



SILVER X MINING CORP.

(formerly ORO X MINING CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED DECEMBER 31, 2021 AND

TWELVE MONTHS ENDED FEBRUARY 28, 2021

Expressed in US Dollars



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Silver X Mining Corp.

Opinion

We have audited the accompanying consolidated financial statements of Silver X Mining Corp. (formerly Oro X Mining Corp.) (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the ten months ended December 31, 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and its consolidated financial performance and cash flows for the ten months ended December 31, 2021 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

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

Other Matter

The financial statements of the Company as at February 28, 2021, and for twelve months ended February 28, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on June 14, 2021.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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, 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, 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 IFRS, 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.

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

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Chartered Professional Accountants

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 auditor's report is Dong H. Shim.

“SHIM & Associates LLP”

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

May 25, 2022

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars)

| | Note | December 31, 2021 | February 28, 2021 | March 1, 2020 |
|--|------|----------------------|----------------------|------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | | \$ 4,505,888 | \$ 1,196,007 | \$ 34,886 |
| Trade and other receivables | 6 | 2,725,046 | 9,756 | 9,205 |
| Prepaid expenses and deposits | | 471,765 | 156,974 | 2,301 |
| Inventory | 7 | 331,986 | - | - |
| | | 8,034,685 | 1,362,737 | 46,392 |
| Non-current assets | | | | |
| Other receivables – non current | 6 | 680,739 | - | - |
| Right-of-use- assets | 10 | 890,012 | - | - |
| Property and equipment | 9 | 5,434,699 | - | 1,753 |
| Development property | 11 | 51,403,410 | - | - |
| Exploration and evaluation assets | 8 | 5,886,348 | 5,892,056 | - |
| | | 64,295,208 | 5,892,056 | 1,753 |
| TOTAL ASSETS | | \$ 72,329,893 | \$ 7,254,793 | \$ 48,145 |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 12 | \$ 11,641,973 | \$ 264,788 | \$ 490,213 |
| Lease obligation | 10 | 227,433 | - | - |
| Convertible debenture | 14 | 4,128,864 | - | - |
| Debentures | 13 | 1,631,838 | - | - |
| | | 17,630,108 | 264,788 | 490,213 |
| Non-current liabilities | | | | |
| Lease obligation – non current | 10 | 551,469 | - | - |
| Deferred income tax liability | 5,23 | 9,546,292 | - | - |
| Asset retirement obligation | 15 | 1,684,801 | - | - |
| Total liabilities | | 29,412,670 | 264,788 | 490,213 |
| Shareholders' equity (deficiency) | | | | |
| Share capital | | 59,091,280 | 20,861,688 | 10,897,303 |
| Obligation to issue shares | | - | - | 30,174 |
| Reserves | | 11,420,124 | 4,338,090 | 3,026,364 |
| Deficit | | (27,594,181) | (18,209,773) | (14,395,909) |
| Total shareholders' equity (deficiency) | | 42,917,223 | 6,990,005 | (442,068) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | | \$ 72,329,893 | \$ 7,254,793 | \$ 48,145 |

Corporate Information and going concern (notes 1 & 2)

Subsequent events (note 24)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON MAY 25, 2022:

_____"Luis Zapata"_____
Director

_____"Darryl Cardey"_____
Director

See accompanying notes to the consolidated financial statements

SILVER X MINING CORP. (formerly ORO X MINING CORP.)**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021

(Expressed in US Dollars)

| | Note | Ten months ended December 31, 2021 | Twelve months ended February 28, 2021 |
|---|------|---|--|
| EXPLORATION EXPENDITURES | | | |
| Exploration expenses | 8 | \$ (429,466) | \$ (636,915) |
| Income from leasing exploration and evaluation assets | | - | 20,864 |
| | | (429,466) | (616,051) |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | |
| Consulting fees | 17 | (932,674) | (1,023,785) |
| Directors fees | 17 | (23,170) | (22,921) |
| Investor relations | | (953,211) | (591,432) |
| Office and administration | | (97,619) | (99,965) |
| Professional fees | | (539,289) | (279,942) |
| Salaries and benefits | 17 | (84,453) | (129,078) |
| Share-based payments | 16 | (3,720,601) | (964,723) |
| Transfer agent and regulatory fees | | (38,093) | (78,432) |
| Loss before other items | | (6,818,576) | (3,806,329) |
| OTHER ITEMS | | | |
| Finance income | | 45,649 | (5,152) |
| Finance cost | 5 | (1,507,402) | - |
| Foreign exchange loss | | (1,470,079) | (2,383) |
| Net loss before tax | | (9,750,408) | (3,813,864) |
| Deferred income tax recovery | 23 | 366,000 | - |
| Net loss | | \$ (9,384,408) | \$ (3,813,864) |
| Gain on translation of foreign operations | | 3,340,011 | 326,678 |
| Total comprehensive loss | | \$ (6,044,397) | \$ (3,487,186) |
| Loss per share, basic and diluted | | \$ (0.10) | \$ (0.15) |
| Weighted average number of common shares outstanding | | 89,787,154 | 24,671,413 |

See accompanying notes to the consolidated financial statements

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

| | | | Other Equity Reserves | | | | | | |
|---|-------------------------------|----------------------|-----------------------------|-------------------------------|---|---------------------|------------------------|------------------------|----------------------|
| | Number of common shares | Share capital | Share- based payments | Share purchase warrants | Equity portion of convertible debenture | Accumulated OCI | Shares to be issued | Deficit | Total |
| Balance, February 28, 2021 | 42,969,029 | \$ 20,861,688 | \$ 2,198,167 | \$ 1,271,673 | \$ - | \$ 868,250 | \$ - | \$ (18,209,773) | \$ 6,990,005 |
| Net loss for the period | - | - | - | - | - | - | - | (9,384,408) | (9,384,408) |
| Gain on translation of foreign operations | - | - | - | - | - | 3,340,011 | - | - | 3,340,011 |
| Warrants exercised (note 16) | 4,117,100 | 1,174,478 | - | (21,835) | - | - | - | - | 1,152,643 |
| Options exercised (note 16) | 250,000 | 125,828 | (71,835) | - | - | - | - | - | 53,993 |
| RSU vesting (note 16) | 875,000 | 503,937 | (503,937) | - | - | - | - | - | - |
| Acquisition of MMTP (note 5) | 42,969,046 | 24,131,030 | - | - | - | - | - | - | 24,131,030 |
| MMTP Finder shares (note 5) | 1,250,000 | 689,913 | - | 59,285 | - | - | - | - | 749,198 |
| Convertible debenture (note 14) | - | - | - | - | 153,065 | - | - | - | 153,065 |
| Private placement, net (note 16) | 23,649,286 | 10,069,923 | - | 406,678 | - | - | - | - | 10,476,601 |
| Shares for debt | 5,890,418 | 1,534,483 | - | - | - | - | - | - | 1,534,483 |
| Share-based payments (note 16) | - | - | 3,720,601 | - | - | - | - | - | 3,720,601 |
| Balance, December 31, 2021 | 121,969,879 | \$ 59,091,280 | \$ 5,342,996 | \$ 1,715,801 | \$ 153,065 | \$ 4,208,261 | \$ - | \$ (27,594,181) | \$ 42,917,223 |
| | | | | | | | | | |
| Balance, March 1, 2020 | 4,282,318 | \$ 10,897,303 | \$ 1,233,444 | \$ 1,251,348 | \$ - | \$ 541,572 | \$ 30,174 | \$ (14,395,909) | \$ (442,068) |
| Net loss for the period | - | - | - | - | - | - | - | (3,813,864) | (3,813,864) |
| Gain on translation of foreign operations | - | - | - | - | - | 326,678 | - | - | 326,678 |
| Private placement, net (note 16) | 22,743,891 | 5,609,355 | - | 20,325 | - | - | - | - | 5,629,680 |
| Warrant exercised (note 16) | 2,262,984 | 353,953 | - | - | - | - | (30,174) | - | 323,779 |
| Acquisition of mineral properties (note 16) | 13,679,836 | 4,001,077 | - | - | - | - | - | - | 4,001,077 |
| Share-based payments (note 16) | - | - | 964,723 | - | - | - | - | - | 964,723 |
| Balance, February 28, 2021 | 42,969,029 | \$ 20,861,688 | \$ 2,198,167 | \$ 1,271,673 | \$ - | \$ 868,250 | \$ - | \$ (18,209,773) | \$ 6,990,005 |

See accompanying notes to the consolidated financial statements

SILVER X MINING CORP. (formerly ORO X MINING CORP.)**CONSOLIDATED STATEMENTS OF CASH FLOW**

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021

(Expressed in US Dollars)

| | Note | Ten months ended December 31, 2021 | Twelve months ended February 28, 2021 |
|---|------|--|---|
| CASH PROVIDED BY (USED IN): | | | |
| OPERATING ACTIVITIES | | | |
| Net loss for the period | | \$ (9,750,408) | \$ (3,813,864) |
| Items not affecting cash: | | | |
| Accretion and interests | | 310,866 | - |
| Amortization | | 69,940 | 1,682 |
| Share-based payments | 16 | 3,720,601 | 964,723 |
| MMTP Finder shares | 5 | 749,198 | - |
| | | (4,899,803) | (2,847,459) |
| Changes in non-cash working capital items: | | | |
| Other receivables and prepaid | | (574,589) | (155,224) |
| Accounts payable and accrued liabilities | | 1,157,056 | (225,425) |
| Inventory | | 129,023 | - |
| Net cash outflow from operating activities | | (4,188,313) | (3,228,108) |
| FINANCING ACTIVITIES | | | |
| Proceeds from exercise of warrants | 16 | 1,152,643 | 323,779 |
| Proceeds from exercise of options | 16 | 53,993 | - |
| Proceeds from private placement, net of costs | 16 | 10,476,601 | 5,629,680 |
| Lease payments | | (209,957) | - |
| Net cash flow from financing activities | | 11,473,280 | 5,953,459 |
| INVESTING ACTIVITIES | | | |
| MMTP Cash | 5 | 136,378 | - |
| Pre-production operations | 11 | (5,331,817) | - |
| Exploration and evaluation asset – acquisition | 8 | - | (1,890,979) |
| Purchase of property and equipment | 9 | (1,963,417) | - |
| Net cash outflow from investing activities | | (7,158,856) | (1,890,979) |
| FX impact on cash | | 3,183,770 | 326,749 |
| Net change in cash | | 3,309,881 | 1,161,121 |
| Cash, beginning of period | | 1,196,007 | 34,886 |
| Cash, end of period | | \$ 4,505,888 | \$ 1,196,007 |
| Supplemental cash flow information (note 21) | | | |

See accompanying notes to the consolidated financial statements

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

1. CORPORATE INFORMATION

Silver X Mining Corp. (formerly Oro X Mining Corp.) (the “Company”) was incorporated under the *Business Corporations Act* of British Columbia on June 4, 2009.

The Company’s principal business activities are directed towards the exploration and development of mineral properties in the Americas.

The address of the Company’s corporate office and principal place of business is Suite 1430 – 800 West Pender Street, Vancouver, BC, V6C 2V6.

2. BASIS OF PREPARATION

Statement of Compliance with International Financial Reporting Standards (“IFRS”)

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities measured at fair value.

The consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Change in Presentation Currency

Effective March 1, 2020, the Company changed its presentation currency from Canadian Dollars (“CAD”) to U.S. Dollars (“USD”) to better reflect the Company’s business activities. In making this change in presentation currency to USD, the Company followed the guidance in IAS 21 The Effects of Changes in Foreign Exchange Rates and have applied the change retrospectively, as if the USD had always been the Company’s presentation currency, as follows:

- Assets and liabilities have been translated into the USD at the rate of exchange prevailing at the respective reporting dates;
- The consolidated statements of loss and comprehensive loss were translated at the average exchange rates for the respective reporting periods, or at the exchange rates prevailing at the applicable transaction date;
- Equity transactions have been translated at the exchange rate prevailing at the date of the transactions; and;
- Exchange differences arising on translation were recorded in accumulated other comprehensive loss in shareholders’ equity.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

The exchange rates used were as follows:

| USD/CAD exchange rate | December 31, 2021 | February 28, 2021 | February 29, 2020 |
|-------------------------------|------------------------------|------------------------------|------------------------------|
| Closing at the reporting date | 1.2678 | 1.2685 | 1.3429 |
| Average rate for the year | 1.2503 | 1.3343 | 1.32565 |

Change in Fiscal Year-end

The Company has changed its fiscal year-end from February 28 to December 31, resulting in a 10 month transition year from March 1, 2021 to December 31, 2021. The reason for the change was to be consistent with its operating subsidiary's year end.

Going Concern and Continuance of Operations

These consolidated financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these consolidated 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. At December 31, 2021, the Company had an accumulated deficit of \$27,594,181 (February 28, 2021 - \$18,209,773, March 1, 2020 – \$14,395,909) since inception, and the Company's working capital deficit was \$9,595,423 (February 28, 2021 – working capital \$1,097,949, March 1, 2020 – working capital deficit \$443,821). The Company is expected to incur further losses in the development of its business.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary capital to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Corporation. The extent to which the COVID-19 pandemic impacts the Corporation's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Corporation's suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Corporation. Even after the COVID-19 pandemic has subsided, the Corporation may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Corporation cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Basis of Consolidation

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table below.

A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation.

| Name of Parent | Place of Incorporation | Functional Currency | December 31, 2021 Ownership | February 28, 2021 Ownership |
|--|-------------------------------|----------------------------|------------------------------------|------------------------------------|
| Silver X Mining Corp. | Canada | CAD | N/A - Parent | N/A - Parent |
| Name of Subsidiary | | | | |
| Mines & Metals Trading (Peru) PLC | Isle of Man | USD | 100% | Nil |
| Recuperada SAC | Peru | SOL | 100% | Nil |
| San Antonio Mining Peru SAC | Peru | SOL | 100% | Nil |
| Mining Sense Gold Peru SAC | Peru | SOL | 100% | Nil |
| Minera Tangana SAC | Peru | SOL | 100% | Nil |
| Corongo Exploraciones SAC | Peru | SOL | 100% | Nil |
| Western Pacific Resources (U.S.) Corp. | USA | USD | 100% | 100% |
| Quilla Canada Mining Corp. | Canada | CAD | 100% | 100% |
| Talla Canada Mining Corp. | Canada | CAD | 100% | 100% |
| Greengold Canada Mining Corp. | Canada | CAD | 100% | 100% |
| Quilla Mining SAC | Peru | SOL | 100% | 100% |
| Corporacion Minera Talla SAC | Peru | SOL | 100% | 100% |
| Green Gold Resources | Ecuador | USD | 100% | 100% |

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollar, which is the Company's reporting currency. The functional currency of the Company and its subsidiaries are noted in the table above.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method in accordance with IFRS 3, Business Combinations. The cost of an acquisition is measured as the sum of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Company's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The excess of: (i) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (ii) the non-controlling interests in the acquiree, over the acquisition date fair value of net assets acquired, is recorded as goodwill. Acquisition costs incurred are expensed. Goodwill arising on an acquisition is recognized as an asset and initially measured at cost. Goodwill is not amortized; rather it is tested annually for impairment or at any time during the year that an indicator of impairment is identified.

Inventories

Finished goods ore are valued at the lower of average production cost and net realizable value. Finished goods must be refined offsite to return saleable metals. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes cost of raw materials, direct labour, mine-site overhead and depreciation and depletion of mine properties and plant and equipment.

Consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost or net realizable value, which includes the cost of purchase as well as transportation and charges to bring them to their existing location and condition.

A write-down of inventory is recognized as an expense in profit or loss in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recognized in profit or loss as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Property and equipment

This item is presented at acquisition cost, less accumulated depreciation and any accumulated impairment loss, if any. The initial cost of an asset classified in this category includes the purchase price, including import duties and non-refundable purchase taxes and any costs directly attributable to the asset for working conditions and use.

Residual values, useful life and depreciation method of the assets are reviewed and adjusted, if necessary, at the date of each statement of financial position.

When the carrying amount of an asset is greater than its estimated recoverable value, the corresponding loss is recorded. The cost and accumulated depreciation of assets retired or sold are removed from the respective accounts and the resulting gain or loss will affect the results of the year in which it occurs.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Depreciation is calculated using the straight line method based on the estimated useful lives as follows:

| | YEARS |
|--------------------------|--------------|
| Buildings and facilities | 20 |
| Machinery and equipment | 7-10 |
| Vehicles | 5 |
| Furniture and fixtures | 10 |
| Computer equipment | 4 |

Mineral Properties

i) Mines under construction and development costs:

When technical feasibility and economic viability of projects have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any preproduction revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met. The Company has not completed a technical feasibility study demonstrating economic viability on their Recuperada Project.

ii) Mine properties:

Once a mineral property has been brought into commercial production as intended by management, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include deferred underground development costs and decommissioning, and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.

Costs of producing mine properties are depreciated and depleted on the unit-of-production basis using estimated proven and probable reserves. Note that at this time the Company has no proven and probable reserves. Depreciation or depletion is recorded against the mine property only upon the commencement of commercial production.

Exploration expenditures are expensed as incurred at mine properties, unless the nature of the expenditures are to convert mineral resources into mineral reserves or in the absence of a mineral resource estimate, are to define areas to be included in the mine plan. Any amounts deferred in this regard are depreciated based on the unit-of-production method.

Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Decommissioning and Restoration

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine or site reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

The present value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depleted or depreciated on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

Impairment of Non-Financial Assets

For the purposes of assessing impairment, the recoverable amount of an asset, which is the higher of its fair value less costs to sell and its value in use, is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the asset is included in the cash-generating unit to which it belongs and the recoverable amount of the cash generating unit is estimated. As a result, some assets are tested individually for impairment, and some are tested at the cash-generating unit level. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Intangible assets with an indefinite useful life and intangible asset not yet available for use are also tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the asset is impaired such as decreases in metal prices, an increase in operating costs, a decrease in mineable reserves or a change in foreign exchange rates. The Company also considers net book value of the asset, the ongoing costs required to maintain and operate the asset, and the use, value and condition of the asset.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the value-in-use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Future cash flows used in the determination of value in use are estimated based on expected future production, recoverability of reserves, commodity prices, operating costs, reclamation costs and capital costs. Management estimates of future cash flows are subject to risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the recoverable amounts of assets, including the Company's investments in mineral properties.

Fair value is determined with reference to discounted estimated future cash flow analysis or on recent transactions involving dispositions of similar properties.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

An impairment loss for a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is allocated on a pro rata basis to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist or may have decreased. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, however only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

Loss per Share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options are used to repurchase common shares at the average market price during the period. In a loss year, potentially dilutive equity instruments are excluded from the loss per share calculation, as the effect would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit") and entitle the warrant holder to exercise the warrants for a stated price for a stated number of common shares in the Company. The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where terms and conditions of options are modified before they vest, any incremental increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Where equity instruments are granted to employees or others providing similar services, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of goods or services cannot be reliably measured), and are recorded at the date the goods or services are received.

All equity-settled share-based payments are reflected in other equity reserve until exercised. Upon exercise, shares are issued, and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Financial Instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI").

Fair value through profit or loss ("FVTPL") - Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

The Company has classified its financial instruments as follows:

| Financial instrument | Classification |
|--|----------------|
| Cash | FVTPL |
| Receivables | Amortized cost |
| Deposits | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity conducts transactions.

Transactions in currencies other than the functional currency are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position, while non-monetary assets and liabilities are translated at historical rates.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded as a component of net income (loss) in the period in which they occur.

The results of operations and financial position of a subsidiary where the functional currency is different from the presentation currency are translated as follows: assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; expenses are translated at the average exchange rate for the year, all resulting exchange differences are recognized in other comprehensive income or loss. On disposition or partial disposition of a foreign operation, the cumulative amount of any respective exchange difference is recognized in profit or loss.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Income Taxes

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income/loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for those taxable temporary differences arising on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Compound financial instruments

Compound financial instruments issued by the Company comprise of a convertible debenture that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of the similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Future accounting standards

Amendments to IAS 1 Presentation of Financial Statements

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company does not believe that these amendments will have a material impact on the consolidated financial statements.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments apply retrospectively for annual reporting period beginning on or after January 1, 2022. Early application is permitted. The Company does not believe that these amendments will have a material impact on the consolidated financial statements.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Amendment to IFRS 3 Business Combinations

An amendment to IFRS 3 updates certain references to the conceptual framework. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier. The Company does not expect this amendment to have a material impact on the consolidated financial statements.

Amendments to IFRS 9 Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Company applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company does not believe that these amendments will have a material impact on the consolidated financial statements.

The Company continues to review changes to IFRS standards. There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Significant judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(i) Impairment of assets

The carrying value of property, plant and equipment, exploration and evaluation properties and the Company's mineral property is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash-generating units, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

(ii) Economic recoverability and probability of future economic benefits of exploration and development costs

Management has determined that acquisition costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(iii) Functional currency

The functional currency for each of the Company's subsidiaries, joint ventures and investments in associates, is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity is either the Peruvian SOL, Canadian Dollar, or US Dollar (see note 2 for more details). Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(iv) Commencement of commercial production

Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major mine components has been reached, operating results, which includes the grade and volume of material mined, are being achieved consistently for a period of time, and there are indicators that these operating results will continue, all of which involve management judgments.

Key sources of estimation Uncertainty

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(i) Mineral resource estimation

The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. The determination of mineral resources also requires the use of estimates. The Company estimates its mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101, Standards for Disclosure of Mineral Projects. There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resources and may result in changes to resource estimates.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

(ii) Depreciation and depletion

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable metal to be mined from estimated resources. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on estimated recoverable resources.

The calculation of the UOP rate, and therefore the annual depreciation and depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in metal prices and smelting and refining costs used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(iii) Inventories

Expenditures incurred, and depreciation and depletion of assets used in mining and processing activities are deferred and accumulated as the cost of ore in stockpiles, concentrate stockpiles, in-process and finished metal inventories. These deferred amounts are carried at the lower of average cost or net realizable value ("NRV"). Write-downs of ore in stockpiles, ore in-process and finished metal inventories resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels.

(iv) Decommissioning and restoration provision

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

(v) Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

For asset acquisitions, contingent share consideration is an estimate of the fair value of the contingent amounts expected to be payable in the future. The fair value is based on number of contingent shares, the share price of the Company on the date of acquisition and management's expectations of probability.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

(vi) Contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters' changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

(vii) Deferred taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

5. BUSINESS COMBINATION

On June 23, 2021, the Company acquired the Nueva Recuperada silver-lead-zinc project through the business combination of Mines & Metals Trading (Peru) PLC ("MMTP").

The acquisition of Stratum was accounted for as a business combination, in which the assets acquired and the liabilities assumed are recorded at their estimated fair values.

The Company issued 42,969,046 common shares to acquire all outstanding shares of MMTP. The total fair value of the consideration was \$24,131,030.

The Company issued 1,250,000 common shares valued at \$689,914 and 316,848 share purchase warrants valued at \$59,285 (note 16) as finder's fee and non-cash transaction costs, which have been included in finance cost for the ten months ended December 31, 2021.

The purchase price allocation is as follows:

| | Total |
|--|----------------------|
| Consideration – 42,969,046 common shares (note 16) | \$ 24,131,030 |
| <i>Fair value of assets and liabilities acquired</i> | |
| Cash | 136,378 |
| Trade and other receivables | 3,126,141 |
| Prepaid expenses and deposits | 10,090 |
| Inventory | 461,009 |
| Property, plant and equipment (note 9) | 3,464,302 |
| Development property (note 11) | 47,107,531 |
| Accounts payables and accruals | (10,220,129) |
| Convertible debenture and other debentures (notes 13 and 14) | (6,807,876) |
| Asset retirement obligations (note 15) | (3,234,124) |
| Deferred tax liabilities | (9,912,292) |
| Fair value of net assets acquired | \$ 24,131,030 |

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

6. TRADE AND OTHER RECEIVABLES

| | December 31, 2021 | February 28, 2021 | March 1, 2020 |
|--------------------------------|----------------------|----------------------|------------------|
| Supplier advances and other | \$ 1,324,053 | \$ - | \$ - |
| Reclamation bond | 680,739 | - | - |
| Tax receivables – Peru (IGV) | 1,324,911 | - | - |
| Tax receivables – Canada (GST) | 76,082 | 9,756 | 9,205 |
| | \$ 3,405,785 | \$ 9,756 | \$ 9,205 |
| Non-current | (680,739) | - | - |
| Current | \$ 2,725,046 | \$ 9,756 | \$ 9,205 |

7. INVENTORY

As at December 31, 2021, the Company had \$331,986 (February 28, 2021 - \$nil) of consumable inventory and supplies.

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the twelve months ended February 28, 2021 and the ten months ended December 31, 2021:

| | Ecuador Property (a) | Peru Properties (b) | Total |
|---------------------------------------|----------------------------|---------------------------|---------------------|
| Balance, March 1, 2020 | \$ - | \$ - | \$ - |
| Share issuance – acquisition cost | 1,042,436 | 2,958,641 | 4,001,077 |
| Cash component – acquisition cost (b) | - | 1,500,000 | 1,500,000 |
| Other acquisition costs | 72,173 | 69,405 | 141,578 |
| Foreign exchange impact | 49,207 | 200,194 | 249,401 |
| Balance February 28, 2021 | \$ 1,163,816 | \$ 4,728,240 | \$ 5,892,056 |
| Foreign exchange impact | (1,128) | (4,580) | (5,708) |
| Balance December 31, 2021 | \$ 1,162,688 | \$ 4,723,660 | \$ 5,886,348 |

a) Julian Property, Ecuador

On January 27, 2020, the Company entered into an asset purchase agreement (the “Asset Purchase Agreement”) with Green Oil S.A. (“Green Oil”) with respect to the acquisition by the Company from Green Oil of certain mineral claims located in Ecuador known as the Julian Property. The Julian Property is located in the Province of Azuay in the canton of Oña.

On June 11, 2020, the Company acquired the Julian Property through the issuance of 6,000,000 common shares valued at \$1,042,436 to Green Oil and its nominees. The Company also paid direct transaction costs of \$72,173.

b) Coriorcco & Las Antas Property, Peru

On October 8, 2020, the Company purchased the option rights to acquire a 100% interest in the Coriorcco property and up to an 85% legal and beneficial interest in the Las Antas property located in Peru.

As consideration for the acquisition of the option rights, the Company paid cash of \$1,500,000, issued 7,050,000 common shares and paid a finder’s fee with 629,836 common shares, with an aggregate value of \$2,958,641.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

The Coriorcco property is subject to a 1% net smelter royalty.

Additionally, as part of the amending agreement, the Company will pay \$190,000 (upon completion of registering the amended agreement with the Peruvian Public Registry, which had not occurred as at December 31, 2021 and will be required to pay up to \$850,000 (in cash or shares at the Company's option) based on the size of the mineral resource (in the measured and indicated category) that is established on the Coriorcco property in a technical report prepared in accordance with National Instrument 43-101 on the following conditions:

- \$350,000 if a measured and indicated resource of 500,000 to 999,999 ounces of gold is established;
- \$450,000 if a measured and indicated resource of 1,000,000 to 1,499,999 ounces of gold is established; or
- \$850,000 if a measured and indicated resource in excess of 1,500,000 ounces of gold is established

The Company is required to commence small scale mining by April 2022 with the option to extend a further twelve months to April 2023 by incurring \$200,000 in exploration expenditures.

EXPLORATION EXPENDITURES

| | | Ecuador | Peru | Other | Total |
|---|-----------|----------------|-------------------|--------------|-------------------|
| Geological consulting | \$ | - | \$ 228,549 | \$ - | \$ 228,549 |
| Concession payments | | 24,629 | 79,253 | - | 103,882 |
| Legal | | - | 11,607 | - | 11,607 |
| Other | | - | 85,428 | - | 85,428 |
| Ten months ended December 31, 2021 | \$ | 24,629 | \$ 404,837 | \$ - | \$ 429,466 |

| | | Ecuador | Peru | Other | Total |
|--|-----------|----------------|-------------------|---------------|-------------------|
| Geological consulting | \$ | 90,449 | \$ 327,893 | \$ 296 | \$ 418,638 |
| Concessions payments | | 24,719 | 53,009 | - | 77,728 |
| Other | | 140,549 | - | - | 140,549 |
| Twelve months ended February 28, 2021 | \$ | 255,717 | \$ 380,902 | \$ 296 | \$ 636,915 |

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

9. PROPERTY AND EQUIPMENT

| | Building and facilities | Machinery and equipment | Other equipment | Plant in construction | TOTAL |
|---|-------------------------------|-------------------------------|--------------------|--------------------------|---------------------|
| COST | | | | | |
| Balance, March 1, 2020 and February 28, 2021 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Acquisition of MMTP (note 5) | 100,469 | 532,119 | 193,064 | 2,638,650 | 3,464,302 |
| Additions | 15,615 | 248,719 | 6,613 | 1,692,470 | 1,963,417 |
| Foreign exchange | 5,257 | 36,119 | 8,934 | 97,072 | 147,382 |
| Balance, December 31, 2021 | \$ 121,341 | \$ 816,957 | \$ 208,611 | \$ 4,428,192 | \$ 5,575,101 |
| ACCUMULATED DEPRECIATION | | | | | |
| Balance, March 1, 2020 and February 28, 2021 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Depreciation | 3,065 | 106,068 | 24,684 | - | 133,817 |
| Foreign exchange | 63 | 5,291 | 1,231 | - | 6,585 |
| Balance, December 31, 2021 | \$ 3,128 | \$ 111,359 | \$ 25,915 | \$ - | \$ 140,402 |
| NET BOOK VALUE | | | | | |
| Balance, March 1, 2020 and February 28, 2021 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Balance, December 31, 2021 | \$ 118,213 | \$ 705,598 | \$ 182,696 | \$ 4,428,192 | \$ 5,434,699 |

10. LEASES

The Company's leases relates to equipment leases and an office lease in Peru.

A right of use assets of \$890,012 was also recognized as at December 31, 2021. Depreciation of right-to-use assets is calculated using the straight-line method over the remaining lease term.

a) Right-of-Use Asset

| | December 31, 2021 | February 28, 2021 | March 1, 2020 |
|--------------------|-------------------------|-------------------------|---------------------|
| Opening balance | \$ - | \$ - | - |
| Additions | 959,952 | - | - |
| Less: depreciation | (69,940) | - | - |
| | \$ 890,012 | \$ - | - |

b) Lease Obligations

Discounted lease obligation associated with the Company's lease obligation as at December 31, 2021:

| | December 31, 2021 | February 28, 2021 | March 1, 2020 |
|--|-------------------------|-------------------------|---------------------|
| Current | \$ 227,433 | \$ - | - |
| Long term | 551,469 | - | - |
| Total discounted lease obligation | \$ 778,902 | \$ - | - |

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

When measuring the lease liability, the Company discounted lease payments using its incremental borrowing rate of 15%.

Undiscounted lease obligation associated with the Company's lease obligation as at December 31, 2021:

| | December 31, 2021 | February 28, 2021 | March 1, 2020 |
|--|-------------------------|-------------------------|---------------------|
| Within a year | \$ 311,484 | \$ - | \$ - |
| Later than a year | 681,670 | - | - |
| Total undiscounted lease obligation | \$ 993,154 | \$ - | \$ - |

11. DEVELOPMENT PROPERTY

| | Total |
|---|----------------------|
| Opening balance, March 1, 2020 and February 28, 2021 | \$ - |
| Acquisition of MMTP (note 5) | 47,107,531 |
| Pre-production operations – revenue | (4,114,011) |
| Pre-production operations – COGS | 4,625,429 |
| Pre-production operations – general and administration | 2,329,119 |
| Pre-production operations – other operating cost | 2,491,280 |
| Pre-production operations – amortization | 133,817 |
| ARO reversal | (1,169,755) |
| As at December 31, 2021 | \$ 51,403,410 |

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities at December 31, 2021 was \$219,833 (February 28, 2021 - \$1,971, March 1, 2020 - \$298,610) due to related parties (note 17).

13. DEBENTURES

| | December 31, 2021 | February 28, 2021 | March 1, 2020 |
|------------------------|-------------------------|-------------------------|---------------------|
| Peru S.A.C. (i) | \$ 1,152,470 | \$ - | \$ - |
| Blanco SAFI S.A.C (ii) | 370,941 | - | - |
| Herr – Glass (iii) | 107,075 | - | - |
| Other | 1,352 | - | - |
| | \$ 1,631,838 | \$ - | \$ - |

- i) The loan bears an interest of 5.5% + Libor per annum, and was due as at December 31, 2021.
- ii) The loan bears an interest of 1.5% monthly. The loan matures on December 9, 2022.
- iii) The loan bears an interest of 5% per annum with a private lender, and was due as at December 31, 2021.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

14. CONVERTIBLE DEBENTURE

| | Total |
|---|---------------------|
| Opening balance, March 1, 2020 and February 28, 2021 | \$ - |
| Acquisition of MMTP (note 5) | 5,000,000 |
| Reclassification – equity portion | (153,065) |
| Conversion to common shares | (1,000,000) |
| Accretion and interests | 281,929 |
| As at December 31, 2021 | \$ 4,128,864 |

On June 23, 2021, the Company acquired a convertible debenture from the business combination with MMTP (note 5). The debenture is with Baker Steel. The convertible debenture bears a 10% interest rate and is convertible in whole or in part at any time up to and including the maturity date of June 30, 2022 into common shares of the Company at \$0.4677 per share.

On inception, the Company allocated the total proceeds received between liability and equity component of the convertible debenture using the residual method, based on a discount rate of 14.24%.

15. ASSET RETIREMENT OBLIGATION

| | Total |
|---|---------------------|
| Opening balance, March 1, 2020 and February 28, 2021 | \$ - |
| Acquisition of MMTP (note 5) | 3,234,124 |
| Revaluation | (1,169,755) |
| Foreign exchange and other | (379,568) |
| Ending balance, December 31, 2021 | \$ 1,684,801 |

The Company included a provision for the future cost of remediation of the development property. The carrying balance represents the present value of the remediation cost which are expected to be incurred from 2030 to 2035. The provision has been determined based on a third-party plan commissioned by the Company and approved by the Peruvian Directorate General of Mining Environmental Affairs of the Ministry of Energy and Mines.

16. SHARE CAPITAL AND RESERVES

The Company is authorized to issue an unlimited number of common shares without par value.

Current period ended December 31, 2021

- a) On June 23, 2021, the Company completed the acquisition of all the issued ordinary shares of MMTP in exchange for 42,969,046 common shares of the Company valued at \$24,131,030 (the "Transaction") (note 5). The Company also issued a finder's fee of 1,250,000 common shares valued at \$689,914 and issued 316,848 share purchase warrants valued at \$59,285 to an arm's-length third party.
- b) Concurrent with the Transaction, pursuant to a private placement financing completed on April 16, 2021, 23,649,286 subscription receipts were converted into 23,649,286 common shares of the Company and the related escrowed proceeds were released to the Company. Gross proceeds received was \$11,350,239 with share issuance cost of \$1,280,316 (non-cash portion was \$406,678), resulting in net proceeds of \$10,476,601.
- c) On August 18, 2021, 593,536 common shares were issued for the settlement of approximately \$197,830 of accrued interest (up to June 30, 2021) on the \$4,000,000 Baker Steel debenture.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

- d) On September 1, 2021, 200,000 common shares were issued in relation to the exercise of options with an exercise price of C\$0.27 for total proceeds of \$43,194.
- e) On November 2, 2021, 875,000 common shares were issued in relation to the vesting of RSUs.
- f) On November 8, 2021, the Company issued 5,296,882 common shares for the settlement of \$1,000,000 debt, accrued interest and arrangement fees with a combined value of \$1,336,653. The common shares were issued at a deemed price of C\$0.315 per share to Baker Steel.
- g) On November 18, 2021, 50,000 common shares were issued in relation to the exercise of options with an exercise price of C\$0.27 for total proceeds of \$10,799.
- h) For the ten months period ended, the Company issued 4,117,100 common shares from warrants exercised. Total proceeds received were \$1,152,644.

Prior period ended February 28, 2021

- i) Issued 2,262,984 shares on the exercise of warrants for the total proceeds of \$353,953, of which \$30,174 was collected in the prior year ended February 29, 2020.
- j) On June 11, 2020, issued 6,000,000 common shares to acquire the Julian Property (note 8).
- k) On June 11, 2020, completed a private placement of 7,500,000 units of the Company at a price of C\$0.20 per unit for gross proceeds of \$1,089,615. Each unit consisted of one common share and one-half of one common share purchase warrant (3,750,000 warrants issued) with each whole warrant being exercisable by the holder to purchase one additional common share at a price of C\$0.35 per common share. These warrants expire on June 11, 2021. Total cash transaction cost was \$90,925, resulting in net proceeds of \$998,691.

The Company also issued 523,350 broker warrants as with the same terms of the unit. The broker warrants were valued at \$20,325 using the Black-Scholes valuation model with the following assumptions: expected life of 1 year, expected stock price volatility 91.52%, dividend yield of 0%, risk free interest rate 0.27%, and the fair value of common shares at date of grant C\$0.23.

- l) On October 7, 2020, completed a private placement of 15,243,891 common shares at C\$0.41 per common share for gross proceeds of \$4,540,065. The Company paid finders fees of \$110,551 to eligible finders in connection with the private placement. The Company also paid direct transaction costs of \$22,396.
- m) On October 7, 2020, issued 7,679,836 common shares to acquire the option rights on the Coriorcco and Las Antas properties (note 8).

Warrants

The continuity of warrants for the years presented are as follows:

| | Number of warrants | Weighted average exercise price |
|--|---------------------------|--|
| Outstanding warrants, February 29, 2020 | 2,106,734 | C\$0.20 |
| Granted | 4,273,350 | C\$0.35 |
| Exercised | (2,262,984) | C\$0.21 |
| Outstanding warrants, February 28, 2021 | 4,117,100 | C\$0.35 |
| Granted | 1,783,756 | C\$0.61 |
| Exercised | (4,117,100) | C\$0.35 |
| Outstanding warrants, December 31, 2021 | 1,783,756 | C\$0.61 |

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

As at December 31, 2021, warrants enabling the holders to acquire common shares are as follows:

| Expiry date | Number of warrants | Weighted average remaining life in years | Weighted average exercise price |
|--------------------|---------------------------|---|--|
| December 29, 2022 | 316,848 | 0.99 | C\$0.665 |
| June 23, 2023 | 1,466,908 | 1.48 | C\$0.60 |
| | 1,783,756 | 1.39 | C\$0.61 |

As at February 28, 2021, warrants enabling the holders to acquire common shares are as follows:

| Expiry date | Number of warrants | Weighted average remaining life in years | Weighted average exercise price |
|--------------------|---------------------------|---|--|
| June 11, 2021 | 4,117,100 | 0.28 | C\$0.35 |
| | 4,117,100 | 0.28 | C\$0.35 |

On June 23, 2021, in connection with the completion of the Transaction, the Company assumed the obligations of MMTP and issued 316,848 warrants pursuant to existing MMTP finder's warrants, which are exercisable at C\$0.665 per share at any time prior to December 29, 2022. The fair value of the warrants were estimated at \$59,285. The Company used the Black-Scholes pricing model to establish the fair value of the warrants by applying the following assumptions:

| | |
|---------------------------------|-----------|
| Expected stock price volatility | 69.4% |
| Expected life of warrants | 1.5 years |
| Risk free interest rate | 0.42% |
| Expected dividend yield | 0% |
| Exercise price | C\$0.665 |

In addition, the Company issued 1,466,908 broker warrants to the agents of the private placement financing. Each broker warrant is exercisable at C\$0.60 per share at any time prior to June 23, 2023. The fair value of the broker warrants were estimated at \$406,678. The Company used the Black-Scholes pricing model to establish the fair value of the broker warrants by applying the following assumptions:

| | |
|---------------------------------|-----------|
| Expected stock price volatility | 87.2% |
| Expected life of warrants | 2.0 years |
| Risk free interest rate | 0.42% |
| Expected dividend yield | 0% |
| Exercise price | C\$0.60 |

Options

Option Plan

The Company has a share purchase option plan ("the Plan"), which allows the Company to issue options to directors, officers, employees, and consultants of the Company. The maximum aggregate number of securities reserved for issuance is 10% of the number of common shares issued and outstanding. Options granted under the Plan may have a maximum term of ten years. Vesting restrictions may be imposed at the discretion of the directors.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Share Purchase Options

The continuity of share purchase options for the years presented is as follows:

| | Number of options | Weighted average exercise price |
|---|--------------------------|--|
| Outstanding options, February 29, 2020 | 39,625 | C\$7.41 |
| Granted | 2,575,000 | C\$0.38 |
| Cancelled | (84,625) | C\$2.73 |
| Expired | (5,000) | C\$15.20 |
| Outstanding options, February 28, 2021 | 2,525,000 | C\$0.38 |
| Granted | 6,975,000 | C\$0.60 |
| Exercised | (250,000) | C\$0.27 |
| Cancelled | (150,000) | C\$0.27 |
| Outstanding options, December 31, 2021 | 9,100,000 | C\$0.55 |

As at December 31, 2021, options enabling the holders to acquire common shares are as follows:

| Expiry date | Number of options | Number of vested options | Weighted average remaining life in years | Weighted average exercise price |
|--------------------|--------------------------|---------------------------------|---|--|
| June 24, 2025 | 1,450,000 | 1,450,000 | 3.48 | C\$0.27 |
| November 2, 2025 | 675,000 | 675,000 | 3.84 | C\$0.70 |
| June 21, 2026 | 4,500,000 | 4,500,000 | 4.47 | C\$0.60 |
| August 23, 2026 | 2,475,000 | 1,237,500 | 4.65 | C\$0.60 |
| | 9,100,000 | 7,862,500 | 4.32 | C\$0.55 |

As at February 28, 2021, options enabling the holders to acquire common shares are as follows:

| Expiry date | Number of options | Number of vested options | Weighted average remaining life in years | Weighted average exercise price |
|--------------------|--------------------------|---------------------------------|---|--|
| June 24, 2025 | 1,850,000 | 1,337,500 | 4.32 | C\$0.27 |
| November 2, 2025 | 675,000 | 337,500 | 4.68 | C\$0.70 |
| | 2,525,000 | 1,675,000 | 4.42 | C\$0.38 |

On June 21, 2021, the Company granted 4,500,000 stock options with an exercise price of C\$0.60 to the Company's management, directors and service providers. The options vested immediately upon grant. The fair value of the options were estimated at \$2,418,947 on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

| | |
|---------------------------------|-----------|
| Expected stock price volatility | 234% |
| Expected life of options | 5.0 years |
| Risk free interest rate | 0.97% |
| Expected dividend yield | 0% |
| Exercise price | C\$0.60 |

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

On August 23, 2021, the Company granted 2,475,000 stock options with an exercise price of C\$0.60 to the Company's management, directors and service providers. The options have a 12-month vesting provision. The fair value of the options were estimated at \$710,150 on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

| | |
|---------------------------------|-----------|
| Expected stock price volatility | 230% |
| Expected life of options | 5.0 years |
| Risk free interest rate | 0.82% |
| Expected dividend yield | 0% |
| Exercise price | C\$0.60 |

For the ten months ended December 31, 2021, the share-based compensation expense related to options was \$3,168,341 (Feb 28, 2021 - \$731,702).

Restricted Share Units ("RSU")

On July 8, 2020, the Company adopted the RSU Plan. The RSU Plan is a fixed plan which reserves for issuance of maximum of 2,000,000 common shares. RSUs issued are to be settled through common shares only.

On November 2, 2020, 1,750,000 restricted share units ("RSUs") were awarded to officers and directors pursuant to the Company's restricted share unit plan. 50% of the RSUs vest on November 2, 2021 and the remaining 50% on November 2, 2022.

On November 2, 2021, 875,000 common shares were issued in relation to the vesting of RSUs.

As at December 31, 2021, there were 875,000 RSUs outstanding (February 28, 2021 – 1,750,000)

For the ten months ended December 31, 2021, share-based compensation expense related to RSUs was \$552,260 (February 28, 2021 – \$233,021).

There were no RSUs granted for the ten months ended December 31, 2021.

17. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the ten months ended December 31, 2021 and twelve months ended February 28, 2021, consist of directors, officers and the following companies with common directors:

| Related party | Nature of transactions |
|--|-------------------------------------|
| J Dare Consulting Ltd. (Director) | Director fees |
| Roma Capital Corp. (Director, Officer) | Consulting fees |
| JR Management Corp. (Director) | Consulting fees |
| A15 Capital Corp. (Director, Officer) | Consulting fees |
| Vista Gold S.A.C. (Director, Officer) | Exploration and evaluation expenses |
| Vihren Management LTD. (Director, Officer) | Consulting fees |
| Ordago Ou (Director, Officer) | Consulting fees |
| Oscrow Capital Pty Ltd. (Director) | Director fees |
| Green Oil S.A. (Director) | Consulting fees |

As at December 31, 2021, the Company had \$219,833 outstanding in accounts payables and accrued liabilities (February 28, 2021 - \$1,971, March 1, 2020 - \$298,610) associated with related parties (note 12).

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

i) Key Management Compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of the Company, and include certain directors and officers. Key management compensation, including amounts discussed above, is comprised of:

| | | Ten months ended December 31, 2021 | | Twelve months ended February 28, 2021 |
|-------------------------------------|----|---|----|--|
| Salaries and benefits | \$ | 82,647 | \$ | 100,552 |
| Consulting fees | | 353,512 | | 341,473 |
| Exploration and evaluation expenses | | 94,552 | | - |
| Directors' fees | | 23,170 | | 22,507 |
| Share based payment | | 2,688,427 | | 383,274 |
| | \$ | 3,242,308 | \$ | 847,806 |

18. SEGMENTED INFORMATION

The Company operates in a two reportable operating segment, being the exploration and development of mineral properties. For the ten months ended December 31, 2021, the mineral property interests are located in Ecuador and Peru.

| | Canada – Corporate | Ecuador and other | Peru | Total |
|--|-------------------------------|------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 2,583,712 | \$ - | \$ 1,922,176 | \$ 4,505,888 |
| Inventory | - | - | 331,986 | 331,986 |
| Receivables | 76,082 | - | 2,648,964 | 2,725,046 |
| Prepaid | 246,075 | - | 225,690 | 471,765 |
| Current assets | 2,905,869 | - | 5,128,816 | 8,034,685 |
| Exploration and evaluation assets | - | 1,162,688 | 4,723,660 | 5,886,348 |
| Development property | - | - | 51,403,410 | 51,403,410 |
| ROU assets | - | - | 890,012 | 890,012 |
| Equipment | - | - | 5,434,699 | 5,643,699 |
| Receivable – non current | - | - | 680,739 | 680,739 |
| Total assets | 2,905,869 | 1,162,688 | 68,261,336 | 72,329,893 |
| Net loss – ten months ended December 31, 2021 | \$(7,237,274) | \$ (24,629) | \$(2,488,503) | \$(9,750,406) |

| | Canada – Corporate | Ecuador and other | Peru | Total |
|---|-------------------------------|------------------------------|---------------------|----------------------|
| February 28, 2021 | | | | |
| Cash and cash equivalents | \$ 1,196,007 | \$ - | \$ - | \$ 1,196,007 |
| Inventory | - | - | - | - |
| Receivables | 9,756 | - | - | 9,756 |
| Prepaid | 156,974 | - | - | 156,974 |
| Current assets | 1,362,737 | - | - | 1,362,737 |
| Exploration and evaluation assets | | 1,163,816 | 4,728,240 | 5,892,056 |
| Total assets | 1,362,737 | 1,163,816 | 4,728,240 | 7,254,793 |
| Net loss – twelve months ended February 28, 2021 | \$(3,177,245) | \$ (255,717) | \$ (380,902) | \$(3,813,864) |

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and other receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash invested in asset-based commercial paper.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Commodity Price Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other market prices. Management closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Foreign Currency Risk

The Company's operations in Canada, Peru, Ecuador and the United States creates exposure to foreign currency fluctuation. Some of the Company's operating expenditures are incurred in Peruvian SOL or Canadian Dollar, and the fluctuation of foreign currencies with the US dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's financial assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

The Company's financial assets and liabilities in various currencies as at December 31, 2021 are set out in the following table:

| December 31, 2021 | Canadian Dollar | US Dollar | Peruvian SOL | Total |
|--------------------------------|------------------------|-----------------------|------------------------|------------------------|
| Cash and cash equivalents | \$ 3,873,221 | \$ 384,529 | \$ 248,138 | \$ 4,505,888 |
| Receivables | 76,082 | | 2,648,964 | 2,725,046 |
| | 3,949,303 | 384,529 | 2,897,102 | 7,230,734 |
| Accounts payables and accruals | (388,633) | - | (11,253,340) | (11,641,973) |
| Lease | | | (778,902) | (778,902) |
| Convertible debenture | - | (4,128,864) | - | (4,128,864) |
| Debenture | - | | (1,631,838) | (1,631,838) |
| Net asset (liabilities) | \$ 3,560,670 | \$ (3,744,335) | \$ (10,766,978) | \$ (10,950,843) |

The Company's financial assets and liabilities in various currencies as at February 28, 2021 are set out in the following table:

| February 28, 2021 | Canadian Dollar | US Dollar | Peruvian SOL | Total |
|--------------------------------|------------------------|------------------|---------------------|-------------------|
| Cash and cash equivalents | \$ 1,160,649 | \$ 35,358 | \$ - | \$ 1,196,007 |
| Receivables | 9,756 | - | - | 9,756 |
| | 1,170,405 | 35,358 | - | 1,205,763 |
| Accounts payables and accruals | (264,788) | - | - | (264,788) |
| Net asset (liabilities) | \$ 905,617 | \$ 35,358 | \$ - | \$ 940,975 |

The Company's financial assets and liabilities in various currencies as at March 1, 2020 are set out in the following table:

| March 1, 2020 | Canadian Dollar | US Dollar | Peruvian SOL | Total |
|--------------------------------|------------------------|------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 34,886 | \$ - | \$ - | \$ 34,886 |
| Receivables | 9,205 | - | - | 9,205 |
| | 44,091 | - | - | 44,091 |
| Accounts payables and accruals | (490,213) | - | - | (490,213) |
| Net asset (liabilities) | \$ (446,122) | \$ - | \$ - | \$ (446,122) |

The Company's reported results will be affected by fluctuations in the Canadian dollar to US Dollar and Peruvian SOL to US Dollar exchange rate. As at December 31, 2021, a 10% appreciation of the Canadian Dollar relative to the US Dollars would have decreased net financial assets by approximately \$350,000 (February 28, 2021 - \$90,000, March 1, 2020 - \$(45,000)). A 10% depreciation of the US Dollar relative to the Canadian Dollar would have had the equal but opposite effect. A 10% appreciation of the US Dollar relative to the Peruvian SOL would have decreased net financial assets by approximately \$1,000,000 (February 28, 2021 - \$nil, March 1, 2020 - \$nil) and a 10% depreciation of the Peruvian SOL would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Interest Rate Risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As at December 31, 2021 and February 28, 2021, an 1% change in market interest rates would result in no material change in value of the assets or liabilities of the Company.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, currency risk, or equity price risk. The Company is not exposed to any other price risk.

Determination of Fair Value

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, receivables, accounts payable and accrued liabilities and due to related parties' approximate fair values due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

20. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to advance its mineral property and pursue growth opportunities. The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties.

The property in which the Company currently has an interest is in the exploration and development stage; as such, the Company is dependent on external financing to fund its activities. In order to pay for limited property care and maintenance and general administrative costs, the Company will spend its existing capital resources. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, investments, common shares, and stock options as capital. There have been no changes to the Company's approach to capital management during the ten months ended December 31, 2021. The Company's investment policy is to hold cash in interest-bearing bank accounts or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

The Company does not expect its current capital resources to be sufficient to cover its operating costs through the next twelve months and as such, will need to obtain additional capital resources. Actual funding requirements may vary from those previously planned due to a number of factors, including the progress of the Company's business activities and economic condition.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities for the ten months ended December 31, 2021 and twelve months ended February 28, 2021 are as follows:

| | | Ten months ended December 31, 2021 | Twelve months ended February 28, 2021 |
|--|----|---|--|
| Right-of-use assets and lease liabilities recognized | \$ | 959,952 | \$ - |
| Income from exploration and evaluation assets | | - | 20,864 |
| Vesting of RSUs | | 503,937 | - |
| Revaluation of asset retirement obligations | | 1,169,755 | - |
| Equity portion of convertible debenture | | 153,065 | - |
| Shares issued – shares for debt | | 1,534,483 | - |
| Shares issued – Ecuador | | - | 1,042,436 |
| Shares issued – Peru | | - | 2,958,641 |
| Shares issued for obligation | | - | 30,174 |

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

22. CHANGE IN PRESENTATION CURRENCY

For comparative purposes, the consolidated statements of financial position as at March 1, 2020 and February 28, 2021 includes adjustments to reflect the change in the accounting policy resulting from the change in presentation to the U.S. Dollar. The amounts previously reported in Canadian Dollars as shown below have been translated into U.S. Dollars at March 1, 2020 and February 28, 2021 exchange rates (Note 2). The effect of the translation is as follows:

As at March 1, 2020

| | Previously Reported (CAD \$) | Translated (USD \$) |
|--------------------------|---|--------------------------------|
| Current Assets | \$ 62,300 | \$ 46,392 |
| Non-current Assets | 2,354 | 1,753 |
| Total Assets | \$ 64,654 | \$ 48,145 |
| Current Liabilities | \$ 658,306 | \$ 490,213 |
| Non-current Liabilities | - | - |
| Total Liabilities | \$ 658,306 | \$ 490,213 |

As at February 28, 2021

| | Previously Reported (CAD \$) | Translated (USD \$) |
|--------------------------|---|--------------------------------|
| Current Assets | \$ 1,728,632 | \$ 1,362,737 |
| Non-current Assets | 7,474,073 | 5,892,056 |
| Total Assets | \$ 9,202,705 | \$ 7,254,793 |
| Current Liabilities | \$ 335,884 | \$ 264,788 |
| Non-current Liabilities | - | - |
| Total Liabilities | \$ 335,884 | \$ 264,788 |

For comparative purposes, the consolidated statements of loss and comprehensive loss for the three and six months ended August 31, 2020 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to the U.S Dollar. The amounts previously reported in Canadian Dollars as shown below have been translated into U.S. Dollars at the average exchange rate for the period. The effect of the translation is as follows:

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

Twelve months ended February 28, 2021

| | Twelve months ended February 28, 2021 | |
|--|--|--------------------------------|
| | Previously Reported (CAD \$) | Translated (USD \$) |
| Exploration expenditures | \$ (798,982) | \$ (616,051) |
| General and administrative expenses | (4,170,394) | (3,190,278) |
| Loss before undernoted items | (4,969,376) | (3,806,328) |
| Other items | (9,530) | (7,535) |
| Net loss for the period | \$ (4,978,906) | \$ (3,813,864) |
| (Loss) gain on translation of foreign operations | - | 326,677 |
| Comprehensive loss for the period | \$ (4,978,906) | \$ (3,487,187) |

23. TAX PROVISION

A reconciliation of income taxes computed at Canadian statutory rates to the reported income taxes is provided as follows:

| | Ten months ended December 31, 2021 | Twelve months ended February 28, 2021 |
|---|---|--|
| Loss for the year | \$ (9,750,409) | \$ (3,813,864) |
| Canadian statutory tax rate | 27.00% | 27.00% |
| Income tax recovery computed at statutory rates | (2,633,000) | (1,030,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | 628,000 | - |
| Permanent differences | 1,337,000 | 460,000 |
| Share issue costs | (233,000) | (64,000) |
| Adjustments to prior years provision versus | - | (233,000) |
| Unused tax losses and tax offsets | 535,000 | 867,000 |
| | \$ (366,000) | \$ - |

The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as computed for income tax purposes gives rise to deferred tax assets and liabilities as follows:

| | December 31, 2021 | February 28, 2021 |
|----------------------------|------------------------------|------------------------------|
| Development property | \$ (12,457,000) | \$ - |
| Property and equipment | 15,000 | - |
| Non-capital loss and other | 2,895,708 | - |
| | \$ (9,546,292) | \$ - |

SILVER X MINING CORP. (formerly ORO X MINING CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ten months ended December 31, 2021 and twelve months ended February 28, 2021
(Expressed in US Dollars)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

| | December 31, 2021 | February 28, 2021 |
|---|------------------------------|------------------------------|
| Non-capital losses | \$ 14,289,000 | \$ 9,495,000 |
| Capital loss | 1,384,000 | 1,378,000 |
| Exploration and evaluation assets | 264,000 | 264,000 |
| Share issue costs | 874,000 | 197,000 |
| Property and equipment | 63,000 | 63,000 |
| Asset retirement obligation | 1,685,000 | - |
| Unrecognized future deductible amounts | \$ 18,559,000 | \$ 11,397,000 |

The Company's unrecognized unused non-capital losses have the following expiry dates:

| | Canada | US | Peru | Total |
|-----------|----------------------|---------------------|---------------------|----------------------|
| 2030 | \$ 235,296 | \$ - | \$ - | 235,296 |
| 2031 | 553,209 | - | - | 553,209 |
| 2032 | 595,081 | - | - | 595,081 |
| 2033 | 712,823 | - | - | 712,823 |
| 2034 | 1,101,914 | - | - | 1,101,914 |
| 2035 | 485,599 | 655,013 | - | 1,140,612 |
| 2036 | 457,126 | 1,101,065 | - | 1,558,191 |
| 2037 | 296,184 | - | - | 296,184 |
| 2038 | 316,790 | 94,383 | - | 411,173 |
| 2039 | 296,238 | 15,118 | - | 311,356 |
| 2040 | 244,075 | 47,926 | - | 292,001 |
| 2041 | 2,320,525 | - | - | 2,320,525 |
| 2042 | 2,907,331 | 60 | - | 2,907,391 |
| No expiry | - | - | 9,932,103 | 9,932,103 |
| | \$ 10,522,191 | \$ 1,913,565 | \$ 9,932,103 | \$ 22,367,859 |

24. SUBSEQUENT EVENTS

- a) On January 24, 2022, the Company issued 780,250 common shares for the settlement of US\$200,000 (C\$249,680) of accrued interest on the US\$4 million unsecured convertible debenture. The common shares were issued at a deemed price of C\$0.32 per share to Baker Steel.
- b) On April 18, 2022, the Company signed a debt settlement agreement with Baker Steel for the settlement of US\$4,198,356 (CAD\$5,285,310) of accrued interest, prepayment fee and principal on the \$4 million unsecured convertible debenture with the subscription of 17,617,701 common shares. The common shares will be issued at a deemed price of C\$0.30 when final approval from the exchange is received.



SILVER X MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the ten months ended December 31, 2021 and twelve
months ended February 28, 2021

This Management's Discussion and Analysis ("MD&A") supplements but does not form part of the audited consolidated financial statements of Silver X Mining Corp. (the "Company" or "Silver X") for the ten months ended December 31, 2021. The following information, prepared as of May 25, 2022, should be read in conjunction with the Company's audited consolidated financial statements for the ten months ended December 31, 2021 and the related notes contained therein.

The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in US dollars unless otherwise indicated.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

| | |
|--|-----------------|
| CORPORATE OVERVIEW..... | 2 |
| SILVER X AND LATITUDE SILVER TRANSACTION..... | 2 |
| <u>PROJECTS:</u> | |
| <i>NUEVA RECUPERADA (PERU).....</i> | <i>2</i> |
| <i>CORIORCCO GOLD PROJECT (PERU)</i> | <i>4</i> |
| <i>LAS ANTAS GOLD PROJECT (PERU).....</i> | <i>5</i> |
| <i>JULIAN PROPERTY (ECUADOR).....</i> | <i>6</i> |
| SELECTED FINANCIAL INFORMATION..... | 7 |
| QUARTERLY RESULTS..... | 8 |
| LIQUIDITY AND CAPITAL RESOURCES..... | 9 |
| RELATED PARTY TRANSACTIONS..... | 9 |
| SHAREHOLDER'S EQUITY | 10 |
| SUBSEQUENT EVENTS | 11 |
| RISKS AND UNCERTAINTIES..... | 11 |
| FORWARD LOOKING STATEMENTS..... | 13 |
| QUALIFIED PERSON..... | 13 |

CORPORATE OVERVIEW

The Company is a Vancouver-based resource company. The Company offers diverse commodity exposure, including silver, gold, lead and zinc opportunities for further growth through regional consolidation.

On June 18, 2021, the Company changed its name to “Silver X Mining Corp.” and its trading symbol to “AGX”.

The Company’s shares trade on the TSX Venture Exchange (the “TSXV”).

SILVER X AND LATITUDE SILVER TRANSACTION

On June 23, 2021, the Company and Mines and Metals Trading (Peru) PLC (“MMTP”, also commercially known as “Latitude Silver”) announced they have closed their previously announced business combination agreement (the “Transaction”).

Pursuant to the terms of the Business Combination Agreement, Silver X acquired all of the MMTP common shares (the “MMTP Shares”) as part of a merger of equals. Each MMTP Share was exchanged for 28.828 (the “Exchange Ratio”) common shares of Silver X (a “Silver X Share”), resulting in an aggregate of approximately 42,969,000 Silver X Shares issued to the MMTP shareholders pursuant to the Transaction.

As part of the closing of the Transaction, the Company issued 23,649,286 subscription receipts of MMTP Finco Inc. (“Finco”), a wholly-owned subsidiary of Latitude Silver, which were issued pursuant to a private placement financing completed on April 16, 2021, each converted into one common share of Finco (the “Finco Shares”). In connection with closing the Transaction, the Company issued 23,649,286 Silver X Shares in exchange for the Finco Shares and the net proceeds of the financing of \$10,647,512 were released to Silver X.

NUEVA RECUPERADA, PERU

Overview

Silver X’s district-sized Nueva Recuperada Project lies in the heart of Peru’s premier silver-lead-zinc belt. The 20,472 hectare project was assembled through acquisitions from major silver producers such as Compañía de Minas Buenaventura SAA (NYSE: BVN) and Pan American Silver (TSX: PAAS). The project includes: (i) the Tangana mining unit (“Tangana”), currently a 600 Tpd precious and base-metal operation recently upgraded to 720 Tpd that is in the northern portion of the project. It is comprised of 100 plus veins spanning an area of more than 65 square kms, and (ii) the Esperanza (also referred to as Plata) mining unit, a grouping of historic silver-polymetallic veins, with significant exploration upside in the southern portion of the project. It is comprised of 200 plus veins often with intense anatexis, spanning an area of more than 70 square kms. The Nueva Recuperada project has an estimated 7,324,000 tonnes of inferred resources at grades of 130.32 g/T Ag, 3.17% Pb/T, 2.04% Zn/T and includes a 720 Tpd, fully permitted, fully operational processing facility that started development underground and processing mineralization in 2019.

Tangana Mine – Silver, Gold, Lead & Zinc

The Tangana mine was built in 2021 by Silver X on the Tangana 1 and 2 veins and is currently producing an average of over 500 Tpd of ore from development on the Tangana 1 vein, which is just one of dozens of veins in the Tangana mining unit. The Tangana 1 vein is part of the extensive Tangana vein system which hosts an estimated inferred resource of 4,840,015 tonnes grading 116.33 g/T Ag, 3.35% Pb and 1.63% Zn. Production infrastructure development at Tangana 1 is being optimized by the recently completed 4,000-metre infill drill programme.

Polymetallic vein resources at the Tangana mining unit are hosted in both igneous-volcanic and sedimentary rocks. The Tangana mine and its veins are in a large zone of andesitic volcanics and domes that hosts the majority of the Tangana mining unit’s identified resources (1+ metre average width veins). The Tangana vein mineralization is of epithermal character grading into mesothermal at depth, of low to intermediate sulphidation mineralizing events. Silver X plans to develop in the near term a number of supporting mine infrastructures to access other nearby high

grade structures in the Tangana mine area including the Cauca, Morlupo and Tangana 2 veins.

The San Antonio vein in its southeastern half is primarily hosted in carbonate formations and is of moderate to thick widths (2 to 10 metres, at a 4 meter average width) of mineralized vein breccia with minor carbonate replacement. This mineralization has been mined since 2019. To the northwest the San Antonio vein is hosted by andesitic volcanics and domes and has an average width on surface of 1.4 metres.

The Positivas vein system is an area of 2.5 by kms long by 200 metres wide of several tensional veins in a wrench zone with dilation. The epithermal veins in volcanic and sedimentary rocks range from 0.3 to 3 m wide and are currently being developed by two small contactors.

The 21-hole, 4,000-metre Phase 1 underground infill drilling programme referred to above is the Phase One programme focused on upgrading and expanding the Company's reported 7.3 MT inferred overall resource.

Preliminary analysis of this drilling along with channel sampling results from Tangana indicate that potentially economic mineralization appears to extend by an additional 220 metres horizontally and 200 metres deeper into what is interpreted as a previously unexplored, open-ended, resource extension.

In addition, the recently completed infill drill programme at Tangana is expected to:

- 1) Demonstrate the continuity of the mineralized structures;
- 2) Improve the Company's geological understanding of mineralization potential;
- 3) Outline new prospective horizons at depth and along strike within the Tangana deposit.

Apart from diamond drilling and development channel sampling, exploration activity at Tangana has included geological mapping, surface channel sampling, geochemical and spectral sampling. These exploration activities have verified the majority of the historical data for the Tangana mining unit, a validation which as well has occurred at the Maria Luz, Pucapunta and Blenda Rubia mining units. This, along with previously reported data, suggest that the Nueva Recuperada project hosts multiple silver-polymetallic exploration targets with near-term potential for resource upgrades and production at a district scale which will be confirmed later this year with an updated NI-43-101 Technical Report.

This recent exploration campaign has focused on improving the geological understanding of Tangana 1 and Cauca veins and, in August and September 2021, Silver X announced positive diamond drilling and channel sampling results along the Tangana 1 vein. It is noteworthy that drilling intersected gold mineralization as well as and including 928.13 g/T AgEq over 1.38 metres in DDH-TN-2021-003 and 631.71 g/T AgEq over 0.92 metres in DDH-TN-2021-004*. Subsequent channel sampling intersected significant gold mineralization, in addition to polymetallic grades up to 1,675 g/T Ag over 0.95 metres, 7.37% Pb over 0.60 metres, and 6.75% Zn over 0.80 metres. Together these results expanded the extent of known mineralization by 200 metres vertically and 130 metres horizontally. * *AgEq based on USD \$1,786/oz Au, \$23.68/oz Ag, \$1.0703/lb Pb, \$1.3827/lb Zn and does not consider metallurgical recovery.*

In September, 2021 the Company acquired the adjacent 250-hectare Tangana West silver project that hosts high-grade silver-polymetallic veins that outcrop at surface. The Tangana West structure extends 1.3 kilometres along strike and, based on field observations of the new claims, is interpreted to be vertically continuous for over 500 metres. Silver X now controls more than 3.0 kilometres of the Tangana silver-polymetallic mineralized system (Tangana and Tangana West) which has an average vein thickness of 1.05 metres.

Esperanza (Plata) – Silver, Lead & Zinc

Esperanza was the last historical operation to close in the project and hosts an estimated 85,226 tonne inferred resource grading 256.60 g/T Ag, 2.94% Pb and 4.84% Zn. There is an abundance of mineralized veins and geological evidence for both intermediate and high sulphidation alteration and mineralization. Historical drilling and recent surface mapping provide strong evidence for significant exploration upside.

Maria Luz – Silver

Maria Luz hosts a reported 195,159 tonne inferred resource grading 496.10 g/T Ag, 0.21% Pb and 0.34% Zn. The Company has conducted a bulk sampling programme in 2021 and also plans to drill this silver rich epithermal vein system in the second half of 2022.

25,000 Metre Phase 2 Resource Expansion and Definition Drill Programme

Based on the recent Phase One drill results and surface exploration at Nueva Recuperada, Silver X has commenced a Phase Two drill programme comprised of 9,000 metres of underground drilling employing two rigs and 6,000 metres drilled from surface across known silver-polymetallic and other newly identified greenfield targets.

Based on Phase Two drilling results being successful an additional 10,000 metres of both underground at surface drilling will be scheduled, for a total of 25,000 metres of drilling and a total budget in excess of \$5.0 million.

Recent exploration has confirmed the presence of new polymetallic veins and identified carbonate manto-type replacements, skarns and mineralized porphyries on the concessions. Preliminary field data supports the highly prospective nature of these new target areas and will be announced separately in the second or third quarter.

The focus of the Phase Two program is upgrading existing resources as well as identifying resource extensions on the three most advanced targets at Tangana, Esperanza and Maria Luz. All in all, the expanded Phase Two diamond drill programme will target:

- **Tangana:** Resource upgrading and evaluation of the Tangana, Cauca, Las Animas, Estrella and Morlupo veins (already underway).
- **Esperanza (Plata) :** Infill drilling and historical data validation starting H1 2022.

Environmental and Social Impact Assessment Update

Silver X began updating the Environmental and Social Impact Assessment (ESIA) for its Nueva Recuperada Project to expand operations. Nueva Recuperada currently operates within the medium size mining regime (350 Tpd to 5,000 Tpd) and is seeking to expand its permitted capacity to 2,500 Tpd. The ESIA is a key component of a comprehensive environmental and social permitting process covering both of the wholly owned Tangana and Esperanza silver-polymetallic mining units. The assessment also covers the associated mining infrastructure and existing tailings facility for a total study area of 4,900 hectares. Key components of the updated ESIA include an expansion of production capacity at the Company's mineral processing plant to 2,500 Tpd from the current 720 Tpd and a new 8,000,000 m³ capacity tailings storage facility with a goal to expand silver production at Nueva Recuperada to 5 Moz Ag.

Expanded Processing Plant Capacity

On October 20, 2021 the Company secured the environmental permit required to increase production capacity at its Nueva Recuperada polymetallic concentrate plant to 720 tonnes per day of feed. Installation of a new crushing circuit and flotation cells was commenced in late 2021 and the Company expected full commissioning by start Q2 2022. Once completed, this will represent a 20% increase in processing capacity at Nueva Recuperada with the potential of additional concentrate sales increasing cashflow for the Company.

CORIORCCO GOLD PROJECT, PERU

Overview

On October 8, 2020, Silver X acquired the legal and beneficial right, title and interest in the option to acquire 100% of a 2,000 hectare concession known as the Coriorcco Property ("Coriocco").

The Coriorcco gold project, located 80 km east of Peru's prominent Pan American highway in the Lucanas Province, Ayacucho region, is accessible by paved road to within 5 km and has potential for stand-alone development.

Coriorcco is one of several zones within the San Juan de Lucanas mining district with outcropping quartz vein-hosted gold and silver mineralization hosted by the strongly silicified and argillized volcanic Coriorcco Dome Structure as exposed through quaternary cover. The dome measures approximately 700 x 800 m and hosts 17 epithermal quartz, quartz-carbonate and quartz-carbonate-adularia veins along with lesser veins. The most common vein orientations are northwest and east-northeast, typical of the Andean Trend and antithetic transform structures. Veins pinch and swell along-strike and with depth. Vein Three and Vein Six are the two most significant structures and have been mapped at surface striking approximately east-northeast for 280 m and 405 m

respectively, and traced to depth in historical mine workings down to -60 m below surface.

- Coriorcco hosts 17, outcropping, mineralized veins with widths up to 2.5m within a 1 km by 800m zone of intense epithermal alteration.
- Limited surface sampling by the previous operators include:
 - 22.90 g/T Au; 19.25 g/T Au; 14.20 g/T Au; 13.05 g/T Au ;
 - The average grade of 181 surface samples is 1.91 g/T Au ;
 - Further encouraging sampling from underground workings is to be verified.

Coriorcco Option Agreement

Under the Coriorcco Option Agreement, the Company will have the right to acquire a 100% interest in Coriorcco by making a payment of \$3,000,000 plus general sales tax and granting a production royalty to the underlying concession holder (the “Coriorcco Royalty”) (of 1% NSR) upon fulfilling the precedent conditions, some of which remain to be met, which include commencement of mining and production payments.

If the Company exercises its option to acquire the Coriorcco property, Silver X will grant to Titan Minerals a 1% net smelter royalty (the “NSR”) over the Coriorcco property.

The Coriorcco Royalty can be repurchased for \$1,000,000 (the “Buy-Back Right”) prior to the fifth anniversary of the Coriorcco Option Agreement. Every year following the fifth anniversary of the Coriorcco Option Agreement, the cost of the Buy-Back Right increases by 10%.

Additionally, as part of the amending agreement, the Company will pay \$190,000 (upon completion of registering the amended agreement with the Peruvian Public Registry, which had not occurred as at December 31, 2021) and will be required to pay up to \$850,000 (in cash or shares at the Company’s option) based on the size of the mineral resource (in the measured and indicated category) as established on the property in a technical report prepared in accordance with National Instrument 43-101 on the following conditions:

- \$350,000 if a measured and indicated resource of 500,000 to 999,999 ounces of gold is established;
- \$450,000 if a measured and indicated resource of 1,000,000 to 1,499,999 ounces of gold is established; or
- \$850,000 if a measured and indicated resource in excess of 1,500,000 ounces of gold is established

LAS ANTAS GOLD PROJECT, PERU

Overview

On October 8, 2020, Silver X acquired the legal and beneficial right, title, and interest in the option to acquire up to 85% of 1,400 hectare concession known as the Las Antas Property (“Las Antas”), adjacent to the Coriorcco project, upon fulfilling the precedent conditions of which the completion of the \$2,000,000 expenditure in exploration remains to be met.

The Las Antas Gold Project, which hosts significant exploration potential for stand alone, bulk tonnage, disseminated style gold mineralization, provides Silver X with a key foothold into a broader district that contains multiple high-grade gold-silver veins. Located within the prolific epithermal gold belt of Southern Peru, Las Antas is an important step towards development of a substantial land position in the region, generating multiple options.

Las Antas is hosted by the Calipuy volcanic layered stratigraphy in Southern Peru with andesitic flows, ignimbrites, tuffs, volcanic breccias and agglomerate units. The volcanic stratigraphy has been intruded by several andesitic to dacitic stocks, which comprise favourable units for mineralization and at surface are associated with a pervasive hydrothermal alteration system in halos of intense silicification, showing vuggy silica, alunite and illite.

The project is located within the Oligocene-Pliocene gold-silver Belt of Southern Peru, which contains various precious metal deposits including the Ares Mine (1.2Moz Au & 15Moz Ag) and the Antapite Mine (600koz Au).

Specific to the Las Antas Project area is two prioritized targets areas:

- Yuracmarca Target, 1.5×2.2 km of area with propylitization, argilization and silicification.
- Cerro Amarillo Target, 3.5×2.3 km of area with intense silicification, in parts vuggy silica, altered breccias, alunite and illite, argilization and propylitization.

JULIAN PROPERTY, ECUADOR

On January 27, 2020, the Company entered into an asset purchase agreement (the “Asset Purchase Agreement”) with Green Oil S.A. (“Green Oil”) with respect to the acquisition by the Company from Green Oil of certain mineral claims located in Ecuador known as the Julian Property.

On June 11, 2020, the Company acquired the Julian Property through the issuance of 6,000,000 common shares valued at \$1,042,436, to Green Oil and its nominees. The Company also paid direct transaction costs of \$72,173.

The Julian Property is located in the Province of Azuay in the canton of Oña, overlapping the Parishes Oña Yacuambi and Nabón, approximately 64km southwest of the city of Cuenca and 100km southeast of Machala in the Cordillera Real de los Andes Ecuador.

The Julian concession covers 2,312 Ha and surrounds the El Mozo high sulphidation epithermal gold project.

Project Overview:

- The known El Mozo mineralized trend runs directly from El Mozo South-West onto Julian but it has not been drill tested.
- Julian is located on the same Miocene-Pliocene volcanic, Piyasambo Formation host rocks as the “El Mozo” project and it also is located to the south-west of the “Collay-Shincata” mineralized belt which contains epithermal mineralization.
- Access is via paved highway to within 30 mins of Julian.

The Company currently is not undertaking any works on the property and continues assessing its potentiality.

SELECTED FINANCIAL INFORMATION

The following table provides information for the ten months ended December 31, 2021 and twelve months ended February 28, 2021 and 2020:

| | Ten months ended Dec. 31, 2021 | Twelve months ended Feb. 28, 2021 | Twelve months ended Feb. 28, 2020 |
|--|--------------------------------------|---|---|
| EXPLORATION EXPENDITURES | | | |
| Exploration expenses | \$ (429,466) | \$ (636,915) | \$ - |
| Income from leasing exploration and evaluation assets | - | 20,864 | 20,004 |
| | (429,466) | (616,051) | 20,004 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | |
| Consulting fees | (932,674) | (1,023,785) | (120,961) |
| Directors fees | (23,170) | (22,921) | (18,859) |
| Investor relations | (953,211) | (591,432) | (690) |
| Office and administration | (97,619) | (99,965) | (1,844) |
| Professional fees | (539,289) | (279,942) | (25,762) |
| Salaries and benefits | (84,453) | (129,078) | (47,675) |
| Share-based payments | (3,720,601) | (964,723) | - |
| Transfer agent and regulatory fees | (38,093) | (78,432) | (14,838) |
| Loss before other items | (6,818,576) | (3,806,329) | (210,625) |
| OTHER ITEMS | | | |
| Finance income | 45,649 | (5,152) | 183 |
| Finance cost | (1,507,402) | - | - |
| Impairment of E&E assets | - | - | (77,548) |
| Foreign exchange gain (loss) | (1,470,079) | (2,384) | 3,210 |
| Net loss before tax | (9,750,408) | (3,813,864) | (284,780) |
| Deferred income tax recovery | 366,000 | - | - |
| Total comprehensive loss | \$ (9,384,408) | \$ (3,813,864) | \$ (284,780) |
| Gain on translation of foreign operations | 3,340,011 | 326,678 | 9,901 |
| Total comprehensive loss | \$ (6,044,397) | \$ (3,487,186) | \$ (274,879) |
| Loss per share, basic and diluted | \$ (0.10) | \$ (0.15) | \$ (0.11) |

Change in Fiscal Year-end

The Company has changed its fiscal year-end from February 28 to December 31, resulting in a 10 month transition year from March 1, 2021 to December 31 2021 with a comparative twelve month ended February 28, 2021. The reason for the change was to be consistent with its operating subsidiary's year.

The Company also changed its presentation currency effective March 1, 2020; the Company changed its presentation currency from the CAD to USD to better reflect the Company's business activities.

For more information, please see note 2 of the audited financial statements for period ended December 31, 2021.

Ten months ended December 31, 2021 vs. twelve months ended February 28, 2021 and 2020

For the ten months ended December 31, 2021, the Company recorded a net loss of \$9.4M, compared to a net loss of \$3.8M in the twelve months ended February 28, 2021 and \$0.3M in the twelve months ended February 28, 2020.

The Company has significantly increased its business level activities at all areas upon completion of the business combination with MMTP and the concurrent financing. The Company has significantly higher spending in exploration, consulting, investor relations, professional fees, and general corporate expenditures.

Stock based compensation was higher due to the vesting of a significant tranche of stock options. Finance cost was higher (compared to \$nil in the comparative period in the prior year) as the Company assumed several interest bearing debentures from MMTP. A non-routine transaction cost (finance cost) of \$1.3M was also recorded in relations to the MMTP business combination.

Loss or gain in translation of foreign operations fluctuate depending on the strength of the Peruvian SOL and Canadian Dollar against the US Dollar.

QUARTERLY RESULTS

| | Dec 31, 2021 (\$) (3 months) | Sept 30, 2021 (\$) (4 months)¹ | May 31, 2021 (\$) (3 months) | Feb 28, 2021 (\$) (3 months) | Nov 30, 2020 (\$) (3 months) | Aug 31, 2020 (\$) (3 months) | May 31, 2020 (\$) (3 months) | Feb 29, 2020 (\$) (3 months) |
|--|---|--|---|---|---|---|---|---|
| Exploration (expense) recovery | (110,600) | (217,183) | (101,683) | (418,094) | (138,149) | (38,220) | (42,452) | 1,859 ² |
| General and administrative expenses ³ | (177,039) | (2,020,379) | (471,091) | (964,183) | (723,098) | (468,287) | (49,123) | (36,483) |
| Share-based payments | 38,563 | (3,469,072) | (290,092) | (314,349) | (359,594) | (290,780) | - | - |
| Other income (expenses) | (1,386,537) | (1,177,777) | (1,518) | (7,534) | (2,939) | 2,967 | (29) | (77,548) |
| Net (loss) | (1,635,613) | (6,884,411) | (864,383) | (1,704,160) | (1,223,780) | (794,320) | (91,604) | (112,216) |
| Basic and diluted income (loss) per share | (0.02) | (0.07) | (0.02) | (0.04) | (0.04) | (0.04) | (0.02) | (0.05) |
| Total assets | 72,329,893 | 67,459,004 | 18,558,419 | 7,254,793 | 8,426,711 | 1,696,108 | 102,009 | 48,145 |
| Total liabilities | 29,412,670 | 27,053,111 | 724,944 | 264,788 | 250,093 | 363,420 | 516,279 | 490,212 |
| Shareholders' equity (deficiency) | 42,917,223 | 40,405,893 | 17,833,476 | 6,990,005 | 8,176,618 | 1,332,688 | (414,270) | (442,067) |

¹ The Company has changed its year end from February 28th to December 31st, resulting in a transition quarter of 4 months ended September 30, 2021.

² The Exploration costs for the quarters ended February 29, 2020, relate to care and maintenance fees paid that were refunded.

³ The General and administrative expenses include amortization, consulting fees, directors' fees, investor relations, office and administration, professional fees, salary and benefits, and transfer agent and regulatory fees.

⁴ The Company also changed its presentation currency effective March 1, 2020; the Company changed its presentation currency from the CAD to USD to better reflect the Company's business activities. All 8 quarters noted above are presented in USD.

Three months ended December 31, 2021 and four months ended September 30, 2021, vs. all prior historic quarters

The Company has significantly increased its business level at all areas upon completion of the business combination with MMTP and the concurrent financing. Since June 2021, the Company has significantly higher spending in exploration, consulting, investor relations, professional fees and general corporate expenditures. During the three months ended December 31, 2021, the Company incurred a net loss of \$1.6M.

Stock based compensation was higher due to the vesting of a significant tranche of stock options. Finance cost (in other expenses) was higher (compared to \$nil in the comparative period in the prior year) as the Company assumed several interest bearing debentures from MMTP. A non-routine transaction cost of \$0.7M (other expense) was also recorded in relations to the MMTP business combination.

Change in total assets and liabilities

At December 31, 2021, the Company's total assets were \$72.3M which was higher than all historic quarters. Total assets and liabilities have significantly increased in the current quarter. This was driven by the business combination with MMTP.

LIQUIDITY AND CAPITAL RESOURCES

| | Ten months ended December 31, 2021 | Twelve months ended February 28, 2021 | Twelve months ended February 28, 2020 |
|---|---|--|--|
| Net cash used in operating activities | (4,188,313) | (3,228,108) | (279,154) |
| Net cash provided by financing activities | 11,473,280 | 5,953,459 | 320,465 |
| Net cash used in investing activities | (7,158,856) | (1,890,979) | (7,544) |
| Net change in cash | 3,309,881 | 1,161,121 | 33,302 |
| Cash, end of period | \$ 4,505,888 | \$ 1,196,007 | \$ 34,886 |

Cash used in operating activities for ten months ended December 31, 2021 was \$4.2M compared to \$3.2M for the twelve months ended February 28, 2021. The significantly higher outflow in the current year was due to increased business activity as the company cemented its presence in both Ecuador and Peru with the acquisition of mineral properties, and the completion of the business combination of MMTP.

Cash provided by financing activities during the ten months ended December 31, 2021 was \$11.5M as a result of the net proceeds of the MMTP business combination concurrent financing (\$10.6M) and exercise of warrants (\$1.2M). In the comparative period in the prior year, equity financing contributed \$5.6M.

Cash used in investing activities during the ten months ended December 31, 2021 was significantly higher at \$7.2M as the Company began to invest in its development property from MMTP. This property was not yet acquired in the comparative period in the prior year.

RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the ten months ended December 31, 2021 and twelve months ended February 28, 2021, consist of directors, officers and the following companies with common directors:

| Related party | Nature of transactions |
|--|-------------------------------------|
| J Dare Consulting Ltd. (Director) | Director fees |
| Roma Capital Corp. (Director, Officer) | Consulting fees |
| JR Management Corp. (Director) | Consulting fees |
| A15 Capital Corp. (Director, Officer) | Consulting fees |
| Vista Gold S.A.C. (Director, Officer) | Exploration and evaluation expenses |
| Vihren Management LTD. (Director, Officer) | Consulting fees |
| Ordago Ou (Director, Officer) | Consulting fees |
| Oscrow Capital Pty Ltd. (Director) | Director fees |
| Green Oil S.A. (Director) | Consulting fees |

As at December 31, 2021, the Company had \$219,833 outstanding in accounts payables and accrued liabilities (February 28, 2021 - \$1,971, March 1, 2020 - \$298,610) associated with related parties.

Key Management Compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of the Company, and include certain directors and officers. Key management compensation, including amounts discussed

above, is comprised of:

| | Ten months ended December 31, 2021 | Twelve months ended February 28, 2021 |
|-------------------------------------|---|--|
| Salaries and benefits | \$ 82,647 | \$ 100,552 |
| Consulting fees | 353,512 | 341,473 |
| Exploration and evaluation expenses | 94,552 | - |
| Directors' fees | 23,170 | 22,507 |
| Share based payment | 2,688,427 | 383,274 |
| | \$ 3,242,308 | \$ 847,806 |

SHAREHOLDER'S EQUITY

The authorized capital stock consists of an unlimited number of common shares without par value. As at December 31, 2021 and the date of this report, the company had the following:

| | Stock options | Share purchase warrants | RSUs | Common shares |
|--------------------------------|----------------------|------------------------------------|----------------|----------------------|
| As at December 31, 2021 | 9,100,000 | 1,783,756 | 875,000 | 121,969,879 |
| Shares for Debt (i) | - | - | - | 780,250 |
| As at date of report | 9,100,000 | 1,783,756 | 875,000 | 122,750,129 |

- (i) On January 24, 2022, the Company issued 780,250 common shares for the settlement of C\$249,680 of accrued interest on the US\$4 million unsecured convertible debenture. The common shares were issued at a deemed price of C\$0.32 per share to Baker Steel.

As at December 31, 2021 and date of the report, options enabling the holders to acquire common shares are as follows:

| Expiry date | Number of options | Number of vested options | Weighted average remaining life in years | Weighted average exercise price |
|--------------------|------------------------------|-------------------------------------|---|--|
| June 24, 2025 | 1,450,000 | 1,450,000 | 3.48 | C\$ 0.27 |
| November 2, 2025 | 675,000 | 675,000 | 3.84 | C\$ 0.70 |
| June 21, 2026 | 4,500,000 | 4,500,000 | 4.47 | C\$ 0.60 |
| August 23, 2026 | 2,475,000 | 1,237,500 | 4.65 | C\$ 0.60 |
| | 9,100,000 | 7,862,500 | 4.32 | C\$ 0.55 |

As at December 31, 2021 and date of the report, warrants enabling the holders to acquire common shares are as follows:

| Expiry date | Number of warrants | Weighted average remaining life in years | Weighted average exercise price |
|--------------------|---------------------------|---|--|
| December 29, 2022 | 316,848 | 0.99 | C\$0.665 |
| June 23, 2023 | 1,466,908 | 1.48 | C\$0.60 |
| | 1,783,756 | 1.39 | C\$0.61 |

SUBSEQUENT EVENTS

- On January 24, 2022, the Company issued 780,250 common shares for the settlement of US\$200,000 (C\$249,680) of accrued interest on the US\$4 million unsecured convertible debenture. The common shares were issued at a deemed price of C\$0.32 per share to Baker Steel.
- On April 18, 2022, the Company signed a debt settlement agreement with Baker Steel for the settlement of US\$4,198,356 (CAD\$5,285,310) of accrued interest, prepayment fee and principal on the \$4 million unsecured convertible debenture with the subscription of 17,617,701 common shares. The common shares will be issued at a deemed price of C\$0.30 when final approval from the exchange is received.

RISKS AND UNCERTAINTIES

COVID 19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Corporation. The extent to which the COVID-19 pandemic impacts the Corporation's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Corporation's suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Corporation. Even after the COVID-19 pandemic has subsided, the Corporation may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Corporation cannot reasonably estimate the impact at this time on our business, liquidity, capital resources and financial results.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's properties do not have a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; defining mineral resources and mineral reserves, ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

Title to Mineral Property Risks

The Company does not maintain insurance against title. Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. The Company has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Company cannot give any assurance that title to properties it acquired will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mineral properties.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital in order to fund its ongoing operations or value it may obtain on disposition of an asset. Commodity price declines could also reduce the amount the Company would receive on the disposition of its mineral property to a third party. Refinery and treatment terms may also adversely impact the company.

Financing and Share Price Fluctuation Risks

The Company is dependent on outlining mineral reserves and developing access to them so that they can be

processed on a sustainable, profitable basis. While the company does produce some revenue by processing mineralized material, it must further invest capital to reach commercial production. Further exploration and development of the Company's project may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its project which could result in the loss of its property.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues or the value of the Company's investments and corresponding effect on the Company's financial position.

Political, Regulatory and Currency Risks

The Company operates in North American and Ecuador. North America has stable political and regulatory environment. However, changing political aspects may affect the regulatory environment in which the Company operates. A significant portion of the Company's expenditures are incurred in US dollars. At this time there are no currency hedges in place. Therefore, a weakening of the Canadian dollar against the US dollar could have an adverse impact on the amount of exploration conducted.

South America which has specific risks that may adversely affect the Company's business and results of operations, and which are different from, and in many cases, greater than, comparable risks associated with similar operations within North America. The political and economic environment in Ecuador has been unstable in the past, and the country has been subject to strikes and general civil unrest. There can be no assurance that the political or economic environment in Ecuador will be stable in the future. Risks associated with political or economic instability include, but are not limited to, terrorism, hostage taking, military repression, high rates of inflation, currency fluctuations and controls, crime, corruption uncertainty of the rule of law and legal systems, misuse of legal systems, labour unrest, risks of war or civil unrest, illegal mining and possible political or economic instability which may result in the impairment or loss of mineral concessions or other mineral rights. Mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are generally low in the principal country and local area of operation of the Company but changing social expectations could add new layers of risk to the viability of exploration and development properties.

Competition

The Company competes with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

FORWARD LOOKING STATEMENTS

This MD&A may contain “forward-looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “will”, “may”, “should”, “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance.

Forward-looking statements are not historical facts, and include but are not limited to:

- a) Estimates and their underlying assumptions;
- b) Statements regarding plans, objectives and expectations with respect to the effectiveness of the Company’s business model, future operations, the impact of regulatory initiatives on the Company’s operations, and market opportunities;
- c) General industry and macroeconomic growth rates;
- d) Uncertainty on success of corporate development initiatives (e.g. spin out of Ecuador assets)
- e) Expectations related to possible joint or strategic ventures; and
- f) Statements regarding future performance.

Although forward-looking statements and information contained in this MD&A are based on the beliefs of management, which we consider to be reasonable, as well as assumptions made by information currently available by management, there is no assurance that the forward-looking statements or information will prove to be accurate.

Forward-looking statements used in this MD&A are subject to various known and unknown risks, uncertainties and other factors, most of which are difficult to predict and generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project, failure to obtain licenses that are expected to be issued (or issued in a timely manner), impact resulting from lack of community support, impact resulted from lack of governmental and regulatory support, and other factors. This list is not exhaustive and these and other factors should be considered carefully.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities law.

QUALIFIED PERSON

Geological and mining technical information presented in this MD&A above has been approved by Mr. John Bolaños or Mr. A. David Heyl, both of whom are deemed qualified persons who, by reason of education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, fulfill the requirements for a Qualified Person as defined in NI 43-101, and whom are independent of the issuer as specified in Section 1.5 of NI 43-101CP.

Mr. Heyl, B.Sc., C.P.G., QP is a Certified Professional Geologist and Qualified Person under NI 43-101. With over 30 years of field and upper management experience, Mr. Heyl has a solid geological background in generating and conducting exploration and mining programs for gold, rare earth metals, and base metals, resulting in several discoveries. Mr. Heyl has 20 years of experience in Peru. He worked for Barrick Gold, was the exploration manager for Southern Peru Copper, and spent over twelve years working in and supervising underground and open pit mining operations in the Americas. Mr. A. David Heyl is a consultant for Silver X Mining Corp.

Mr. John E. Bolaños qualified with an M.Sc. in Mining Geology from Camborne School of Mines (U.K.) and a Professional Geologist Eng. from The Central University of Ecuador (honours degree). He is a registered member of the Society for Mining, Metallurgy & Exploration (SME) of the United States; Director of the Ecuadorian College of Engineers in Geology, Mines, Oil and Environment; and a member of the Mining Chamber of Ecuador. He has 28 years of experience in the exploration and mining industry throughout the Americas.

Information on data verification performed on the mineral properties mentioned in this MD&A that are considered to be material mineral properties to the Company are contained in the current technical reports for those properties, all available under the Company's profile at www.sedar.com.