

**MANTARO SILVER CORP.**

**Condensed Interim Consolidated Financial Statements  
For the three months ended May 31, 2021 and 2020  
(Expressed in Canadian Dollars)  
(Unaudited)**

## **NOTICE TO READER**

Under National Instrument 51-102 “Continuous Disclosure Requirements”, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim financial statements, they must be accompanied by a notice indicating that the unaudited interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

**MANTARO SILVER CORP.****Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

	<b>May 31, 2021</b>	<b>February 28, 2021</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 8,330,373	246,569
Restricted cash (Note 6)	-	7,926,848
Accounts receivable	12,393	-
Promissory note receivable (Note 4)	1	-
Deferred transaction costs (Note 6)	-	459,280
	<b>8,342,767</b>	<b>8,632,697</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 5)	2,197,406	1,735,779
	<b>\$ 10,540,173</b>	<b>10,368,476</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 319,787	101,986
Subscriptions payable	6,700	6,700
Share subscription receipts (Note 6)	-	8,251,828
Total liabilities	<b>326,487</b>	<b>8,360,514</b>
<b>Equity</b>		
Common shares (Note 6)	12,819,921	1,658,385
Subscriptions received	-	188,212
Reserves	1,780,105	337,100
Deficit	(4,386,340)	(175,735)
Total equity	<b>10,213,686</b>	<b>2,007,962</b>
<b>Total liabilities and equity</b>	<b>\$ 10,540,173</b>	<b>10,368,476</b>

Going concern (Note 1)

Commitments (Note 5)

Subsequent event (Note 8)

Approved on behalf of the Board on August 5, 2021:

*“Charles Hethey” (signed)*

Director

*“Christopher Wilson” (signed)*

Director

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

**MANTARO SILVER CORP.****Condensed Interim Consolidated Statement of Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

		Three months ended	
	Note	May 31, 2021	May 31, 2020
<b>Expenses</b>			
Advertising and promotion		\$ 21,756	\$ -
Consulting fees		153,899	-
Office and miscellaneous		1,605	5
Professional fees		6,182	-
Project investigation costs	7	58,071	-
Share-based payment	6	1,413,294	-
Transfer agent and filing fees		14,277	-
		(1,669,084)	(5)
<b>Other items</b>			
Interest income		5,835	-
Listing expense	3	(2,547,356)	-
<b>Loss and comprehensive loss</b>			
		\$ (4,210,605)	\$ (5)
<b>Basic and diluted loss per share</b>			
		\$ (0.15)	\$ (5)
<b>Weighted average number of common shares outstanding</b>			
		28,847,949	1

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

**MANTARO SILVER CORP.****Condensed Interim Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)  
(Unaudited)**

	Common Shares		Share	Reserves	Deficit	Total Equity
	Number	Amount	Subscriptions			
	Outstanding	\$	Received	\$	\$	\$
<b>Balance, May 25, 2020 (date of incorporation)</b>						
Incorporation share	1	-	-	-	(5)	(5)
<b>Balance, May 31, 2020</b>	1	-	-	-	(5)	(5)
Issuance of common shares	25,239,000	1,668,905	-	202,800	-	1,871,705
Share issuance costs	-	(9,270)	-	-	-	(9,270)
Subscriptions receivable	-	(1,250)	-	-	-	(1,250)
Subscriptions received	-	-	188,212	-	-	188,212
Deferred transaction costs (Note 6)	-	-	-	134,300	-	134,300
Loss for the period	-	-	-	-	(175,730)	(175,730)
<b>Balance, February 28, 2021</b>	25,239,001	1,658,385	188,212	337,100	(175,735)	2,007,962
Issuance of common shares	1,072,142	375,250	-	-	-	375,250
Shares issued to Mantaro shareholders for RTO (Notes 3 and 6)	8,178,538	2,862,488	-	-	-	2,862,488
Shares issued pursuant to conversion of Subscription Receipts (Note 6)	23,576,652	8,251,828	(188,212)	-	-	8,063,616
Share issuance costs	-	(459,280)	-	-	-	(459,280)
Shares issued for acquisition of exploration and evaluation assets (Note 5)	375,000	131,250	-	29,711	-	160,961
Share-based payment	-	-	-	1,413,294	-	1,413,294
Loss for the period	-	-	-	-	(4,210,605)	(4,210,605)
<b>Balance, May 31, 2021</b>	58,441,333	12,819,921	-	1,780,105	(4,386,340)	10,213,686

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

**MANTARO SILVER CORP.**  
**Condensed Interim Consolidated Statement of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Three months ended May 31, 2021	May 31, 2020
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the period	\$ (4,210,605)	(5)
Non-cash items:		
Share-based payment	1,413,294	-
Listing expense	2,547,356	-
Change in working capital balances:		
Accounts receivable	(9,847)	-
Accounts payable and accrued liabilities	180,363	5
Cash used in operating activities	(79,439)	-
<b>Investing activities</b>		
Exploration and evaluation assets	(300,666)	-
Cash acquired on reverse takeover	350,023	-
Cash provided by investing activities	49,357	-
<b>Financing activity</b>		
Proceeds from shares issued	187,038	-
Cash provided by financing activity	187,038	-
<b>Increase in cash during the period</b>	<b>156,956</b>	<b>-</b>
<b>Cash and restricted cash, beginning of the period</b>	<b>8,173,417</b>	<b>-</b>
<b>Cash, end of the period</b>	<b>\$ 8,330,373</b>	<b>-</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	-	-
Income taxes paid	-	-

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

**MANTARO SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended May 31, 2021 and 2020**  
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**(Unaudited)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

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 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 "MSLV" and commenced trading on the Frankfurt Stock Exchange on June 10, 2021 under the symbol "9TZ".

On May 21, 2021, the Company and Mantaro Holding Corp. ("Holdco") completed a reverse takeover transaction (the "RTO" or the "Transaction"), pursuant to which the Company acquired all of the issued and outstanding common shares of Holdco. Upon completion of the Transaction, the consolidated entity has continued to carry on the business of Holdco. Refer to Note 3. The Company holds a 100% interest in the following five silver-focused Peruvian mineral properties, consisting of its flagship, Santas Gloria Silver Property, as well as the San Jose, La Purisima, Cerro Luque and Huaranay Properties. The Company is now a Tier 2 mining issuer.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At present, the Company has no current operating income. As at May 31, 2021, the Company has a deficit of \$4,386,340. Without additional financing, the Company may not be able to fund its ongoing operations and complete exploration and development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These factors form a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These condensed interim consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

At the time these condensed interim consolidated financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these condensed interim consolidated financial statements, there may be further significantly adverse impact on the Company's consolidated financial position and results of operations for future periods.

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**2. BASIS OF PRESENTATION**

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended February 28, 2021.

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value as set out in the significant accounting policies below. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted. The functional currency of the Company and its subsidiaries is the Canadian dollar.

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its controlled entities. All inter-company balances and transactions have been eliminated on consolidation. These condensed interim consolidated financial statements include the accounts of the Company and the following subsidiaries:

<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>
Mantaro Holding Corp.	Canada	100%
1160015 B.C. Ltd.	Canada	100%
Santa Gloria Silver Corp.	Canada	100%
San Jose Silver Corp Peru S.A.C.	Peru	100%
Santas Gloria Silver Corp Peru S.A.C.	Peru	100%

(d) Use of estimates and judgments

The preparation of condensed interim 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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**2. BASIS OF PRESENTATION (continued)**

(d) Use of estimates and judgments (continued)

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.

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**3. REVERSE TAKEOVER**

On May 21, 2021, the Company and Holdco completed a RTO, pursuant to which the Company acquired all of the issued and outstanding common shares of Holdco. Prior to the acquisition of Holdco, the Company completed a share consolidation on the basis of two pre-consolidation common share of the Company for every one post-consolidation common share of the Company (the "Consolidation"). The Company also changed its name to "Mantaro Silver Corp." from "Yuntone Capital Corp." and changed its stock symbol to "MSLV" from "YTC.H".

Under the terms of an amalgamation agreement (the "Definitive Agreement") entered into on October 23, 2020, the Company has issued to the shareholders of Holdco one post-Consolidation share of the Company for every share held of Holdco. All share purchase warrants of Holdco have been exchanged or replaced with share purchase warrants of the Company based on a one-to-one basis and on the same economic terms and conditions as previously issued. Upon completion of the Transaction, Holdco has become a wholly-owned subsidiary of the Company.

As a result of the Transaction, the former shareholders of Holdco, for accounting purposes, were considered to have acquired control of Mantaro. Accordingly, the acquisition of Holdco was accounted for as a reverse takeover that was not a business combination and effectively was a capital transaction of Holdco. Holdco has been treated as the accounting parent company (legal subsidiary) and Mantaro has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As Holdco was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Mantaro's results have been included from May 21, 2021, the date of the Transaction.

Since Mantaro's operations do not constitute a business, the carrying value of the net assets of Mantaro has been credited to the share capital of the resulting issuer. Listing expense is expensed and represents the excess of fair value of Mantaro shares issued at \$0.35 per share over the net assets of Mantaro.

The purchase price has been allocated as follows:

	\$
8,178,538 common shares of the Company at \$0.35 per share	2,862,488
Fair value of consideration	2,862,488
Cash	350,023
Accounts receivable	2,546
Promissory note receivable	1
Accounts payable and accrued liabilities	(37,438)
Listing expense	2,547,356
	2,862,488

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**4. PROMISSORY NOTE RECEIVABLE**

On August 28, 2019, the Company advanced \$25,000 to GrowX Global Corp. (“GrowX”) in exchange for a promissory note issued by GrowX. The promissory note bore interest at a rate of 5% per annum, and was due and payable on August 28, 2020. The promissory note is now past due.

The Company determined that GrowX does not have assets or sources of income that could generate sufficient cash flows to repay the debt. As a result, the promissory note receivable was written down by \$24,999 to a nominal amount.

**5. EXPLORATION AND EVALUATION ASSETS**

	Santas Gloria Silver Property(a)	San Jose Silver Property(b)	La Purisima, Cerro Luque and Huaranay Properties(c)	Total
	\$	\$	\$	\$
Acquisition costs – cash	821,887	270,714	26,438	1,119,039
Acquisition costs – 375,000 shares	-	131,250	-	131,250
Acquisition costs – 125,000 warrants	-	29,711	-	29,711
	821,887	431,675	26,438	1,280,000
Administration	59,989	51,993	-	111,982
Assays	93,147	-	-	93,147
Equipment rental	-	12,213	-	12,213
Field costs	153,786	81,898	-	235,684
Geological	228,656	65,755	-	294,411
Project management	83,055	83,055	-	166,110
Permitting	3,859	-	-	3,859
Exploration and evaluation cost	622,492	294,914	-	917,406
<b>Total</b>	<b>1,444,379</b>	<b>726,589</b>	<b>26,438</b>	<b>2,197,406</b>

(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.

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**5. EXPLORATION AND EVALUATION (continued)**

(a) Santas Gloria Silver Property (continued)

Mantaro entered into an acquisition agreement 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 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 Santas Gloria Property. 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.

During the three months ended May 31, 2021, the Company incurred \$63,699 in acquisition costs and \$183,001 of exploration and evaluation expenditures on this property.

(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 ("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 \$90,000 in July 2021, (iv) US \$140,000 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 and 125,000 warrants on six months after listing on the Exchange.

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.

During the three months ended May 31, 2021, the Company incurred \$160,961 in acquisition costs and \$53,966 of exploration and evaluation expenditures on this 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 three months ended May 31, 2021, the Company incurred \$nil in acquisition costs and \$nil of exploration and evaluation expenditures on these properties.

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**6. EQUITY**

(a) Authorized - Unlimited number of common shares without par value.

(b) Issued and outstanding

Common Shares

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 ("Unit") 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 (each whole share purchase warrant, a "Warrant"), with each whole Warrant exercisable at \$0.35 per share for a period of one year from the date of issue. The share purchase warrants were fair valued at \$202,800 using the Black-Scholes option pricing model with the following assumptions: share price at the time of issuance \$0.125; risk-free interest rate of 0.23%; expected life of one year; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 140%. As the Company does not have a significant history of trading prices, the Company utilized annualized volatility of comparable exploration stage mining companies.

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 for a period of one year from the date of closing the Transaction.

On May 21, 2021, 8,178,538 common shares were deemed to be issued by Holdco as a result of the RTO (refer to Note 3). The fair value of the 8,178,538 common shares deemed issued (\$2,862,488) was estimated using a fair value of \$0.35 per share.

On May 21, 2021, the Company issued 375,000 shares with a fair value of \$131,250 and 125,000 warrants related to the acquisition of the San Jose Silver Property. The fair value of the warrants has been estimated to be \$29,711 using the Black-Scholes option pricing model using the following assumptions: share price at the time of issuance \$0.35; risk-free interest rate of 0.49%; expected life of three years; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 100%.

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.

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**6. EQUITY (continued)**

(b) Issued and outstanding (continued)

Share Subscription Receipts (continued)

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 for a period of one year from the date of issue. These finders' warrants were fair valued at \$134,300 using the Black-Scholes option pricing model with the following assumptions: share price at the time of issuance \$0.35; risk-free interest rate of 0.24%; expected life of one year; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 140%. As the Company does not have a significant history of trading prices, the Company utilized annualized volatility of comparable exploration stage mining companies. The total issuance costs of \$459,280 were recorded as a deferred transaction cost asset as at February 28, 2021.

(c) Escrow

There are 5,700,215 common shares of the Company held in escrow as at May 31, 2021. Under the Escrow Agreement, the common shares held in escrow will be released from escrow as to 950,036 common shares on each of November 21, 2021, May 21, 2022, November 21, 2022, May 21, 2023, November 21, 2023 and May 21, 2024.

(d) Stock options

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the Exchange. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

Stock option activity was as follows:

	Number of options	Weighted average exercise price
<b>Balance at February 28, 2021</b>	-	-
Granted	5,440,000	\$0.35
<b>Balance and exercisable at May 31, 2021</b>	<b>5,440,000</b>	<b>\$0.35</b>

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**6. EQUITY (continued)**

(d) Stock options (continued)

On May 21, 2021, the Company granted 5,440,000 stock options to directors, officers, employees and consultants of the Company. The stock options have a five-year term, are exercisable at \$0.35 per share and vest immediately upon grant. The fair value of these options has been estimated to be \$1,413,294 using the Black-Scholes option pricing model using the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 0.87%, and an expected life of 5 years.

During the three months ended May 31, 2021, the Company had recorded \$1,413,294 of share-based payments expense.

Details of the options outstanding as at May 31, 2021 are as follows:

<b>Expiry Date</b>	<b>Exercise price \$</b>	<b>Remaining life (year)</b>	<b>Options outstanding</b>
May 21, 2026	0.35	4.98	5,440,000

(e) Warrants

Warrants activity was as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
<b>Balance at May 25, 2020 (date of incorporation)</b>	-	-
Issued in unit placement	5,907,000	\$0.35
Finders' warrants	943,407	\$0.55
<b>Balance at February 28, 2021</b>	<b>6,850,407</b>	<b>\$0.38</b>
Issued	12,449,397	\$0.55
<b>Balance at May 31, 2021</b>	<b>19,299,804</b>	<b>\$0.49</b>

Details of the warrants outstanding as at May 31, 2021 are as follows:

<b>Expiry Date</b>	<b>Exercise price \$</b>	<b>Remaining life (year)</b>	<b>Warrants outstanding</b>
September 23, 2021	0.35	0.32	5,907,000
November 27, 2021	0.55	0.49	943,407
May 21, 2022	0.55	0.97	12,324,397
May 21, 2022	0.25	0.97	125,000
	0.49	0.75	19,299,804

**MANTARO SILVER CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended May 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**7. RELATED PARTY TRANSACTIONS**

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 three months ended May 31, 2021, the Company incurred management fees of \$153,899 to companies controlled by the Company's Chairman and CEO, which is included in exploration and evaluation costs and \$69,154 to a Company related to a Director for legal costs, which is included in professional fees and share issuance costs.

As at May 31, 2021, \$74,598 owed to the Company's related parties is included in accounts payable and accrued liabilities. Amounts owed to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

**8. SUBSEQUENT EVENT**

On July 15, 2021, the Company entered into a purchase agreement with a third party vendor whereby the Company agreed to acquire a 100% interest in four concessions adjacent to and/or in the vicinity of the Santas Gloria Silver Property. In consideration of the new concessions, the Company agreed to pay US \$50,000 and issue a total of 500,000 common shares of the Company. The transaction is subject to acceptance of the TSX Venture Exchange.

On June 16, 2021, Mantaro announced the appointment of Ms. Humphreys as director of the Company and granted Ms. Humphreys options to purchase 250,000 common shares at a price of \$0.49 for a period of five years from the date of grant.