

Silver Valley Metals Corp.
(An Exploration Stage Enterprise)

**Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2021 and 2020**

(Expressed in Canadian Dollars)

Responsibility for Financial Statements

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

The accompanying unaudited condensed 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 condensed consolidated interim financial statements in accordance with standards established by Chartered Professional Accountants of Canada for the review of interim financial statements by an entity's auditor.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

As at	December 31, 2021	June 30, 2021
	\$	\$
ASSETS		
Current		
Cash	555,743	1,049,240
Amounts receivable	2,662	2,910
Prepaid expenses	41,504	14,335
	599,909	1,066,485
Equipment (Note 4)	4,631	5,447
Exploration and evaluation assets (Note 5)	2,907,767	2,367,813
	3,512,307	3,439,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 5 and 8)	217,111	237,069
	217,111	237,069
Loan payable (Note 6)	60,000	40,000
	277,111	277,069
Shareholders' equity		
Share capital (Note 7)	7,269,430	6,884,680
Reserves	8,750,736	8,582,890
Deficit	(12,784,970)	(12,304,894)
	3,235,196	3,162,676
	3,512,307	3,439,745

Nature of operations and going concern (Note 1)

These consolidated financial statements were authorized for issued by the Board of Directors on March 1, 2022. They are signed on the Company's behalf by:

"Timothy Mosey"

Director

"Brandon Rook"

Director

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and six months ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
EXPENSES				
Advertising and promotion	36,295	1,118	82,616	3,559
Consulting fees	6,406	-	30,429	-
Depreciation (Note 4)	284	406	568	812
General administrative	22,858	7,138	88,514	21,749
Professional fees (Note 8)	12,239	42,204	49,862	72,117
Salaries and wages (Note 8)	1,734	30,000	43,867	60,000
Share-based payments (Notes 7 and 8)	65,916	-	167,846	-
LOSS BEFORE OTHER ITEM	(145,732)	(80,866)	(463,702)	(158,237)
OTHER ITEM				
Foreign exchange gain (loss)	(48,238)	563	(16,374)	(30,437)
NET LOSS AND COMPREHENSIVE LOSS	(193,970)	(80,303)	(480,076)	(188,674)
Loss and comprehensive loss per share, basic and diluted	(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding, basic and diluted	35,624,785	23,084,785	34,313,589	20,884,785

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Common Shares				Total Shareholders' Equity
	Number of Shares (Note 7)	Amount \$	Reserves \$	Deficit \$	\$
Balance, June 30, 2020	18,684,785	5,412,680	8,205,701	(11,523,051)	2,095,330
Private placement	4,400,000	220,000	-	-	220,000
Loss and comprehensive loss	-	-	-	(188,674)	(188,674)
Balance, December 31, 2020	23,084,785	5,632,680	8,205,701	(11,711,725)	2,126,656
Balance, June 30, 2021	30,494,785	6,884,680	8,582,890	(12,304,894)	3,162,676
Shares issued for warrants exercised	5,130,000	384,750	-	-	384,750
Share-based payments	-	-	167,846	-	167,846
Loss and comprehensive loss	-	-	-	(480,076)	(480,076)
Balance, December 31, 2021	35,624,785	7,269,430	8,750,736	(12,784,970)	3,235,196

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

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Cash Flows

For the six months ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	2021	2020
	\$	\$
CASH USED IN:		
OPERATING ACTIVITIES		
Loss and comprehensive loss	(480,076)	(188,674)
Items not involving cash:		
Depreciation	568	812
Share-based payments	167,846	-
Changes in non-cash working capital items:		
Amounts receivable	248	2,090
Prepaid expenses	(27,169)	-
Accounts payable and accrued liabilities	(32,753)	(15,675)
	(371,336)	(201,447)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of issue costs	-	220,000
Proceeds from warrants exercised	384,750	-
Proceeds from loan payable	20,000	-
	404,750	220,000
INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(526,911)	-
	(526,911)	-
DECREASE IN CASH AND CASH EQUIVALENTS	(493,497)	18,553
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	1,049,240	63,791
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	555,743	82,344
Supplemental cash flow information:		
Income tax paid	-	-
Interest paid	-	-
Non-cash financing and investing activities:		
E&E expenditures included within accounts payable and accrued liabilities	12,795	-
Depreciation included within E&E assets	248	-

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2021 and 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Valley Metals Corp. (the “Company”) was incorporated on July 10, 2003 under the laws of British Columbia. On April 28, 2016, the Company changed its name from Benton Capital Corp. to Alset Energy Corp. On May 3, 2017, the Company further changed its name to Alset Minerals Corp., and retained the same ticker symbol “ION” on the TSX Venture Exchange. On August 28, 2018, the Company further changed its name to OrganiMax Nutrient Corp. and ticker symbol to “KMAX” on the TSX Venture Exchange. On August 3, 2021, the Company further changed its name to Silver Valley Metals Corp. and ticker symbol to “SILV” on the TSX Venture Exchange. The Company is an exploration stage company which engages in the business of acquisition, exploration and development of mineral properties in North America. The Company’s head office is located at Suite 1400 – 1040 West Georgia Street, Vancouver, B.C., V6E 4H8. The Company began trading on the TSX Venture Exchange in April 2005. On February 2, 2022, the Company commenced trading on the OTCQB Venture Market in the United States under the ticker symbol “SVMFF”.

The Company had a net loss of \$480,076 (2020 - \$188,674) during the six months ended December 31, 2021, a working capital of \$382,798 (June 30, 2021 – \$829,416) and a deficit of \$12,784,970 (June 30, 2021 - \$12,304,894) as at December 31, 2021 which has been funded mainly by the issuance of equity. The accompanying consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. These material uncertainties may cast significant doubt regarding the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and the financial position classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as Covid-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world’s equity markets and the movement of people and goods has become restricted. As the Company does not have production activities, the ability to fund ongoing exploration is affected by the availability of financing. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company’s financial position, results of operations and cash flows in future periods. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. BASIS OF PREPARATION**Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of the condensed consolidated interim financial statements. The accounting policies followed in these consolidated financial statements are the same as those applied in the audited annual consolidated financial statements for the Company for the year ended June 30, 2021.

These condensed consolidated interim financial statements of the Company for the six months ended December 31, 2021 were reviewed, approved and authorized for issue by the Board of Directors on March 1, 2022.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2021 and 2020

2. BASIS OF PREPARATION (continued)

Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs except for certain financial instruments, which are measured at fair value. The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiaries.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Grupo Minero Alset, S.A. de C.V. (“Grupo”) in Mexico and North Idaho Metals Corporation (“North Idaho”) in Delaware, United States. Grupo and North Idaho were incorporated on June 7, 2016 and May 11, 2021, respectively. All inter-company balances and transactions have been eliminated on consolidation.

Use of Accounting Judgments, Estimates and Assumptions

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

- a) **Exploration and Evaluation Expenditures**
The application of the Company’s accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. Cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s exploration and evaluation assets.
- b) **Going Concern**
The assessment of the Company’s ability to execute its strategy by funding future working capital requirements involves judgment. Management monitors future cash requirements to assess the Company’s ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.
- c) **Valuation of Share-based Payments**
The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company’s earnings and equity reserves.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2021 and 2020

2. BASIS OF PREPARATION (continued)

d) Determination of functional currency

The determination of the functional currency for the Company and its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Pronouncements

There were no new accounting standards, amendments and updates that would either be applicable or have a material effect upon adoption.

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021.

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments to IAS 1 are not expected to have a significant impact on the Company's consolidated financial statements.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2021 and 2020**4. EQUIPMENT**

	Computer Hardware and Software	Drilling and Exploration Equipment	Total
	\$	\$	\$
COST			
Balance at June 30, 2020	16,571	5,187	21,758
Additions	-	-	-
Balance at June 30, 2021 and December 31, 2021	16,571	5,187	21,758
DEPRECIATION			
Balance at June 30, 2020	11,157	2,818	13,975
Depreciation	1,624	712	2,336
Balance at June 30, 2021	12,781	3,530	16,311
Depreciation	568	248	816
Balance at December 31, 2021	13,349	3,778	17,127
NET CARRYING AMOUNT AS AT			
June 30, 2021	3,790	1,657	5,447
December 31, 2021	3,222	1,409	4,631

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2021 and 2020****5. EXPLORATION AND EVALUATION ASSETS**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property for the six months ended December 31, 2021 and the year ended June 30, 2021 are summarized in the tables below:

	Lithium		Total
	Salars	Ranger-Page	
	\$	\$	\$
Acquisition costs			
Balance, June 30, 2021	1,656,217	25,646	1,681,863
Acquisition	-	381,168	381,168
Balance, December 31, 2021	1,656,217	406,814	2,063,031
Exploration and evaluation costs			
Balance, June 30, 2021	628,853	57,097	685,950
Assaying and analysis	-	605	605
Depreciation	248	-	248
Field supplies and miscellaneous	-	19,794	19,794
Geological consultants	-	12,920	12,920
Geophysics	-	61,599	61,599
Legal and administration	-	41,066	41,066
Taxes and duties	12,795	-	12,795
Travel and accommodation	-	9,759	9,759
Balance, December 31, 2021	641,896	202,840	844,736
Balance, December 31, 2021	2,298,113	609,654	2,907,767

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2021 and 2020****5. EXPLORATION AND EVALUATION ASSETS (continued)**

	Lithium Salars	Ranger-Page	Total
	\$	\$	\$
Acquisition costs			
Balance, June 30, 2020	1,656,217	-	1,656,217
Acquisition	-	25,646	25,646
Balance, June 30, 2021	1,656,217	25,646	1,681,863
Exploration and evaluation costs			
Balance, June 30, 2020	1,981,185	-	1,981,185
Depreciation	712	-	712
Environmental	-	13,849	13,849
Geological consultants	-	39,348	39,348
Taxes and duties	339,418	-	339,418
Travel and accommodation	-	3,900	3,900
Cost recovery	(1,692,462)	-	(1,692,462)
Balance, June 30, 2021	628,853	57,097	685,950
Balance, June 30, 2021	2,285,070	82,743	2,367,813

(a) Lithium Salars, Mexico

Pursuant to an agreement dated July 28, 2016 and amended on April 7, 2017 with MKG Mining Mexico, S.A. de C. V. (“MKG”), the Company acquired a 100% interest in lithium, potassium, boron soils, and brine salar assets located in Zacatecas and San Luis Potosi, Mexico, which includes four large concessions containing seven top priority salars namely, Caligüey, La Doncella, Colorada, La Salada, Santa Clara, Saldivar and Chapala. As consideration for the properties, the Company agreed to pay the outstanding mining taxes on the four concessions of \$143,870 (paid) and US\$210,000 to MKG. During the year ended June 30, 2017, the Company paid US\$20,000 in cash and issued 700,505 common shares of the Company as payment of the remaining US\$190,000 balance.

The property is subject to a 2% net smelter royalty (“NSR”) of which 1% can be purchased by the Company for US\$250,000. The property is also subject to a 0.25% NSR in favour of the finder mentioned above.

Pursuant to an agreement dated June 15, 2017, the Company entered into an assignment of mining rights and obligations agreement with Hot Spring Mining, S.A. de C.V. (“Hot Spring Mining”) to acquire two concessions located in Zacatecas and San Luis Potosi, Mexico. The Company agreed to issue 444,444 common shares to Hot Spring Mining as consideration for the properties (issued in August 2017). The Company also agreed to pay the outstanding mining taxes on the two concessions totaling \$180,998. The properties are subject to a 2.5% NSR of which the Company has the right to purchase up to 1.5% for \$1,500,000.

In November 2017, the Company completed the staking and filing of additional mineral claims for this property.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2021 and 2020

5. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Lithium Salars, Mexico (continued)

During the year ended June 30, 2021, the Company has been successful in challenging the Mexican Mining Authority in the Federal Court of Administrative Justice to reduce its land position significantly focusing on its three primary salar assets and in so doing eliminating the past 3 years of back dated taxes charged by the government to the Company on its total land package. The judgment in favour has resulted in the Company's accounts payable having been decreased by \$1,692,462.

Included in exploration and evaluation costs is VAT receivable of \$34,751 (June 30, 2021 - \$31,462) at December 31, 2021.

(b) Ranger-Page, USA

On July 20, 2021, the Company entered into a definitive agreement with Blackhawk Exploration LLC ("Blackhawk") providing the Company with the option to acquire a 100% interest in the past producing Government Gulch Silver project in the Silver Valley, Coeur d'Alene Mining District, Idaho USA (the "Option"). The Company may exercise the Option by paying US\$650,000 and incurring US\$3,000,000 of exploration expenditures on the property to earn a 75% interest in the property as follows:

- Pay a non-refundable deposit of US\$20,000 upon execution of the binding letter of intent (paid)
- Pay US\$230,000 on or before July 20, 2021 (the "Effective Date") (paid)
- Pay US\$150,000 and completing a minimum of US\$600,000 of expenditures on the property on or before the first anniversary of the Effective Date
- Pay US\$250,000 and completing an additional US\$600,000 of expenditures on the property on or before the second anniversary of the Effective Date
- Completing an additional US\$1,200,000 of expenditures on the property on or before the third anniversary of the Effective Date
- Completing an additional US\$600,000 of expenditures on the property on or before the third anniversary of the Effective Date

Upon the Company acquiring a 75% interest in the property, the Company shall have the right to either:

- Cause the parties to form a joint venture with terms consistent with the usual industry practice including a provision for a participant's interest to be converted to a 2% NSR if its interest is diluted to less than a 10% interest. The Company has the right, at any time after the NSR takes effect to purchase one half of the NSR by making a payment of US\$1,000,000 and has the right of first refusal to purchase the remainder of the NSR; or
- Purchase Blackhawk's 25% interest at a price to be negotiated between Blackhawk and the Company with both parties acting diligently and in good faith to arrive at a mutually acceptable purchase price. If the parties do not come to agreement on the purchase price, the Company, at its option, can either pay US\$2,250,000, pay US\$1,000,000 and issue US\$1,250,000 worth of shares of the Company to Blackhawk priced at the 20 day volume weighted average price following the date that the Company elects to purchase Blackhawk's 25% interest or by Blackhawk's request, issue US\$2,250,000 worth of shares of the Company to Blackhawk priced at the 20 day volume weighted average price following the date that the Company elects to purchase Blackhawk's 25% interest.

On November 17, 2021, the Company signed an option agreement to acquire the Page Mine which comprise of 49 patented mining claims totaling 802 hectares located approximately 60 kilometres east of Coeur d'Alene, Idaho. For consideration of the rental and option to acquire 100% of the mineral rights of Page Mine, the Company will make a payment of US\$60,000 in Year 1 and US\$30,000 per annum in Year 2 to Year 10. The Company can purchase 100% of the patented mineral rights for a payment of US\$1,500,000 and all rental payments will be credited towards the option purchase price.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2021 and 2020

6. LOAN PAYABLE

On April 28, 2020 and August 9, 2021, the Company received a total of \$60,000 under the Canada Emergency Business Account (“CEBA”). The loan is non-interest bearing and no principal repayments are required up to December 31, 2022. If the principal balance of \$40,000 is repaid by December 31, 2022, then the remaining \$20,000 of the principal balance will be forgiven. Any remaining balance after January 1, 2023 will be converted into a 3 year term loan with a fixed interest of 5% per annum, monthly interest-only payments and the outstanding balance must be repaid in full by December 31, 2025.

7. SHARE CAPITAL

Authorized:

Class A common - unlimited
Class B common - unlimited
Common shares - unlimited

Issued:

Class A common - Nil
Class B common - Nil
Common shares – 35,624,785 shares

(a) Shares issued

On August 21, 2019, the Company received approval from the TSX Venture Exchange for a non-brokered \$0.05 unit private placement financing. The Company issued 9,260,000 units for gross proceeds of \$463,000, each unit consisting one common share and one common share purchase warrant. \$60,000 of these gross proceeds were received in the year ended June 30, 2019. Each warrant entitles the holder to purchase one common share at a price of \$0.075 per share at any time within two years of the date of issuance.

On September 30, 2020, the Company closed a private placement through the issuance of 4,400,000 units at \$0.05 per unit for gross proceeds of \$220,000. Each unit consists of one common share and one share purchase warrant. Each full warrant entitles the holder to purchase an additional common share at \$0.15 per share for 24 months from the date of closing of the private placement.

On March 1, 2021, the Company closed a private placement through the issuance of 5,500,000 units at \$0.20 per unit for gross proceeds of \$1,100,000. Each unit consists of one common share and one half of a common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.30 per share for two years from the date of closing of the private placement.

During the year ended June 30, 2021, the Company issued a total of 1,910,000 common shares pursuant to the exercise of 1,910,000 warrants at an exercise price of between \$0.075 and \$0.15 per share for total proceeds of \$158,250.

During the six months ended December 31, 2021, the Company issued a total of 5,130,000 common shares pursuant to the exercise of 5,130,000 warrants at an exercise price of \$0.075 per share for total proceeds of \$384,750.

(b) Stock options

The Company has adopted an incentive stock option plan for granting options to directors, employees and consultants. The exercise prices shall be determined by the board, but shall, in no event, be less than the closing market price of the Company’s shares on the grant date, less the maximum discount permitted under the TSX Venture Exchange’s policies. Options granted may not exceed a term of five years. All options vest upon grant unless otherwise specified by the Board of Directors.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2021 and 2020****7. SHARE CAPITAL (continued)****(b) Stock options (continued)**

Details of stock option transactions for the six months ended December 31, 2021 and the year ended June 30, 2021 are detailed below.

	Number of Options	Weighted Average Exercise Price
		\$
Balance, June 30, 2020	124,999	1.35
Granted	2,650,000	0.21
Expired and forfeited	(25,000)	0.63
Balance, June 30, 2021	2,749,999	0.26
Granted	240,000	0.20
Expired/cancelled	(494,444)	0.30
Balance, December 31, 2021	2,495,555	0.24

During the year ended June 30, 2021, the Company granted 2,650,000 stock options. These options vest 25% on grant date, then 25% every six months after grant date. The total stock option expense for these options granted is \$653,381, of which \$377,189 is recognized as share-based payments during the year ended June 30, 2021 (2020 - \$Nil) and \$146,327 is recognized as share-based payments during the six months ended December 31, 2021 (2020 - \$Nil).

During the six months ended December 31, 2021, the Company granted 240,000 stock options. These options vest 25% on grant date, then 25% every six months after grant date. The total stock option expense for these options granted is \$47,345, of which \$21,519 is recognized as share-based payments during the six months ended December 31, 2021 (2020 - \$Nil).

As at December 31, 2021, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options	Number of Options Exercisable
	\$		
May 10, 2022	1.35	55,555	55,555
February 10, 2026	0.20	2,020,000	537,500
April 6, 2026	0.25	300,000	150,000
July 20, 2026	0.20	120,000	30,000
		2,495,555	773,055

The weighted average life of the options outstanding and exercisable at December 31, 2021 is 4.07 years (June 30, 2021 – 4.50 years).

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2021 and 2020****7. SHARE CAPITAL (continued)****(b) Stock options (continued)**

The fair value of the stock options granted was calculated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2021	2020
Risk-free interest rate	0.79%	-
Expected dividend yield	0%	-
Expected forfeiture rate	0%	-
Expected stock price volatility	153%	-
Expected life in years	5.00	-

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. The expected volatility assumption is based on the historical and implied volatility of the Company's common share price. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option and warrant grants.

(c) Warrants

The changes in warrants during the six months ended December 31, 2021 and the year ended June 30, 2021 were as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, June 30, 2020	10,871,801	0.130
Issued	7,150,000	0.208
Exercised	(1,910,000)	0.083
Expired	(1,611,801)	0.437
Balance, June 30, 2021	14,500,000	0.139
Exercised	(5,130,000)	0.075
Expired	(2,420,000)	0.075
Balance, December 31, 2021	6,950,000	0.209

Warrants outstanding at December 31, 2021 were as follows:

Expiry Date	Number of Warrants	Exercise Price
		\$
September 30, 2022	4,200,000	0.150
March 1, 2023	2,750,000	0.300
	6,950,000	

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2021 and 2020****8. RELATED PARTY TRANSACTIONS**

The Company paid or accrued the following amounts to related parties during the six months ended December 31, 2021 and 2020:

Payee	Description of Relationship	Nature of Transaction	2021	2020
			\$	\$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, officer and former director	Legal fees and consulting fees	-	6,234
Brandon Rook	CEO and director	Consulting fees and salaries and wages	87,733	60,000
Golden Tree Capital Corp.	Company controlled by Dong Shim, CFO	Accounting fees	18,000	18,000
SHIM & Associates LLP	Company controlled by Dong Shim, CFO	Accounting fees	6,000	6,000
			111,733	90,234

The services provided by and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties as at December 31, 2021 and June 30, 2021 were as follows:

Payee	Description of Relationship	December 31, 2021	June 30, 2021
		\$	\$
Albert Wu & Associates Ltd.	Company controlled by Alberta Wu, former CFO	4,620	4,620
Allan Laboucan	Former president, former CEO, and a former director	36	36
Golden Tree Capital Corp.	Company controlled by Dong Shim, CFO	38,086	34,650
SHIM & Associates LLP	Company controlled by Dong Shim, CFO	9,550	8,500
		52,292	47,806

The amounts due to related parties are included in accounts payable and accrued liabilities and are non-interest bearing, unsecured, and have repayment terms similar to other non-related party trade payables.

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the six months ended December 31, 2021 and 2020.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2021 and 2020****8. RELATED PARTY TRANSACTIONS (continued)**

Short-term key management compensation consists of the following for the six months ended December 31, 2021 and 2020:

	2021	2020
	\$	\$
Professional fees	24,000	30,234
Salaries and wages included in operating expenses	43,867	60,000
Salaries and wages included in exploration and evaluation expenditures	43,866	-
Share-based payments	145,325	-
	257,058	90,234

9. CAPITAL DISCLOSURES

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To raise sufficient capital to finance its exploration activities on its mineral exploration properties;
- To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short-term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital (deficiency) and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the current year. In order to maintain or adjust the capital structure, the Company considers the following;

- i) incremental investment and acquisition opportunities;
- ii) equity and debt capital available from capital markets;
- iii) equity and debt credit;
- iv) sale of assets;
- vi) limiting the size of the investment program; and
- vi) new share issuances if available on favorable terms.

Except as otherwise disclosed, the Company is not subject to any external financial covenants at December 31, 2021 and June 30, 2021.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2021 and 2020****10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK**

IFRS establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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).

Fair Value of Financial Instruments

The Company's financial assets include cash, which is classified as Level 1. The Company's financial liabilities include accounts payable and accrued liabilities and loan payable, which are classified as Level 1.

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as at December 31, 2021 and June 30, 2021 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash and cash equivalents				
December 31, 2021	555,743	-	-	555,743
June 30, 2021	1,049,240	-	-	1,049,240

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at December 31, 2021 and June 30, 2021 because of the demand nature or short-term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	December 31, 2021	June 30, 2021
	\$	\$
Financial assets		
Fair value through profit and loss (i)	555,743	1,049,240
Amortized cost (ii)	310	-
Financial liabilities		
Amortized cost (iii)	277,111	277,069

- (i) Cash and cash equivalents
- (ii) Amounts receivable, excluding sales taxes receivable
- (iii) Accounts payable and loan payable

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2021 and 2020

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk, currency risk and market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalent. The Company's cash and cash equivalent are held through a large Canadian financial institution. Management believes the risk of loss to be remote.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In management's opinion, the Company is not exposed to significant interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash is always available to settle financial liabilities. At December 31, 2021, the Company had cash and cash equivalent on hand of \$555,743 (June 30, 2021 - \$1,049,240) available to settle current liabilities of \$217,111 (June 30, 2021 - \$237,069). Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Loans payable have contractual maturities of greater than 12 months.

(d) Currency risk

The Company's functional currency is the Canadian dollar. The Company is primarily exposed to currency fluctuations related to accounts payable and accrued liabilities and payment obligations for exploration and evaluation that are denominated in Mexican Pesos and US dollars. As at December 31, 2021, the Company had net current liabilities of \$110,193 (June 30, 2021 - \$55,676) denominated in Mexican Pesos and net current assets of \$38,314 (June 30, 2021 - net current liabilities of \$13,014) denominated in US dollars which was translated at 0.06209 pesos to \$1 (June 30, 2021 - 0.06228) and 1.2678 US to \$1 (June 30, 2021 - \$1.2394), respectively. The Company does not actively manage this risk.

(e) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as market prices, foreign exchange rates and interest rates. In management's opinion, the Company is not exposed to significant market risk.

SILVER VALLEY METALS CORP.

(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2021 and 2020****11. SEGMENTED INFORMATION**

The Company currently operates in three geographical operating segments, the exploration of mineral properties in Canada, USA and Mexico. Management of the Company makes decisions about allocating resources based on the operating segments. A geographic summary of identifiable long-term assets by country is as follows:

As at December 31, 2021				
	Canada	USA	Mexico	Total
	\$	\$	\$	\$
Equipment	3,222	-	1,409	4,631
Exploration and evaluation assets	-	609,654	2,298,113	2,907,767

As at June 30, 2021				
	Canada	USA	Mexico	Total
	\$	\$	\$	\$
Equipment	3,790	-	1,657	5,447
Exploration and evaluation assets	-	82,742	2,285,070	2,367,813