



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended

March 31, 2022

and

March 31, 2021

(Unaudited)

(Expressed in Canadian dollars)

Notice of no Auditor review of Interim Financial Statements

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

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	Exhibit 1	
	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,141,671	\$ 2,001,444
Receivables and advances (Note 10, 12)	2,481,147	2,354,630
Prepaid expenses	121,196	88,728
Marketable securities (Note 4,7)	566,700	537,394
	9,310,714	4,982,196
Non-current assets:		
Fixed assets (Note 5)	915,803	922,871
Investment in associates (Note 8)	742,238	430,079
Exploration advances and deposits (Note 10)	3,884	3,884
Exploration and evaluation assets (Note 6)	82,505,595	82,409,952
Total assets	\$ 93,478,234	\$ 88,748,982
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Note 12)	\$ 357,412	\$ 304,638
	357,412	304,638
Shareholders' equity:		
Share capital (Note 9)	101,788,407	101,892,682
Reserves (Note 9)	43,062,825	37,267,042
Accumulated other comprehensive loss (Exhibit 4)	2,473,486	2,873,244
Deficit	(54,203,896)	(53,588,624)
Total shareholders' equity	93,120,822	88,444,344
Total liabilities and shareholders' equity	\$ 93,478,234	\$ 88,748,982

Nature of Operations (Note 1)

Commitments (Note 14)

Approved on Behalf of the Board:

"Jon Morda"
Director

"James McDonald"
Director

- See Accompanying Notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF LOSS

Exhibit 2

Three Months Ended March 31,

	2022	2021
General and administrative expenses		
Office and general (Note 12)	\$ 303,602	\$ 169,022
Option based compensation (Note 9)	2,864	-
Professional fees	108,352	146,909
Management fees (Note 12)	60,000	90,000
Rent	29,425	19,288
Regulatory and filing fees	22,755	26,546
Depreciation (Note 5)	8,250	14,034
Loss before exploration and other items	587,999	465,799
Exploration		
Mineral property investigation (Note 6)	31,610	44,225
Impairment of mineral property (Note 6)	1,263	-
	32,873	44,225
Other Items		
Share of income from associates (note 8)	493	-
Foreign exchange (gain)/loss	52,751	133,821
Finance income	(5,108)	(17,262)
	47,643	116,559
Loss for the period	615,272	626,583
Basic and diluted loss per share (Note 9)	\$ (0.002)	\$ (0.002)
Weighted average number of shares outstanding	320,033,410	318,934,860

- See Accompanying Notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

Exhibit 3

	Three Months Ended March 31,	
	2022	2021
Loss for the period	\$ 615,272	\$ 626,583
Other comprehensive loss		
Fair value changes to marketable (Note 4) securities arising during the period	(29,306)	(175,873)
Foreign currency translation differences of foreign operations	429,064	726,851
Total other comprehensive loss	399,758	550,978
Comprehensive loss for the period	\$ 1,015,522	\$ 1,177,561

- See Accompanying Notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Exhibit 4

	Number of Shares	Capital Stock	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance, December 31, 2020	318,534,825	\$ 102,134,940	\$ 37,339,396	\$ 3,330,015	\$ (48,768,161)	\$ 94,036,190
Exercise of share purchase options	75,000	16,725	(6,225)			10,500
Exercise of share purchase warrants	450,111	119,761	(29,700)			90,061
Fair value changes to marketable securities arising during the period				175,873		175,873
Foreign currency translation differences of foreign operations				(726,851)		(726,851)
Loss for the period					(626,583)	(626,583)
Balance, March 31, 2021	319,059,936	\$ 102,271,426	\$ 37,303,471	\$ 2,779,037	\$ (49,394,744)	\$ 92,959,190
Balance, December 31, 2021	320,684,936	101,892,682	37,267,042	2,873,244	(53,588,624)	\$ 88,444,344
Shares issued, net of issuance costs	39,062,500	(142,184)	5,797,484			5,655,300
Option based compensation	-	-	12,409	-	-	12,409
Exercise of share purchase options	170,000	37,910	(14,110)	-	-	23,800
Fair value changes to marketable securities arising during the period	-	-	-	29,306	-	29,306
Foreign currency translation differences of foreign operations	-	-	-	(429,064)	-	(429,064)
Loss for the period	-	-	-	-	(615,272)	(615,272)
Balance, March 31, 2022	359,917,436	\$ 101,788,407	\$ 43,062,825	\$ 2,473,486	\$ (54,203,896)	\$ 93,120,822

- See Accompanying Notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

		Exhibit 5	
		Three Months Ended March 31,	
		2022	2021
Cash flows from operating activities			
Loss for the period	\$	(615,272)	\$ (626,583)
Add items not involving cash:			
Option based compensation		12,409	-
Share of income from associates (Note 8)		(493)	-
Impairment of mineral properties		1,263	-
Depreciation		8,250	14,034
		(593,843)	(612,549)
Changes in non-cash working capital balances:			
Receivable and advances		(107,050)	150,307
Prepaid expenses		(33,597)	(19,200)
Accounts payable and accrued liabilities		66,460	(267,866)
		(668,030)	(749,308)
Cash flows from financing activities			
Exercise of options		23,800	10,500
Exercise of warrants		-	90,061
Proceeds from private placement		5,655,300	-
		5,679,100	100,561
Cash flows from investing activities			
Investment in exploration and evaluation assets		(599,895)	(971,797)
Investment in equipment		(3,917)	(9,161)
Investment in associate		(311,667)	-
Accounts payable exploration and evaluation assets		(23,325)	-
Receipt of mineral property payment		-	127,690
		(938,804)	(853,268)
Effect of foreign exchange rate changes on cash			
		67,961	128,536
Net change in cash and cash equivalents during the period		4,140,227	(1,373,479)
Cash and cash equivalents, beginning of the period		2,001,444	10,439,643
Cash and cash equivalents, end of the period	\$	6,141,671	\$ 9,066,164

Supplemental disclosure of cash and non-cash activities (Note 11)

- See Accompanying Notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2022 and 2021

1 Nature of Operations and Going Concern

Kootenay Silver Inc. and its wholly owned subsidiaries (the "Company") is a Canadian exploration stage Company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company's registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. The Company is currently listed on the TSX Venture Exchange ("TSX-V") under the symbol "KTN".

The Company is focused on acquiring and exploring mineral properties principally located in Mexico, with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

These consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

The Company has predominately experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete all anticipated exploration and other programs during the forthcoming year and thereafter. If funds are unavailable terms satisfactory to the Company, some or all planned activities may be cancelled or postponed. The above factors give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. The Company will need access to capital to continue advancing its projects in Mexico .

These consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated interim financial statements, then adjustments to the carrying values of assets and liabilities would be necessary.

A global pandemic related to COVID-19 was declared in March 2020. The current and expected impacts on global commerce have been, and are anticipated to be, far reaching. To date, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impact that it may have.

KOOTENAY SILVER INC.
(Expressed in Canadian dollars)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2022 and 2021

1 Nature of Operations and Going Concern *(continued)*:

	March 31, 2022	December 31, 2021
Deficit	\$ 615,272	\$ 53,588,624
Working capital	\$ 8,953,302	\$ 4,677,558

2 Basis of Presentation:

Statement of Compliance

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

These consolidated interim financial statements are for the three months ended March 31, 2022 and have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). They do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021. The policies applied in these consolidated interim financial statements are consistent with the accounting policies disclosed in Notes 2 and 3 of the audited consolidated financial statements for the year ended December 31, 2021.

These consolidated interim financial statements were authorized for issue by the Audit Committee of the Company as authorized by the Board of Directors on May 26, 2022.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company and its wholly owned subsidiaries, Northair Silver Corp. The functional currency of wholly owned subsidiaries of the Company, Minera JM S.A. de C.V., Grupo Northair de Mexico S.A. de C.V. and Kootenay Gold (US) Corp., is the US dollar and for Servicios de Exploraciones Sonora, S.A. de C.V., is the Mexican Peso.

Assets and liabilities of the subsidiaries with a functional currency in US dollars and Mexican pesos are translated at the period-end exchange rates, and the results of its operations are translated at average exchange rates for the period. The resulting translation adjustments are recorded in accumulated other comprehensive loss (income) in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive loss.

3 Significant Accounting Policies:

The significant accounting policies applied in the preparation of these consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2021 except as noted below. These consolidated interim statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021.

KOOTENAY SILVER INC.
(Expressed in Canadian dollars)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2022 and 2021

4 Marketable Securities:

As at March 31, 2022, the fair value of marketable securities held was \$566,700 (2021– \$537,394). These relate to investments in publicly traded companies which have issued to the Company common shares in consideration of various property earn-in option agreements. During the three months ended March 31, 2022, the Company recorded in other comprehensive gain of \$29,306 (2021– a gain of \$175,873) for fair value adjustments to marketable securities.

5 Fixed Assets:

	Vehicle	Office Equipment	Computer Equipment	Leasehold	Land	Total
Cost						
Balance December 31, 2020	\$ 314,348	\$ 65,204	\$ 317,192	\$ 60,321	\$ 803,304	\$ 1,560,369
Addition	-	2,048	5,239	-	-	7,287
Disposal	-		(54,526)			(54,526)
Transfer to Kootenay Resources (Note 7)	(1,119)		(19,537)			(20,657)
Effect of foreign exchange	(69,477)		139,525	-	-	70,994
Balance December 31, 2021	\$ 244,697	\$ 67,252	\$ 387,893	\$ 60,321	\$ 803,304	\$ 1,563,467
Addition	-	-	3,917	-	-	3,917
Effect of foreign exchange	(8,064)	-	(2,908)	-	-	(10,972)
Balance March 31, 2022	\$ 236,633	\$ 67,252	\$ 388,902	\$ 60,321	\$ 803,304	\$ 1,556,412
Accumulated Depreciation						
Balance December 31, 2020	\$ 224,566	\$ 58,689	\$ 225,773	\$ 60,321	\$ -	\$ 569,349
Depreciation for the year	18,400	2,921	26,150	-	-	47,472
Disposal			(28,476)			(28,476)
Effect of foreign exchange	(42,333)	(1,122)	95,706	-	-	52,251
Balance December 31, 2021	\$ 200,633	\$ 60,488	\$ 319,154	\$ 60,321	\$ -	\$ 640,596
Depreciation for the period	3,595	518	4,137	-	-	8,250
Effect of foreign exchange	(5,205)	(179)	(2,853)	-	-	(8,237)
Balance March 31, 2022	\$ 199,023	\$ 60,827	\$ 320,438	\$ 60,321	\$ -	\$ 640,609
Carrying value						
December 31, 2021	\$ 44,064	6,764	\$ 68,739	\$ -	\$ 803,304	922,871
Carrying value						
March 31, 2022	\$ 37,610	\$ 6,425	\$ 68,464	\$ -	\$ 803,304	\$ 915,803

KOOTENAY SILVER INC.
(Expressed in Canadian dollars)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2022 and 2021

6 Exploration and evaluation assets:

	Promontorio	La Cigarra	Columba	Copalito	Generative Anomalies	2022 Total	2021 Total
	\$	\$	\$	\$	\$	\$	\$
Acquisition Costs							
Balance, beginning	3,658,642	30,548,524	1,000,948	621,020	826,090	36,655,224	35,705,896
Incurred	-	-	12,349	33,111	-	45,460	949,328
Balance, ending	3,658,642	30,548,524	1,013,297	654,131	826,090	36,700,684	36,655,224
Exploration Expenditures							
Balance, beginning	32,586,037	6,187,884	7,082,784	2,794,449	7,681,905	56,333,059	51,761,711
Assaying and Lab	-	14,840	1,880	727	-	17,447	320,359
Camp Costs	6,089	-	11,585	-	-	17,674	162,903
Drafting	-	-	-	-	-	-	17,270
Drilling	-	-	7,871	-	-	7,871	1,549,634
Geological mapping	-	6,938	13,909	-	-	20,847	86,512
Geophysics	-	-	-	-	-	-	13,569
Maintenance	63,435	86,431	-	-	3,363	153,229	270,958
Miscellaneous	1,924	-	-	-	30,620	32,544	41,888
Incurred	74,588	132,631	224,009	74,968	34,112	540,308	4,256,039
Balance, ending	32,660,625	6,320,515	7,306,793	2,869,417	8,031,326	57,188,676	56,333,059
Total properties balance	36,319,267	36,869,039	8,320,090	3,523,548	9,321,593	94,353,537	93,452,460
Balance, beginning	(1,420,910)	-	(9,567)	-	(6,705,358)	(8,135,835)	(8,135,835)
<i>Other adjustments</i>							
Option payment received	-	-	-	-	-	-	(156,798)
Impaired or disposed	-	-	-	-	(1,263)	(1,263)	(122,035)
Cumulative change in foreign currency translation	(1,502,061)	(1,586,881)	(357,693)	(151,657)	(112,551)	(3,710,844)	(2,627,841)
Carrying value exploration and evaluation assets	33,396,296	35,282,158	7,952,830	3,371,891	2,502,421	82,505,595	82,409,952

KOOTENAY SILVER INC.
(Expressed in Canadian dollars)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2022 and 2021

6 Exploration and evaluation assets (continued):

La Cigarra – Chihuahua State, Mexico

The Company acquired the La Cigarra project through the acquisition of Northair and its wholly owned Mexican subsidiary Grupo Northair.

The La Cigarra project is 100% owned by the Company with no underlying royalty on the resource. However certain concessions are subject to a 1% net smelter royalty under an agreement with DFX Exploration Ltd. (the “DFX Agreement”). Pursuant to the terms of the DFX Agreement, a royalty will be paid of \$0.10 per silver equivalent ounce from production to a maximum of 185 million ounces from the Parral 2 concession.

On April 19, 2016, the Company purchased from Coeur Capital a 2.5% net smelter royalty (“NSR Acquisition”) that it held on the La Cigarra project for total consideration of US\$2,500,000 of which US\$500,000 (\$646,025) was paid in cash and US\$2,000,000 was completed through the issuance of 9,629,091 common shares (valued at \$2,648,000) of the Company. The NSR Acquisition and transaction costs have been recorded as La Cigarra acquisition costs.

Promontorio – Sonora State, Mexico

The Company entered into an agreement on October 20, 2006 with Siete Campanas de Plata, S.A de C.V. (“Siete”), Exploration Canada De Oro, SA de CV (“ECO”) and the Mexican Government Agency (“FIFOMI”) to acquire an unencumbered 100% registered and beneficial interest in the Promontorio Concession, which includes the former producing Promontorio Mine Site. Upon completion of a bankable feasibility study or commencement of production, the Company must pay the remaining cash balance of US\$210,000 to ECO.

A 1% net smelter royalty is payable to Siete on the core claims of Promontorio of which the Company can purchase 50% of this net smelter royalty at any time for US\$500,000. The Company also has a right of first refusal to purchase the remaining 50% of this royalty. Additionally, a 2% net smelter royalty is payable to ECO on the core and surrounding claims. The Company may upon commencement of commercial production or sooner purchase 50% of this net smelter return for US\$1,000,000. The Company also has a right of first refusal on the remaining 50% of this royalty.

Columba – Chihuahua State, Mexico

On November 12, 2018, the Company entered into an option agreement to acquire an undivided interest in the Columba concession. Under the terms of the agreement, the Company must make total cash payments of US\$3,290,000 within a four-year period with an initial payment of US\$15,000 and first and second years payments totalling US\$75,000 and US\$150,000 respectively. Payments totalling US\$500,000 and US\$150,000 were made during the year ended December 31, 2021 and 2020 respectively. Subsequent to the three months ended March 31, 2022, the Company made required payment of US\$350,000. The Agreement includes a work commitment of US\$250,000 by the first anniversary and US\$750,000 by the second anniversary of the Agreement, which the Company has fulfilled early. Upon earn-in the vendors retain a 2% n.s.r. of which 1% can be purchased by the Company for US\$750,000.

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS March 31, 2022 and 2021

6 Exploration and evaluation assets *(continued)*:

Copalito – Sinaloa, Mexico

On April 19, 2018, the Company entered into an option agreement to acquire an undivided interest in the Copalito concession. Under the terms of the agreement, the Company must make total staged cash payments of US\$985,000 within a four-year period with an initial payment of US\$30,000 on signing. The Company has made cumulative payments totaling US\$460,000 as at the year ended December 31, 2021. Payments totalling US\$200,000 and US\$150,000 were made during the years ended December 31, 2021 and 2020, respectively. Upon earn-in the vendors retain a 0.5% n.s.r. A finders fee of 100,000 common shares with a fair market value of \$15,500 and a cash payment of \$10,000 were paid in connection with the option agreement.

Other Properties – Mexico

The Company owned 100% interest in the various properties through staking.

On March 17, 2018, the Company entered into an option agreement with Capstone Mining Corp. ("Capstone"), whereby the Company granted Capstone the right to earn up to a 100% interest in the La Mina property. The terms of the agreement allow Capstone to earn an initial 60% interest by: spending an aggregate total of US\$4 million in exploration expenditures over 4 years and paying an aggregate total of US\$600,000 in staged payments to the Company on each anniversary to the Company. During the year ended December 31, 2021, the Company received US\$100,000 from Capstone under the terms of the option agreement.

Cervantes – Sonora State, Mexico

On July 25, 2015, the Company entered into an option agreement with Aztec Metals Corp. ("Aztec"), whereby the Company granted Aztec the right to earn up to a 100% interest in the Cervantes Gold/Copper project. Effective September 30, 2016, the obligations of the option agreement were assigned to Aztec Minerals Corp. from Aztec. The terms of the agreement allow Aztec to earn a 65% interest by: spending an aggregate total of US\$1.5 million in exploration expenditures by July 25, 2019; paying an aggregate total of US\$150,000 in staged payments to the Company by July 25, 2019; and issuing an aggregated total of 1,000,000 common shares in staged payments on each anniversary to the Company of which 500,000 were issued as at March 31, 2019. During the year ended December 31, 2019, the Company received the final share installment and the remaining US\$50,000 cash payment.

Aztec having earned in to 65% of the Cervantes project and formed a joint venture company with the Company holding 35% interest (Note 8).

Property Investigation and Impairment

During the three months ended March 31, 2022, the Company expended \$31,610 (2021 - \$44,225) related to other property investigation expense and \$1,263 (2021 - \$Nil) in property impairment expenses, which is related to mineral properties located in Mexico. Impairment may occur once the Company has made its evaluations, the properties will either be abandoned or acquired.

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**March 31, 2022 and 2021****6 Exploration and evaluation assets (continued):****Title to mineral property interests**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

7 Plan of Arrangement

On August 20, 2021, the Company announced that its board of directors had unanimously approved a strategic reorganization of its business (the "Arrangement") whereby all of Kootenay Silver Inc. ("KSI") properties located in Canada, would be spun out to KSI shareholders through Kootenay Resources Inc. ("KRI"). The reorganization was effected by way of a plan of arrangement under the Business Corporations Act (British Columbia), and was approved by the Supreme Court of British Columbia and by the affirmative vote of 98.95% of KSI shareholders in attendance at a shareholders' meeting held on September 15, 2021. The effective date of the Arrangement was October 31, 2021. KSI shareholders received common shares of KSI by way of a share exchange, pursuant to which each existing common share of KSI was exchanged for one "new" common share of KSI and 0.04 of a common share of KRI. Option and Warrant holders of KSI will receive on exercise of their options and warrants are proportionate to, and reflective of, the terms of their existing options and warrants and 0.04 of a common share of KRI for each whole share of KSI upon exercise.

The carrying value of the net assets transferred to Kootenay Resources pursuant to the Arrangement consisted of the following:

Assets:

Marketable Securities	\$	9,000
Exploration Advances		10,000
Reclamation Bonds		75,252
Property and equipment		20,657
Mineral Properties		3,095,093

Total assets		3,210,002
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Liabilities/Equity:

Accounts payable and Accrued liabilities		(30,657)
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Carrying value of net assets		3,179,345
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Fair value of net assets distributed		801,318
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Loss on transfer of spinout assets	\$	2,378,027
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KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**March 31, 2022 and 2021****7 Plan of Arrangement (continued)**

A total of 16,026,370 shares were issued on spin out of KRI from KSI. A total of 12,821,096 shares were issued to shareholders of KSI, KSI retained 20% of the shares issued totaling 3,205,274. The investment in KRI is recorded in marketable securities.

In accordance with IFRIC 17, Distribution of Non-cash Assets to Owners, the Company recognized the distribution of net assets to KSI shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in the consolidated statement of comprehensive loss. The Arrangement resulted in a reduction of shareholders' equity in the amount of \$801,318, being the fair value of the net assets distributed. This fair value of net assets distributed is determined based on subsequent equity offering priced at \$0.05 per share, predominately to arms length parties therefore giving a proxy of the FV of net assets distributed based on number of shares issued on spin out of KSI. The carrying value of net assets is \$3,179,345 less the total value of assets distributed \$801,318 resulting in a loss on transfer of spinout assets totaling \$2,378,027. The loss on distribution includes an adjustment to reduce the carrying value of the mineral properties to fair value.

Following the KSI's loss of control over KRI, the Company remeasured the value of its retained investment in KSI at \$160,264 and recognized a gain of \$160,264.

8 Investment in Associate

On December 16, 2020 Kootenay completed the formation of a joint venture named Aztec Minerals (Mexico) JV Corp. with Aztec in respect of the Cervantes project (Note 6). Aztec completed its earn-in and exercised its option to acquire a 65% interest in Cervantes project through the joint venture. Kootenay retains the remaining 35% interest. During the three months ended March 31, 2022 the Company's share of gain in the joint venture is \$493 (2021 – \$10,449) and paid \$311,667 (2021 – \$419,629) as part of the JV investment.

Select Aztec JV financial position is shown below:

	2022	2021
Current assets	\$ 635,505	\$ 1,148,342
Non-current assets	6,523,986	3,582,750
Non-current liabilities	9,629	117,326
Gain for the year	493	10,449

9 Share Capital and Reserves:**Authorized:**

The authorized share capital is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting of only common shares are fully paid. There were 359,917,436 fully paid common shares on issue as at March 31, 2022.

Issued:**Three months ended March 31, 2022**

During the three months ended March 31, 2022, 170,000 common shares were issued upon exercise of share options for gross proceeds of \$23,800. On March 9, 2022, the Company closed a brokered private placement offering (the "Offering") for gross proceeds of \$4.78 million consisting of 29,881,000 units of the Company (the "Units") at a price of \$0.16 per Unit (the "Offering Price"), with a non-brokered portion of the offering ("Non-Brokered

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Portion”) for gross proceeds of approximately \$1.47 million consisting of 9,181,500 Units at the Offering Price, for aggregate gross proceeds to the Company of \$6.25 million.

Each Unit is comprised of one common share of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant is exercisable to acquire one Common Share (a “Warrant Share”) at an exercise price of \$0.22 per Warrant Share for a period of 36 months from the closing of the Offering.

Year ended December 31, 2021

During the the year ended December 31, 2021, 300,000 common shares were issued upon exercise of share options for gross proceeds of \$42,000 and 1,850,111 common shares were issued upon exercise of warrants for gross proceeds of \$370,061.

Options and Warrants:

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2020	103,196,806	\$ 0.33	13,745,000	\$ 0.27
Granted	-	-	650,000	0.27
Exercised	(1,850,111)	0.20	(300,000)	0.14
Expired	(30,717,184)	0.53	-	-
Outstanding, December 31, 2021	70,629,511	\$ 0.25	14,095,000	\$ 0.27
Granted	41,323,375	0.22	-	-
Exercised	-	-	(170,000)	0.14
Expired			(6,695,000)	0.40
Outstanding, March 31, 2022	111,952,886	\$ 0.22	7,230,000	\$ 0.15

Warrants

As at March 31, 2022, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
16,250,000	0.22	August 22, 2022
8,750,000	0.55	August 25, 2022
1,050,000	0.40	August 25, 2022
44,579,511	0.20	March 5, 2024
39,062,500	0.22	March 8, 2025
2,260,875	0.16	March 8, 2025
111,952,886		

The weighted average remaining life of the outstanding warrants is 1.95 years (December 31, 2021 – 1.61 years). The fair value of warrants is estimated using the Black Scholes option-pricing model. Warrants are included in reserves until exercised, at which time they are transferred into share capital.

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9 Share Capital and Reserves (continued):

The following assumptions were used for the Black-Scholes valuation of warrants for the period ending March 31, 2022 and the year ended December 31, 2020:

	2022
Risk-free interest rate	2.21%
Expected life of warrants	36 months
Fair value per warrant issued	\$0.10
Annualized volatility	87%
Dividend rate	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Options

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time.

During the three months ended March 31, 2022, option-based compensation totalling \$12,409 (2021 - \$Nil) of which \$9,545 (2021 - \$Nil) was capitalized under mineral properties and \$2,864 (2021 - \$41Nil) was expensed. As at March 31, 2022, 7,067,500 options (December 31, 2021 - 13,770,000) with a weighted average exercise price of \$0.15 per option (December 31, 2021 - \$0.27) were fully vested and exercisable.

As at March 31, 2021, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

	Number of Options	Exercise Price	Expiry Date
	6,580,000	0.14	June 26, 2024
	650,000	0.27	July 06, 2026
	7,230,000		

The weighted average remaining life of the options is 2.4 years (2021 - 1.4 years). For stock options granted to employees, officers, directors and consultants, share based payment expense is measured at fair value and recognized over the vesting period from the date of grant. The fair value of stock options granted during the year ended December 31, 2021 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

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	2021
Risk-free interest rate	0.38%
Expected life of options	5 years
Fair value per option granted	\$0.167
Annualized volatility	79.4%
Dividend rate	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Loss per share

The calculation of basic loss per share for the three months ended March 31, 2022 was based on the loss of \$615,272 (2021 - \$626,583) and the weighted average number of common shares outstanding of 320,033,410 (2021 - 318,934,860), respectively. The Company does not have any instruments that would give rise to a dilution effect as of March 31, 2022 and 2021. As at March 31, 2022, the Company has 7,230,000 options (2021 - 6,975,000) and 111,952,886 warrants (2021 - 62,679,511) that are anti-dilutive and thus, not included in diluted loss per share.

10 Receivables and advances:

The Company's receivables are as follows:

	March 31, 2022	December 31, 2021
I/A/GST receivable	\$ 2,395,231	\$ 2,294,505
Other receivable	85,916	60,125
Exploration advances and deposits	3,884	3,884
Total	\$ 2,485,031	\$ 2,358,514

11 Supplemental Disclosure of Cash and Non-Cash Activities:

The following transactions incurred during the year did not include cash:

	2022	2021
Option based compensation capitalized in mineral property	\$ 9,546	\$ 57,419
Distribution of Kootenay Resources Inc.	-	(801,318)
Mineral property costs included in accounts payable	\$ 37,473	\$ 69,133

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12 Related Party Transactions and Balances:

Except as disclosed elsewhere in these consolidated interim financial statements the following related party transactions were incurred in the normal course of business and were measured at the exchange amount.

Key management remuneration:

Key management personnel comprise the Company's Board of Directors and executive officers.

	2022	2021
Management fees charged by companies controlled by a director and/or officers	\$ 110,000	\$ 140,000
Consulting, administrative and geological fees charged by a company with common officers (c)	30,000	30,000
	\$ 140,000	\$ 170,000

The Company has entered into a consulting agreement dated January 1, 2008 with Makwa Exploration Ltd. ("Makwa") for the services of James McDonald to act as the Company's President and CEO. The base monthly fee for Makwa was amended to \$20,833.

Effective September 1, 2008, the Company entered into an administrative and geological services agreement with a private company indirectly related to two common directors, which provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to financial and secretarial services and providing such other additional instructions and directions as the Company may require. For the three months ended March 31, 2022, the Company incurred expenses \$30,000 (2021 - \$30,000) under the administrative services contract.

In addition to the above:

- a) Included in marketable securities as at March 31, 2021 is \$Nil (December 31, 2021 - \$Nil) market value of shares received from companies with directors in common.
- b) Included in accounts receivable as at March 31, 2022 is \$Nil (December 31, 2021 - \$Nil) receivable from companies who have common directors or officers.
- c) Included in accounts payable as at March 31, 2022 is \$20,000 (December 31, 2021 - \$10,000) payable to companies who have common directors or officers.
- d) For the three months ended March 31, 2022, the Company incurred \$23,500 (2021 - \$24,000) for compensation to directors. As at March 31, 2022, \$Nil (December 31, 2021 - \$30,000) was held in accrued liabilities as owing to directors for compensation.
- e) For the three months ended March 31, 2022, the Company recorded \$Nil (2021 - \$Nil) for option-based compensation to officers and directors of the Company.

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13 Segmented Information:

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties.

The Company's current assets, non-current assets, current liabilities, and mineral properties and non-current liabilities by geographic location are as follows:

	March 31, 2022	December 31, 2021
Canada:		
Current assets	\$ 7,017,593	2,855,379
Non-current assets	19,653	20,550
Current liabilities	(318,542)	(257,434)
	\$ 6,718,704	\$ 2,618,495
Mexico:		
Current assets	\$ 2,293,122	\$ 2,126,817
Mineral properties	82,505,595	82,829,582
Non-current assets	900,034	906,204
Current liabilities	(38,870)	(47,205)
	\$ 85,659,881	\$ 85,815,398

14 Commitments:

The Company entered into various contracts for office and warehouse rent in Mexico. The following table summarizes the Company's total annual obligations under this agreement as at March 31, 2022:

2022	\$ 67,877
2023	\$ 46,614
2024	\$ 28,733

15 Financial Instruments and Financial Risk Management:

The Company's financial instruments include cash and cash equivalents, receivable and advances, marketable securities, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity and due to the insignificant carrying values of long-term financial instruments except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

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15 Financial Instruments and Financial Risk Management *(continued)*:

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated interim financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company maintains its cash with high-credit quality financial institutions. The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value Added Tax refunds) from the Mexican Government. Accordingly, the Company views credit risk on accounts receivable as minimal.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements.

The Company anticipates it will have adequate liquidity to fund its financial liabilities.

As at March 31, 2022, the Company's liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian dollar, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso. The Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**March 31, 2022 and 2021****15 Financial Instruments and Financial Risk Management (continued):**

The balances denominated in foreign currency are as follows:

	March 31, 2022	December 31, 2021
	US\$	US\$
Cash and cash equivalents	237,957	95,085
Trade accounts payable and accrued liabilities	16,453	16,517
	Mexican Peso	Mexican Peso
Cash and cash equivalents	3,850,713	1,753,227
Receivables and advances	10,329,195	9,655,423
Trade accounts payable and accrued liabilities	530,182	821,149

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the period. The result of the sensitivity analysis shows a change in +/- 10% in the US Dollar and Mexican Peso exchange rate could have an collective impact of approximately +/- \$113,000. This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's consolidated interim financial statements.

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15 Financial Instruments and Financial Risk Management *(continued)*:

d) Fair value of financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

March 31, 2022		Level 1	Level 2	Level 3	Total
Marketable securities	\$	566,700	\$ -	\$ -	566,700
Cash and cash equivalents	\$	6,141,671	\$ -	\$ -	6,141,671
December 31, 2021		Level 1	Level 2	Level 3	Total
Marketable securities	\$	537,394	\$ -	\$ -	537,394
Cash and cash equivalents	\$	2,001,444	\$ -	\$ -	2,001,444

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has been no change between levels during the period. The Company's carrying values of receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

16 Capital Management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Company's capital structure includes working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees enter into joint venture arrangements or dispose of mineral properties.

The Company's investment policy is to hold cash in interest bearing, Schedule 1 bank accounts and highly liquid short-term interest-bearing investments, with maturities of one year or less which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the three months ended March 31, 2022.