent of CA$8.00 per share in exchange for 10 warrants. The Company incurred issuance costs of $0.7 million which included the payment of finder's fees of 6% with certain arms-length parties who introduced subscribers to the Subscription Receipts Financing. The finder's fees were settled through the issuance of an additional 803,700 common share purchase warrants of the Company.

As at September 30, 2022, there is a total of 75,803,700 share purchase warrants issued and outstanding (December 31, 2021 – 75,803,700 warrants), representing 7,580,370 common shares upon issuance.

In the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2021, the Subscription Receipts were accounted for at amortized cost. In conjunction with the annual audited consolidated financial statements for the year ended December 31, 2021, the Company identified an adjustment in the accounting previously applied to the Subscription Receipts. As the Subscription Receipts represent a derivative financial instrument, they should have been accounted for at FVTPL. As such, they should have been recognized at fair value on initial recognition and subsequently remeasured with the change in fair value being recognized in the statement of operations. On April 29, 2021, when the escrow conditions were met, the aggregate fair value of the Subscription Receipts amounted to $34.1 million, and the Company recorded a loss on financial instruments amounting to $6.7 million in the statement of operations during the nine-month period ended September 30, 2021. Total fair value of the Subscription Receipts was determined based on the quoted closing price of the Company's common shares and the fair value of the warrants which was determined using the Black-Scholes option pricing model and Level 2 fair value inputs, including expected share price volatility of 93%, risk free interest rate of 0.75%, dividend yield of 0%, expected average life of 4.9 years and a liquidity discount of 60%.

The Company has adjusted the net loss and loss per share in the interim condensed consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2021 to reflect the adjustment as follows:

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

	Nine months ended September 30, 2021
Net loss	
As previously reported	$ 16,686
Impact of adjustment to record Subscription Receipts at fair value	6,700
As adjusted	$ 23,386
Loss per share – basic and diluted	
As previously reported	$ 1.20
Impact of adjustment to record Subscription Receipts at fair value	0.48
As adjusted	$ 1.68

There was no impact of this adjustment on the net loss and loss per share for the three months ended September 30, 2021. There was also no change to the Company's reported cash position for the nine months ended September 30, 2021 as a result of the foregoing adjustment.

d) Stock option plan

The Company has a stock option plan in place under which it is authorized to grant options to directors, executive officers, management, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the option price of any common share in respect of which an option may be granted under the stock option plan shall be fixed by the Board of Directors but shall be not less than the minimum price permitted by the TSXV.

A summary of the change in the stock options outstanding during the nine-month period ended September 30, 2022 on a post-consolidation basis is as follows:

	Outstanding	Weighted average exercise price per common share (CA$)	Share-based compensation amount[(1)]
Balance, January 1, 2022	1,872,500	$ 4.47	$ 3,760
Expired	(25,000)	4.50	-
Exercised[(1)]	(25,000)	1.00	(72)
Balance, September 30, 2022	1,822,500	$ 4.52	$ 3,688

(1) Cash proceeds from options exercised during the period ended September 30, 2022 amounted to CA$25,000. The weighted average share price at the date stock options were exercised was $5.20.

During the nine months ended September 30, 2022, no stock options were granted (2021 – 730,000 stock options at an exercise price of CA$4.50 per share and 730,000 stock options at an exercise price of CA$4.45 per share).

The table below summarizes information about the stock options outstanding as at September 30, 2022 on a post-consolidation basis:

Expiry date	Outstanding and exercisable options	Remaining contractual life in years	Exercise price (CA$/share)
June 30, 2026	730,000	3.8	$ 4.50
November 22, 2026	260,000	4.1	6.50
August 27, 2030	127,500	7.9	1.00
February 19, 2031	705,000	8.4	4.50
	1,822,500	5.9	$ 4.52

e) Loss per share

For the periods ended September 30, 2022 and 2021, the stock options and warrants were anti-dilutive.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

9. FINANCIAL RISK MANAGEMENT

a) *Credit risk*

The exposure to credit risk arises through the failure of a third party to meet its contractual obligations to the Company. The Company's exposure to credit risk arises primarily from the Company's cash balances, which are held primarily with a highly-rated Canadian and Spanish financial institutions.

b) Foreign currency risk

The Company is exposed to foreign currency fluctuations in United States dollars ("USD"), Euros ("EUR") and Colombian pesos ("COP"). Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency (Canadian dollar). The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in USD, EUR and COP, the Company may enter into foreign currency derivatives to manage such risks. For the nine-month periods ended September 30, 2022 and 2021, the Company did not utilize derivative financial instruments to manage this risk.

The following table summarizes, in USD equivalents, the Company's major currency exposure in USD, EUR and COP arising from foreign currency monetary assets and liabilities and foreign currency components:

	USD	EUR	COP
Cash	$ 143	$ 369	$ 78
Cash in trust	-	368	-
Other receivables	-	640	241
Accounts payable and accrued liabilities	(117)	(1,632)	(104)
Related party	-	-	(65)
Lease obligations	(147)	(25)	-
Net financial assets (liabilities)	$ (121)	$ (280)	$ 150

Based on the net exposure at September 30, 2022, a 10% depreciation or appreciation of the USD against the CA would result in an $11,000 increase or decrease in the Company's after-tax net income and a 10% depreciation or appreciation of the EUR and COP against the CA would result in a $25,000 and $14,000 decrease or increase, respectively in the Company's other comprehensive loss.

c) Liquidity risk

The Company manages its liquidity risk by continuously monitoring forecast cash flow requirements. Since Company has no sources of revenue, cash inflows are dependent on its ability to obtain financing through the issuance of additional securities, entering into credit facilities, or entering into joint ventures, partnerships or other similar arrangements. The Company's financial obligations primarily consist of its accounts payable and accrued liabilities. These obligations arise during the normal course of business and are paid from funds raised through equity financings, and except under certain exceptions, are usually due within no later than one month.

The carrying value of accounts payable and accrued liabilities approximates its fair value as they are short-term in nature.

d) Fair value risk

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and taxes payable, approximate their carrying values due to the short-term maturity of these financial instruments.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

e) Capital management

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to maintain investor, creditor and market confidence to sustain the future development of the business. The Company considers its capital structure to include equity attributable to its shareholders of $39.1 million (December 31, 2021 – $47.1 million).

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern. The Company is not subject to any externally imposed capital requirements.

10. RELATED PARTY

During the nine-month period ended September 30, 2022, a total of approximately $0.4 million (September 30, 2021 - $0.4 million) of costs and expenses in connection with managerial, administrative, exploration and technical support being provided to the Company was paid by GCM Mining (since renamed Aris Mining Corporation) and certain of its subsidiaries. These costs and expenses were charged to the Company as incurred by GCM Mining and reimbursements by the Company were made to GCM Mining and its subsidiaries a short time thereafter at the exchange amount agreed to between the parties. As at September 30, 2022, the amount due to related party with respect to these costs and expenses is $66,000 (December 31, 2021 - $104,000). The amount due to related party is non-interest bearing.

11. SEGMENT DISCLOSURES

The Company's reportable segments are consistent with the Company's geographic regions in which the Company's projects are located. In determining the Company's segment structure, the Company considered the basis on which the chief operating decision-maker reviews the financial and operational performance and whether any of the Company's exploration operations share similar economic, operational and regulatory characteristics. The Company considers its Zancudo and Guia Antigua projects in Colombia, its Lomero project in Spain and its corporate functions in Canada as its reportable segments.

The following table shows the Company's reportable segments and its geographic locations:

	Colombia	Spain	Corporate	Total
Nine months September 30, 2022				
Net loss	$ (18)	$ (485)	$ (1,778)	$ (2,281)
Capital expenditures (Note 5 and 6)	1,003	6,507	155	7,665
As at September 30, 2022				
Total assets	$ 7,112	$ 30,135	$ 4,127	$ 41,374
Total liabilities	169	1,657	331	2,157
Nine months September 30, 2021				
Net loss	$ -	$ -	$ (23,386)	$ (23,386)
Capital expenditures	979	1,095	-	2,074
As at December 31, 2021				
Total assets	$ 6,955	$ 27,410	$ 14,403	$ 48,768
Total liabilities	184	1,009	458	1,651

12. SUBSEQUENT EVENT

On November 22, 2022, the Company entered into a definitive option agreement with Europa Metals Ltd. ("Europa") pursuant to which Europa has granted two options to the Company to acquire up to an 80% ownership interest in Europa Metals Iberia S.L. ("EMI"), a wholly owned Spanish subsidiary of Europa which holds the Toral Zn-Pb-Ag Project (the "Toral Project"), Leon Province, Northern Spain (the "Definitive Agreement").

Pursuant to the Definitive Agreement, the Company has been granted a First Option, exercisable until November 22, 2025 (subject to a 90-day extension in certain circumstances), to subscribe for a 51% equity interest in EMI by (i) spending, as operator, a total of $4,000,000 on the Toral Project over the three-year period, (ii) completing a preliminary economic assessment and (iii) completing and submitting a mining license application in respect of the Toral Project to the local mining authority by July 31, 2023. The proposed transaction is subject to receipt of approval of Europa's shareholders and once obtained, the Company will make an initial payment of $100,000 to EMI followed by a second aggregate sum of $550,000 to be made in periodic payments at the discretion of the Company following completion of a financing by the Company. The Company's expenditure commitment under the First Option is subject to a minimum of $1,000,000 in each of the first two years of the First Option period. On exercise of the First Option, the parties will enter into a joint venture and a shareholders' agreement that will govern the development and eventual operation of the Toral Project.

In addition, the Definitive Agreement provides the Company with a Second Option to acquire an additional 29% equity interest in EMI by delivering a prefeasibility study and making a cash payment of $2,000,000 to Europa within the 12-month period following the closing of the First Option.

The Company has also agreed to pay a finder's fee of $300,000 (the "Finder's Fee") to Querlec Gestion S.L. ("Querlec Gestion") with regards to services provided in connection with the acquisition by the Company of an interest in the Toral Project. Querlec Gestion is arm's length to the Company. The Finder's Fee will be satisfied by the issuance of 637,904 common shares by the Company (the "Finder's Fee Shares") at an issue price of CA$0.63 per share, being the closing price of the shares on the TSXV on November 22, 2022. Issuance of the Finder's Fee Shares is subject to the prior approval of the TSXV. The Finder's Fee Shares shall be subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws. The Company has also agreed to grant Querlec Gestion a 1% NSR on any future production of minerals from the Toral Project.