

PALAMINA CORP.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTH PERIODS ENDED
SEPTEMBER 30, 2021 AND 2020**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

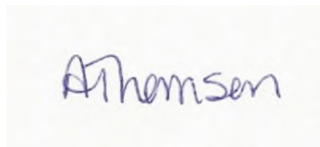
The accompanying unaudited interim consolidated financial statements of Palamina Corp. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.



Andrew Thomson
President and Chief Executive Officer



Brian Jennings
Chief Financial Officer

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated statements for the three and nine month periods ended September 30, 2021 and 2020 have not been reviewed by the Company's auditors.

PALAMINA CORP.

Unaudited Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

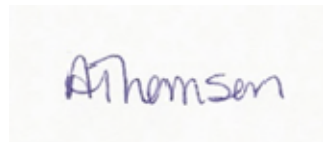
<i>As at,</i>	September 30, 2021 \$	December 31, 2020 \$
ASSETS		
Current		
Cash and cash equivalents (Note 5)	3,185,241	61,713
Receivables (Note 6)	14,353	8,085
Prepaid expenses (Note 7)	330,470	1,500
Total current assets	3,530,064	71,298
Equipment (Note 8)	20,640	8,027
Investment in associate (Note 17)	-	132,155
Total assets	3,550,704	211,480
LIABILITIES AND EQUITY (DEFICIENCY)		
Current		
Trade and other payables (Notes 9 and 10)	199,411	425,140
Total liabilities	199,411	425,140
Equity (Deficiency)		
Share capital (Note 11)	9,457,211	6,480,018
Reserve for share-based payments (Note 12)	1,514,000	1,018,000
Reserve for warrants (Note 13)	3,631,775	1,684,775
Accumulated deficit	(11,243,937)	(9,385,170)
Reserve for foreign currency translation	(7,756)	(11,283)
Total equity (deficiency)	3,351,293	(213,660)
Total liabilities and equity (deficiency)	3,550,704	211,480

Nature of Operations and Going Concern Uncertainty (Note 1)

Commitments and Contingencies (Note 15)

Subsequent Events (Note 18)

On behalf of the Board of Directors on November 25, 2021:



Andrew Thomson
Director



Christina McCarthy
Director

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

PALAMINA CORP.

Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Three months		Nine months	
	2021	2020	2021	2020
For the period ended September 30,	\$	\$	\$	\$
Expenses				
Exploration and evaluation expenditures (Note 14 and 10)	452,336	259,053	794,678	454,118
Salaries, director and management fees (Note 10)	77,709	47,916	193,412	158,627
Share based payments (Note 12)	470,000	244,000	496,000	244,000
Investor relations	73,072	33,408	80,653	83,729
Regulatory fees	40,097	7,304	57,965	18,285
Professional fees	42,529	14,506	63,967	33,496
Office and general	5,075	5,511	16,638	15,321
Rent	4,500	4,500	13,500	13,500
Foreign exchange gain	2,555	6,893	2,544	2,906
Total expenses	1,167,873	623,091	1,719,357	1,023,982
Other (income) expense				
Interest income	(3,608)	(196)	(3,608)	(471)
Gain on disposition of property (Note 17)	(31,137)	(32,920)	(31,137)	(32,920)
Loss from investment in associate (Note 17)	74,155	200,000	174,155	269,765
Net loss	1,207,283	789,975	1,858,767	1,260,356
Other comprehensive loss - items that will not subsequently reclassify into income				
Exchange on translation of foreign subsidiaries	(1,684)	(2,893)	(3,527)	(17,112)
Net comprehensive loss	1,205,600	787,082	1,855,240	1,243,244
Loss per share				
- basic	0.02	0.02	0.03	0.03
- diluted	0.02	0.02	0.03	0.03
Weighted average number of common shares outstanding				
- basic	65,284,836	45,162,553	56,760,245	40,470,697
- diluted	65,284,836	45,162,553	56,760,245	40,470,697

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

PALAMINA CORP.

Unaudited Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share Capital		Reserve for Share-based payments	Reserve for Warrants	Accumulated deficit	Reserve for foreign currency translation	Total
	Number of shares	Amount					
Balance at December 31, 2019	36,303,636	\$ 5,657,366	\$ 787,000	\$ 1,416,775	\$ (7,793,830)	\$ (24,294)	\$ 43,017
Issued pursuant to private placement	8,800,000	1,100,000	-	-	-	-	1,100,000
Warrants issued pursuant to private placement	-	(268,000)	-	268,000	-	-	-
Share issue costs	31,200	(41,848)	-	-	-	-	(41,848)
Issued pursuant to exercise of stock options	150,000	19,500	-	-	-	-	19,500
Transfer of reserve on exercise of stock options	-	13,000	(13,000)	-	-	-	-
Share based payments	-	-	244,000	-	-	-	244,000
Net loss	-	-	-	-	(1,260,356)	-	(1,260,356)
Other comprehensive income	-	-	-	-	-	17,112	17,112
Balance at September 30, 2020	45,284,836	\$ 6,480,018	\$ 1,018,000	\$ 1,684,775	\$ (9,054,186)	\$ (7,182)	\$ 121,425
Net loss	-	-	-	-	(330,984)	-	(330,984)
Other comprehensive loss	-	-	-	-	-	(4,101)	(4,101)
Balance at December 31, 2020	45,284,836	\$ 6,480,018	\$ 1,018,000	\$ 1,684,775	\$ (9,385,170)	\$ (11,283)	\$ (213,660)
Issued pursuant to private placement	20,000,000	5,000,000	-	-	-	-	5,000,000
Warrants issued pursuant to private placement	-	(1,935,000)	-	1,935,000	-	-	-
Broker warrants issued pursuant to private placement	-	(12,000)	-	12,000	-	-	-
Share issue costs	-	(75,807)	-	-	-	-	(75,807)
Share based payments	-	-	496,000	-	-	-	496,000
Net loss	-	-	-	-	(1,858,767)	-	(1,858,767)
Other comprehensive income	-	-	-	-	-	3,527	3,527
Balance at September 30, 2021	65,284,836	\$ 9,457,211	\$ 1,514,000	\$ 3,631,775	\$ (11,243,937)	\$ (7,756)	\$ 3,351,293

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

PALAMINA CORP.

Unaudited Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	2021	2020
For the nine months ended September 30,	\$	\$
Operating activities		
Net loss for the period	(1,858,767)	(1,260,356)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share based payments	496,000	244,000
Depreciation	3,047	8,170
Unrealized foreign exchange differences	3,293	16,123
Gain on disposal of vehicles	-	(26,616)
Shares received as payment from investment in associates	(42,000)	-
Loss from investment in associates	174,155	269,765
Change in non-cash working capital		
Receivables	(6,268)	(1,328)
Prepaid expenses	(328,970)	26,399
Trade and other payables	(225,729)	(374,187)
Cash (used in) from operating activities	(1,785,239)	(1,098,030)
Investing activities		
Purchase of equipment	(15,426)	(1,174)
Proceeds from disposal of vehicle	-	44,555
Cash (used in) investing activities	(15,426)	43,381
Financing activities		
Issuance of share capital and warrants	5,000,000	1,100,000
Proceeds from exercise of options	-	19,500
Share issuance costs	(75,807)	(41,848)
Cash provided from financing activities	4,924,193	1,077,652
Increase in cash and cash equivalents	3,123,528	23,003
Cash and cash equivalents, beginning of period	61,713	34,656
Cash and cash equivalents, end of period	3,185,241	57,659

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

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Palamina Corp. (“Palamina” or the “Company”) is an exploration stage company focused on the exploration for economic mineral deposits in Peru through its wholly owned subsidiary Palamina SAC (“Palamina Peru”), and to a lesser extent in Mexico through its wholly owned subsidiary, Palamina S.A. de C.V. (“Palamina Mexico”). Palamina was incorporated on April 23, 2015 under the *Business Corporations Act* (Ontario). The Company’s head office is located at 145 King Street West, Suite 2870 Toronto, ON M5H 1J8.

The business of mineral exploration involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable operations. The recoverability of the Company’s exploration and evaluation expenditures is dependent upon the discovery of economically recoverable mineral reserves; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration, development and construction of processing facilities; obtaining various government approvals; and attaining profitable production or alternatively, upon the Company’s ability to dispose of its interests on an advantageous basis; all of which are uncertain.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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, non-compliance with regulatory requirements or aboriginal land claims.

Substantially all of the Company’s efforts are devoted to financing and developing these properties. There has been no determination whether the Company’s interests in mineral properties contain mineral reserves which are economically recoverable.

The Company is at an early stage of development and, as is common with many exploration companies, it relies on financings to fund its exploration and acquisition activities. The Company had a surplus of current assets over current liabilities of \$3,330,653 at September 30, 2021; had not yet achieved profitable operations; had accumulated losses of \$11,243,937 at September 30, 2021; and expects to incur further losses in the development of its business. Palamina does not have adequate cash resources to fund its operations over the next twelve months and will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. There can be no certainty as to the ability of the Company to raise sufficient additional financing in order to continue to operate, and accordingly, there is a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited interim consolidated financial statements were authorized by the Board of Directors of the Company on November 25, 2021.

2.2 Basis of presentation

These unaudited interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2020 annual financial statements.

2.3 Use of management estimates, judgments and measurement uncertainty

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates and judgements, relate to the valuation of share-based payments, determination of functional currency, tax provisions, determination of significant influence and impairment of investment in associate, and contingencies. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the Black-Scholes valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

Functional Currency

The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Company analyzed both the primary and secondary factors, including the currency of the Company's operating costs in Canada, Peru, and Mexico and sources of equity financing.

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

2.3 Use of management estimates, judgments and measurement uncertainty (continued)

Tax Provisions

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Value-added taxes receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The determination of the appropriate allowance for doubtful accounts requires the application of significant judgment with respect to the collectability of the amounts outstanding and is based on historical experience. Refer to Note 6.

Determination of Significant Influence and Impairment of Investment in Associate

Effective September 19, 2019, which is the date of acquisition, the Company has classified Winshear Gold Corp ("Winshear") as an associate based on management's judgment that the Company has significant influence through board representation and voting rights. Refer to Note 17.

Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The determination of impairment requires significant judgement and can be triggered by significant adverse changes in the market, economic or legal environment in which the associate operates.

Contingencies – see Note 15.

2.4 COVID-19

At the end of 2019, a novel strain of coronavirus ("COVID-19") was reported in China. The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections around the world. On March 11, 2020, it was labelled a pandemic by the World Health Organization. During the first quarter of 2020, attempts at containment of COVID-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. The rapid development and fluidity of the situation precludes any prediction as to the ultimate impact of COVID-19; however, the Company seeks to obtain the best possible information to enable the assessment of the risks involved, and implement appropriate measures to respond.

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

2.5 New accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserve accounts, accumulated deficit and reserve for foreign currency translation which at September 30, 2021 totaled \$3,351,293 (December 31, 2020 - \$(213,660)).

Palamina manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the nine month period ended September 30, 2021 and 2020.

The Company is not subject to any capital requirements imposed by lending institutions.

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

4. FAIR VALUE AND FINANCIAL RISK FACTORS

Fair value of financial instruments

As at September 30, 2021 and December 31, 2020, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short term nature.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash on hand and on deposit with reputable financial institutions and management believe the risk of loss is minimal. The Company's maximum exposure to credit risk as at September 30, 2021 is the carrying value of cash and cash equivalents and receivables.

Liquidity risk

The Company's approach to managing liquidity risk is to endeavor to it have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had current assets of \$3,530,064 (December 31, 2020 - \$71,298) including cash and cash equivalents of \$3,185,241 (December 31, 2020 - \$61,713) to settle current liabilities of \$199,411 (December 31, 2020 - \$425,140) resulting in a working capital of \$3,330,653 (December 31, 2020 - \$353,842 working capital deficiency).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and the prices of commodities and equities.

Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term guaranteed investment certificates issued by banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments. As at September 30, 2021, the Company had cash and cash equivalents of \$3,185,241 (December 31, 2020 - \$61,713).

Foreign currency risk

The Company's exploration activities are conducted primarily in Peru. Major purchases and exploration expenditures are transacted in Peruvian nuevo soles and US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk. The Company mitigates the risk of foreign currency fluctuations by converting Canadian currency to Peruvian nuevo soles and US dollars when required to fund expenditures in those currencies.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

4. FAIR VALUE AND FINANCIAL RISK FACTORS (continued)

Fair Value Hierarchy

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows: Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; Level 3 – Inputs for assets or liabilities that are not based on observable market data. As at September 30, 2021, the Company did not have any financial assets measured at fair value that require classification within the fair value hierarchy.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next 12-month period:

- (i) Interest rate risk is limited to cash and cash equivalents balances, primarily held in Canadian and US dollars in Canada.
- (ii) The Company's subsidiaries hold financial assets and liabilities in US dollars and Peruvian nuevo soles that give rise to foreign exchange risk. If the US dollar rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, net loss for the nine month period ended September 30, 2021 would have been approximately \$5,000 higher/lower. If the Peruvian nuevo sole rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, accumulated other comprehensive loss for the nine month period ended September 30, 2021 would have been approximately \$100 higher/lower.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them. As of September 30, 2021, the Company is not a producer of minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

5. CASH AND CASH EQUIVALENTS

The balance at September 30, 2021 consists of cash on deposit with major Canadian and Peruvian banks in general interest bearing accounts totaling \$3,185,241 (December 31, 2020 - \$61,713). As at September 30, 2021 and December 31, 2020, the Company did not have any cash equivalents.

6. RECEIVABLES

The Company's receivables arise mainly from harmonized sales tax ("HST") due from the Canadian government. The value is as follows:

	As at,	
	September 30, 2021	December 31, 2020
	\$	\$
HST receivable	14,353	8,085
Total receivables	14,353	8,085

At September 30, 2021, the Company anticipates full recovery of the \$14,353 (December 31, 2020 - \$8,085). The Company holds no collateral for any receivable amounts outstanding as at September 30, 2021.

7. PREPAID EXPENSES

On June 10, 2021 Palamina entered into a services agreement with Goldspot Discoveries Corp. ("Goldspot"). The service agreement provides for a pre-payment of \$350,000 for strategic technical services to be provided by Goldspot to Palamina over a 12 month period. During the quarter ended September 30, 2021 \$34,905 expenses were incurred.

The prepaid balance as at September 30, 2021 is comprised of \$315,095 in advances to Goldspot as well as other advance fees and deposits amounting to \$15,375.

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

8. EQUIPMENT

	Vehicles \$	Equipment \$	Total \$
Cost			
As at December 31, 2019	45,472	18,941	64,413
Additions	-	1,174	1,174
Disposals	(47,713)	-	(47,713)
Foreign exchange translation	2,241	(442)	1,799
As at December 31, 2020	-	19,673	19,673
Additions	-	15,426	15,426
Foreign exchange translation	-	299	299
As at September 30, 2021	-	35,398	35,398
Accumulated depreciation			
As at December 31, 2019	23,406	7,523	30,929
Depreciation expense	4,775	4,415	9,190
Disposals	(29,332)	-	(29,332)
Foreign exchange translation	1,151	(292)	859
As at December 31, 2020	-	11,646	11,646
Depreciation expense	-	3,047	3,047
Foreign exchange translation	-	65	65
As at September 30, 2021	-	14,758	14,758
Net book value			
As at December 31, 2020	-	8,027	8,027
As at September 30, 2021	-	20,640	20,640

PALAMINA CORP.
Notes to the Unaudited Interim Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

9. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is typically 30 days contingent on the availability of working capital.

The following is an aged analysis of the trade and other payables:

	As at,	
	September 30, 2021	December 31, 2020
	\$	\$
Less than 1 month	7,688	16,325
Over 1 month	191,723	408,815
Total trade and other payables	199,411	425,140

10. RELATED PARTIES AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management includes the following:

Nine months ended September 30,	2021		2020	
Short-term employee benefits	\$	185,000	\$	167,000
Share based payments – options		252,000		52,000
Total compensation to key management	\$	437,000	\$	219,000

At September 30, 2021, included in trade and other payables is \$7,500 (December 31, 2020 - \$200,000) due to these key management personnel. These amounts are due on demand, unsecured and non-interest bearing.

Directors and officers subscribed for 719,000 units in the June 18, 2021 private placement.

Directors and officers subscribed for 1,851,200 units in the May 25, 2020 private placement.

During the year ended December 31, 2020, approximately \$12,000 in exploration expenses were charged to the Company from OTD Exploration, a company controlled by the Company's Vice President exploration.

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11. SHARE CAPITAL

a) Authorized: An unlimited number of common shares with no par value

b) Issued and outstanding:

	Number of Shares	Amount \$
Balance – December 31, 2019	36,303,636	5,657,366
Issued for cash pursuant to private placement of 8,800,000 units ⁽ⁱ⁾	8,800,000	1,100,000
Warrants issued ⁽ⁱ⁾	-	(264,000)
Share issue costs ⁽ⁱ⁾	31,200	(45,848)
Issued pursuant to exercise of stock options ⁽ⁱⁱ⁾	150,000	19,500
Transfer of reserve on exercise of stock options	-	13,000
Balance – December 31, 2020	45,284,836	6,480,018
Issued for cash pursuant to private placement of 20,000,000 units ⁽ⁱⁱⁱ⁾	20,000,000	5,000,000
Warrants issued ⁽ⁱⁱⁱ⁾	-	(1,935,000)
Broker warrants issued ⁽ⁱⁱⁱ⁾	-	(12,000)
Share issue costs ⁽ⁱⁱⁱ⁾	-	(75,807)
Balance – September 30, 2021	65,284,836	9,457,211

(i) On May 25, 2020 the Company closed a non-brokered private placement offering of 8,800,000 units at a purchase price of \$0.125 per unit, for aggregate gross proceeds of \$1,100,000. Each unit consists of one common share and one half of one warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.35 until May 25, 2022. The Company has the option to accelerate the expiry date of the warrant provided that if after four months and one day following the closing of the offering, the closing price of the common shares on the TSX Venture Exchange is equal to or greater than \$0.70 for 10 consecutive trading days.

The Company paid a cash finder's fee equal to 6% of the gross proceeds from the units placed by the finder and issued finder's warrants equal to 6% of the aggregate number of units sold attributable to the finder. Each finder warrant is exercisable to acquire one unit of the Company for a period of two years from the closing date at an exercise price of \$0.125 per Unit. The finder chose to use the cash finder's fee to subscribe for 31,200 units.

(ii) During 2020, 150,000 stock options were exercised at an exercise price of \$0.13 per share for total proceeds of \$19,500.

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11. SHARE CAPITAL (continued)

- (iii) On June 18, 2021 the Company closed a non-brokered private placement offering of 20,000,000 units at a purchase price of \$0.25 per unit, for aggregate gross proceeds of \$5,000,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.40 until June 18, 2023.

The Company paid a cash finder's fee of \$12,000 and issued 48,000 finder's warrants equal to six percent of the aggregate number of units sold under the offering attributable to the finder. Each finder warrant shall be exercisable to acquire one unit of the Company for a period of two years from the closing date at an exercise price of \$0.25 per Unit

12. STOCK OPTIONS

On September 15, 2015 the Company adopted a stock option plan (the "Plan") that provides that the Board of Directors of the Company may grant options to directors, officers, employees and consultants of the Company the option to purchase common shares. The maximum number of common shares reserved for issue under the Plan at any point in time may not exceed 10% of the number of shares issued and outstanding. The purpose of the Plan is to attract, retain and motivate directors, officers, employees, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. Options granted under the Plan are non-assignable and vest over various terms from the date of grant.

As at September 30, 2021, the Company had 1,333,484 (December 31, 2020 – 758,484) options available for issuance under the Plan.

The continuity of outstanding stock options for the nine month period ended September 30, 2021 and year ended December 31, 2020 is as follows:

	Number of stock options	Weighted average exercise price per share \$
Balance – December 31, 2019	3,110,000	0.27
Expired	(135,000)	0.31
Exercised	(150,000)	0.13
Granted ⁽ⁱ⁾	945,000	0.30
Balance – December 31, 2020	3,770,000	0.29
Granted ^{(ii), (iii)}	1,940,000	0.32
Expired	(515,000)	0.34
Balance – September 30, 2021	5,195,000	0.29

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12. STOCK OPTIONS (continued)

- (i) On September 9, 2020, the Company granted 945,000 options to certain officers, directors and consultants of the Company under its stock option plan. All options are exercisable at \$0.30 per common share. The options expire in 3-5 years. The resulting fair value of \$244,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 132%; a risk-free interest rate of 0.37%, and an expected average life of 3-5 years, market price per share \$0.30. The options vested immediately.
- (ii) On June 10, 2021, the Company granted 150,000 options to a consultant of the Company under its stock option plan. The options are exercisable at \$0.25 per common share and expire in 2 years. The resulting fair value of \$26,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 134%; a risk-free interest rate of 0.31%, and an expected average life of 2 years, market price per share \$0.26. The options vested immediately.
- (iii) On July 16, 2021, the Company's issued 1,790,000 stock options to certain officers, directors and consultants of the company under its incentive stock option plan. The stock options have an exercise price of \$0.33 cents per share. The options granted to officers and directors expire in five years, and the options granted to consultants expire in three years. The resulting fair value of \$470,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 128%-129%; a risk-free interest rate of 0.62%-0.87%, and an expected average life of 3-5 years, market price per share \$0.33. The options vested immediately.

Options to purchase common shares carry exercise prices and terms to maturity as follows:

Exercise price ⁽ⁱ⁾	Number of options		Expiry	Remaining
Outstanding	Outstanding	Exercisable	date	contractual
\$				life (years) ⁽ⁱ⁾
0.16	110,000	110,000	November 15, 2021	0.12
0.22	450,000	450,000	January 13, 2022	0.28
0.17	170,000	170,000	November 1, 2022	1.08
0.39	400,000	400,000	April 6, 2023	1.51
0.25	300,000	300,000	December 19, 2021	0.22
0.25	880,000	880,000	December 19, 2024	3.22
0.30	945,000	945,000	September 9, 2023 and 2025 ⁽²⁾	3.58
0.25	150,000	150,000	June 10, 2023	1.69
0.33	900,000	900,000	July 17, 2026	4.79
0.33	890,000	890,000	July 17, 2024	2.79
0.29	5,195,000	5,195,000		2.75

⁽ⁱ⁾ Total represents weighted average.

⁽²⁾ 170,000 expire in 2023 and 775,000 expire in 2025.

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12. STOCK OPTIONS (continued)

A summary of the changes in the Company's reserve for share-based payments for the nine month period ended September 30, 2021 and year ended December 31, 2020 is set out below:

	Amount \$
Balance – December 31, 2019	787,000
Share based payments	244,000
Transfer of reserve on exercise of options	(13,000)
Balance – December 31, 2020	1,018,000
Share based payments	496,000
Balance – September 30, 2021	1,514,000

13. RESERVE FOR WARRANTS

The following table reflects the continuity of warrants for the nine month period ended September 30, 2021 and year ended December 31, 2020:

	Number of Warrants	Amount \$
Balance – December 31, 2019	12,792,332	1,416,775
Share purchase warrants issued pursuant to private placement ⁽ⁱ⁾	4,400,000	264,000
Broker warrants issued pursuant to private placement ⁽ⁱⁱ⁾	46,800	4,000
Warrants expired	(7,166,667)	-
Balance – December 31, 2020	10,072,465	1,684,775
Share purchase warrants issued pursuant to private placement ⁽ⁱⁱⁱ⁾	20,000,000	1,935,000
Broker warrants issued pursuant to private placement ⁽ⁱⁱ⁾	48,000	12,000
Warrants expired	(5,625,665)	-
Balance – September 30, 2021	24,494,800	3,631,775

(i) The share purchase warrants issued pursuant to the private placement on May 25, 2020 are described in Note 11(b)(i) above and have an estimated grant date fair value of \$264,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.29%	Expected volatility ⁽¹⁾	128%
Dividend yield	nil	Expected life-units	2 years
Market price per share	\$0.14		

⁽¹⁾ Based on historical trading data.

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13. RESERVE FOR WARRANTS (continued)

- (ii) The broker warrants issued pursuant to the private placement on May 25, 2020 are described in Note 11(b)(ii) above and have an estimated grant date fair value of \$4,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.29%	Expected volatility ⁽¹⁾	128%
Dividend yield	nil	Expected life-units	2 years
Market price per share	\$0.14		

⁽¹⁾Based on historical trading data.

- (iii) The share purchase warrants issued pursuant to the private placement on June 18, 2021 are described in Note 11(b)(iii) above and have an estimated grant date fair value of \$1,935,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.45%	Expected volatility ⁽¹⁾	133%
Dividend yield	nil	Expected life-units	2 years
Market price per share	\$0.35		

⁽¹⁾Based on historical trading data.

- (iv) The broker warrants issued pursuant to the private placement on June 18, 2021 are described in Note 11(b)(iii) above and have an estimated grant date fair value of \$12,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.45%	Expected volatility ⁽¹⁾	133%
Dividend yield	nil	Expected life-units	2 years
Market price per share	\$0.35		

⁽¹⁾Based on historical trading data.

Details of the warrants outstanding at September 30, 2021 are as follows:

Exercise price	Number and type of outstanding exercisable warrants	Expiry date	Remaining contractual life (years)
\$			
0.40	20,000,000 – Share Purchase Warrants	June 18, 2023	1.72
0.25	48,000 – Finder Warrants	June 18, 2023	1.72
0.35	4,400,000 – Share Purchase Warrants	May 25, 2022	0.65
0.125	15,600 – Finder Warrants	May 25, 2022	0.65
0.35	31,200 – Finder Warrants	May 25, 2022	0.65
0.39	24,494,800		1.52

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14. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenses for the Company are summarized as follows:

Nine month period ended September 30,	2021	2020
Peru Properties	\$ 745,548	\$ 438,434
El Santuario Property	49,130	15,684
Exploration and evaluation expenditures	\$ 794,678	\$ 454,118

Peru Properties

Palamina Peru has application and mining rights to certain concessions within the Department of Puno in southeast Peru, and the Department of Ica in the Peruvian coast south of Lima.

El Santuario Property

Palamina Mexico holds 100% title interest to the "El Santuario" concession which makes up the El Santuario Property located in the State of Hidalgo, Mexico.

15. COMMITMENTS AND CONTINGENCIES

Under the terms of the Company's mining concessions, the Company must make periodic tax payments and perform minimum levels of exploration to maintain these concessions in good standing. The failure of the Company to meet these requirements would lead to the forfeiture of the Company's rights to these properties.

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

16. SEGMENTED INFORMATION

At September 30, 2021, the Company's operations comprise a single operating segment engaged in mineral exploration in Peru and Mexico. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8, 'Operating Segments'. As the operations comprise a single operating segment for accounting purposes, amounts disclosed in the consolidated financial statements also represent operating segment amounts.

The following is a breakdown of the Company's identifiable assets by geographical location:

As at,	September 30, 2021	December 31, 2020
	\$	\$
Canada	3,424,376	178,569
Peru	124,550	31,079
Mexico	1,778	1,832
	3,550,704	211,480

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17. INVESTMENT IN ASSOCIATE

On September 19, 2019, the Company entered into an agreement with Winshear Gold Corp. (“Winshear”) whereby Palamina sold 100% of the application and mining rights to the Gaban Gold and Tinka I.O.C.G. projects in Peru to Winshear (“Winshear Sale”). In exchange, Palamina was issued 5 million shares of Winshear during the year ended December 31, 2019 and another 5 million common shares of Winshear during the year ended December 31, 2020.

Palamina retained a 2% Net Smelter Return (“NSR”) royalty on each property. Winshear will have the right to purchase 50% of the royalty by making a cash payment of \$1,000,000 to Palamina at any time prior to the commencement of commercial production. Winshear will make an Advance Royalty Payment (“ARP”) of US\$25,000 to Palamina on September 19, 2020 and 2021. The ARP will double every two years, beginning September 19, 2022, until such time that Winshear has either completed a total of 5,000m of drilling or has abandoned the properties. Palamina acts as operator of the two projects and has appointed two directors to the Winshear board.

Due to these shareholdings and the two directors it appointed to the board of Winshear, the Company has determined that it has significant influence over Winshear and has accounted for its investment as an Investment in Associate using the equity basis of accounting.

On September 13, 2021, Palamina entered into a share for debt agreement with Winshear to convert the ARP receivable of US\$25,000 and trade receivables of US\$8,700 to 525,000 common shares of Winshear. The shares were valued at \$0.08 or \$42,000 increasing Palamina’s equity investment in Winshear by the same amount.

As at September 30, 2021, Palamina held 10,525,000 common shares or 19.5% (September 30, 2020 – 18.7%) of Winshear. Fair value of one Winshear common share as at September 30, 2021 was \$0.09 which is based on the trading price of the shares.

Changes in the investment in associate for the nine month period ended September 30, 2021 and year ended December 31, 2020 were as follows:

Balance – December 31, 2019	\$ 480,000
Proportionate share of net loss	(347,845)
Balance – December 31, 2020	\$ 132,155
Shares received for settlement of debt	42,000
Proportionate share of net loss	(174,155)
Balance – September 30, 2021	\$ -

18. SUBSEQUENT EVENTS

Subsequent to quarter end the Company purchased 255,000 common shares of Winshear to hold 10,780,000 common shares, or 19.94% of Winshear.