Three Valley Copper Corp.

Condensed Interim Consolidated Financial Statements
First Quarter Ended March 31, 2022
(Unaudited - Expressed in United States dollars)

Unaudited - Amounts expressed in thousands of United States dollars except per share amounts and number of outstanding shares

	Note	**Mar. 31, 2022**	Dec. 31, 2021
ASSETS			
Cash and cash equivalents		**$ 9,254**	$ 13,656
Restricted cash		**471**	556
Trade and other receivables		**1,251**	1,705
Inventories	4	**15,678**	16,739
Prepaids and other current assets		**1,480**	1,528
Portfolio investments		**763**	2,101
Total current assets		**28,897**	36,285
Non-current portion of inventory	4	**9,008**	9,008
Mineral properties, plant and equipment	5, 12	**63,648**	59,733
Exploration and evaluation asset		**930**	930
Intangible assets		**1,093**	1,160
Other		**828**	856
		75,507	71,687
Total assets		**$ 104,404**	$ 107,972
LIABILITIES			
Accounts payable and accrued liabilities	6	**$ 18,298**	$ 18,207
Deferred revenue		**2,509**	2,940
Current portion of loans and borrowings	7	**77,687**	74,251
Total current liabilities		**98,494**	95,398
Loans and borrowings	7	**215**	218
Reclamation and other closure provisions		**4,916**	4,438
Other non-current liabilities		**1,704**	1,740
		6,835	6,396
Total liabilities		**105,329**	101,794
SHAREHOLDERS' EQUITY			
Capital stock	8b	**321,787**	321,787
Common share purchase warrants	8c	**4,275**	10,301
Contributed surplus		**7,923**	1,880
Deficit		**(295,465)**	(288,632)
Accumulated other comprehensive loss		**(37,479)**	(37,582)
Total equity attributable to owners of the Company		**1,041**	7,754
Non-controlling interest		**(1,966)**	(1,576)
		(925)	6,178
Total liabilities and shareholders' equity		**$ 104,404**	$ 107,972

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Approved by the Board of Directors

(signed) "*Terrence Lyons*"	(signed) "*Lenard F. Boggio*"
Chairman	Director

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

Three Valley Copper Corp.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2022 and 2021
Unaudited - Amounts expressed in thousands of United States dollars except per share amounts and number of outstanding shares

	Note	Three Months Ended Mar. 31, 2022	Three Months Ended Mar. 31, 2021
Revenue	9	**$ 10,878**	$ 7,000
Cost of sales	10	**(12,309)**	(4,859)
Gross loss (profit)		**1,431**	(2,141)
Expenses			
General and administrative expenses		**1,033**	956
General exploration and evaluation expense		**175**	—
Gain on portfolio investments		**—**	(107)
Finance expenses, net		**2,700**	2,212
Other loss (income), net	11	**1,884**	(265)
Net loss for the period		**$ 7,223**	$ 655
Net loss attributable to:			
Owners of the Company		**$ 6,833**	$ 262
Non-controlling interests		**390**	393
Net loss for the period		**$ 7,223**	$ 655
Basic and fully diluted net loss per share		**$ 0.06**	$ 0.02
Weighted average number of shares outstanding during the period			
Basic and fully diluted		**112,452,943**	33,789,980
Net loss for the period		**$ 7,223**	$ 655
Other comprehensive (income) loss			
Items that may be reclassified subsequently to net loss:			
Foreign currency translation differences		**(103)**	(62)
Total comprehensive loss		**$ 7,120**	$ 593
Comprehensive loss attributable to:			
Owners of the Company		**$ 6,730**	$ 200
Non-controlling interests		**390**	393
Total comprehensive loss		**$ 7,120**	$ 593

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

Three Valley Copper Corp.
Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended March 31, 2022, nine months ended December 31, 2021 and three months ended March 31, 2021
Unaudited - Amounts expressed in thousands of United States dollars

	Capital Stock	Common Share Purchase Warrants	Treasury Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total	Non-controlling interest	Total Equity
Balance - January 1, 2021	$ 303,990	$ 6,026	$ (101)	$ 1,908	$ (247,368)	$ (37,786)	$ 26,669	$ (2,021)	$ 24,648
Net loss for the period	—	—	—	—	(262)	—	(262)	(393)	(655)
Foreign currency translation differences	—	—	—	—	—	62	62	—	62
Stock-based compensation	—	—	—	28	—	—	28	—	28
Balance - March 31, 2021	**$ 303,990**	**$ 6,026**	**$ (101)**	**$ 1,936**	**$ (247,630)**	**$ (37,724)**	**$ 26,497**	**$ (2,414)**	**$ 24,083**
Balance - April 1, 2021	$ 303,990	$ 6,026	$ (101)	$ 1,936	$ (247,630)	$ (37,724)	$ 26,497	$ (2,414)	$ 24,083
Net loss for the period	—	—	—	—	(37,101)	—	(37,101)	(3,036)	(40,137)
Foreign currency translation differences	—	—	—	—	—	142	142	—	142
Change in other reserve	—	—	—	20	—		20	—	20
Change in non-controlling interest	—	—	—	—	(3,874)	—	(3,874)	3,874	—
Shares and warrants issued on bought-deal financings, net of issue costs	17,289	3,845	—	—	—	—	21,134	—	21,134
Non-transferrable compensation warrants issued to underwriters	—	462	—	—	—	—	462	—	462
Exercise of warrants	508	(32)	—	(62)	—	—	414	—	414
Stock-based compensation	—	—	—	60	—	—	60	—	60
Shares released on vesting of equity incentive plan	—	—	101	(74)	(27)	—	—	—	—
Balance - December 31, 2021	**$ 321,787**	**$ 10,301**	**$ —**	**$ 1,880**	**$ (288,632)**	**$ (37,582)**	**$ 7,754**	**$ (1,576)**	**$ 6,178**
Balance - January 1, 2022	$ 321,787	$ 10,301	$ —	$ 1,880	$ (288,632)	$ (37,582)	$ 7,754	$ (1,576)	$ 6,178
Net loss for the period	—	—	—	—	(6,833)	—	(6,833)	(390)	(7,223)
Foreign currency translation differences	—	—	—	—	—	103	103	—	103
Expiration of warrants	—	(6,026)	—	6,026	—	—	—		—
Stock-based compensation	—	—	—	17	—	—	17	—	17
Balance - March 31, 2022	**$ 321,787**	**$ 4,275**	**$ —**	**$ 7,923**	**$ (295,465)**	**$ (37,479)**	**$ 1,041**	**$ (1,966)**	**$ (925)**

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

Unaudited - Amounts expressed in thousands of United States dollars

	Note	**Three Months Ended Mar. 31, 2022**	Three Months Ended Mar. 31, 2021
Operating activities			
Net loss for the period		**$ (7,223)**	$ (655)
Items not affecting cash and other adjustments			
Depreciation and amortization	10	**535**	1,235
Finance expense		**2,700**	2,210
Gain on portfolio investments		**—**	(107)
Foreign currency translation loss (gain)	11	**1,994**	(407)
Stock-based compensation		**17**	28
Write-down (reversals) of inventory	10	**701**	(1,738)
Other			167
Change in non-current asset and liabilities		**64**	(24)
		(1,212)	709
Changes in non-cash operating working capital	15	**(1,201)**	(4,567)
Cash used in operating activities of continuing operations		**(2,413)**	(3,858)
Cash flows from investing activities			
Additions of mineral properties, plant and equipment		**(3,573)**	(2,800)
Additions to exploration and evaluation asset		**—**	(40)
Proceeds of sale of portfolio investments		**1,351**	160
Cash used in investing activities of continuing operations		**(2,222)**	(2,680)
Cash flows from financing activities			
Loans and borrowings paid		**—**	(146)
Interest paid		**(52)**	(649)
Decrease of restricted cash		**85**	—
Cash provided by (used in) financing activities of continuing operations		**33**	(795)
Decrease in cash and cash equivalents of continuing operations		**(4,602)**	(7,333)
Impact on foreign exchange on cash balances		**200**	45
Cash and cash equivalents of continuing operations - Beginning of period		**13,656**	11,961
Cash and cash equivalents from continuing operations - End of period		**$ 9,254**	$ 4,673
Supplementary Cash Flow Information	15		

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

1. Corporate Information

Three Valley Copper Corp. (together with its subsidiaries, "**TVC**" or the "**Company**", formerly SRHI Inc.) was incorporated under the laws of British Columbia and continued under the *Canada Business Corporations Act* ("**CBCA**"). TVC is a publicly-listed company, on the TSX Venture Exchange ("**TSXV**"), focused on operating and expanding Minera Tres Valles SpA's ("**MTV**") copper mining operations in Chile.

The Company's principal operating business is its 95.1% equity interest in MTV. MTV's main asset is the Minera Tres Valles mining project, in the Province of Choapa, Chile which includes fully integrated processing operations and its two main mines. The major ore extraction operations include the Don Gabriel open pit mine ("**Don Gabriel**") and the Papomono underground mine ("**Papomono**"). MTV recommenced mining operations in late 2020 after temporarily ceasing mining activities in early 2020 and successfully completing a Judicial Reorganization Agreement ("**JRA**") with its creditors and key stakeholders in August 2020.

On January 10, 2022, TVC commenced trading on the OTCQB Venture Market under the symbol TVCCF. On February 9, 2022, the Company's publicly traded common share purchase warrants (TVC.WT) expired and were delisted from the TSXV.

On January 24, 2022, the Company temporarily suspended operations at Don Gabriel and stated it does not expect to resume production at Don Gabriel in 2022.

The initial construction of the Papomono block caving mine was completed in mid-January 2022. MTV chose to temporarily halt the start of the block caving operation as MTV's expected cash flows are not sufficient to fully support the ramp-up of Papomono during 2022. Increasing production input costs and the decision to suspend operations at Don Gabriel has significantly impacted MTV's ability to generate the necessary cash flows to fund the planned ramp-up of Papomono. To further preserve liquidity, MTV also suspended its exploration program and certain sustaining and expansion capital expenditures.

On March 7, 2022, the Company, with the support of the MTV's senior secured lenders (the "**Lenders**") and the underground mining contractor, decided to start the operations of the Papomono block caving mine while discussions with the Lenders continue.

The Lenders, together with the Company, expressed their intention to provide super senior secured funds to MTV, the approvals for and terms of which are being finalized. This funding, if approved, was expected to be drawn down in tranches by MTV beginning at the end of March 2022 and is expected to fund MTV into July 2022 providing the Company and the Lenders additional time to negotiate a longer-term solution for MTV, including sourcing additional capital that will be required. If approvals from the respective parties are not obtained and funding not provided, it is expected that MTV will not have sufficient funds to operate past mid-June 2022. In addition to the super senior secured funds, the Company expects MTV will require additional capital during 2022.

The Company did not pay interest due on March 31, 2022 to the Lenders as required pursuant to the terms of the amended loan facility (the "**Amended Facility**"). While the Lenders have not sent a notice of default to MTV they have expressly reserved their rights. In addition, amounts due to the unsecured creditors of the JRA (the "**Unsecured Creditors**") on March 31, 2022 were postponed until June 30, 2022 with the approval of the Creditors' Committee representing the Unsecured Creditors of the JRA.

These Financial Statements (as defined below) were approved for issue by the Board of Directors (the "**Board**") on May 24, 2022**.**

2. Accounting Policies and Going Concern

a. Basis of Preparation and Going Concern

These unaudited condensed interim consolidated financial statements ("**Financial Statements**") of the Company have been prepared on a going concern basis in accordance with International Financial Reporting Standards 34 - Interim Financial Reporting, and accordingly, assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. They do not contain all information and disclosures required for complete financial statements in accordance with the International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). Therefore, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021.

The Company is subject to numerous risk factors that may impact its ability to economically produce copper cathodes at MTV, such as, but not limited to, current volatile market conditions and extended and potential startup issues with Papomono and the impact of the fixed portion of its offtake arrangement (the "**Offtake**") with its principal buyer of copper cathodes. The Company has incurred significant operating losses and negative cash flows from operations in recent years and has (i) an accumulated deficit of $295.5 million, and (ii) negative working capital of $69.6 million, as at March 31, 2022. The Company will require further financing to meet its financial obligations, sustain its operations and ongoing capital projects in the normal course, secure the remaining non-controlling interest of MTV and expand its inventory of reserves and resources.

The Company will need to raise capital in order to further support MTV's operations including additional sustaining capital requirements to fully support the ramp-up of Papomono during 2022. MTV currently operates in a high-cost environment and additional sources of capital will be required to execute MTV's planned operations. Such financings will depend on a number of unpredictable factors, which are often beyond the control of the Company and MTV. The Company's ability to meet its long-term business strategy depends on its ability to obtain additional financing in the immediate term and to generate operational cash flow from its commercial revenues. In 2021, the Company was successful in obtaining external financing for net proceeds of $21.6 million. In addition, the Company executed an undertaking agreement (the "**Undertaking**") with the Lenders to defer certain principal loan repayments due in 2022 and to execute a definitive binding agreement to revise the loan repayments required under the Amended Facility. The Company did not fulfill this requirement, and as a result, the Lenders are no longer bound by the terms of the Undertaking. A key milestone for MTV's future success is the continued ramp-up of production from the Papomono mine through 2022 and into 2023, the initial construction of which was completed in January 2022. Management estimates that additional sustaining capital requirements and working capital will be required in 2022. The Papomono mine ramp up and its future production of copper ore depends on several factors some of which may be out of the Company's control.

Management is of the opinion that additional working capital will be required from external sources to meet the Company's liabilities and commitments as they become due and to execute its business strategy, including the ramp-up of Papomono. There is no assurance that additional financing will be available on a timely basis or on terms acceptable to the Company. The Company has suspended mining operations at Don Gabriel and is in negotiations with the Lenders to amend the terms of the Amended Facility. There is no assurance that the negotiations will be successful. On March 31, 2022, MTV did not pay interest due to the Lenders and consequently effective that date the Company is in default with the terms of the Amended Facility and the Lenders may exercise their security rights and/or remedies pursuant to the terms of the Amended Facility. As a result of MTV's current financial situation and the interruption in its operations, certain defaults of the Amended Facility have occurred and are continuing, consequently the total outstanding amounts due under the Amended Facility are classified as current liabilities. In addition, the amounts due to the Unsecured Creditors under the terms of the JRA are classified as current liabilities.

These circumstances result in material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern. These Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to achieve profitable operations or to obtain adequate financing or successfully renegotiate the terms of the amended debt facility. These adjustments would likely be material.

The Company's presentation currency is the United States ("**USD**") dollar. Reference herein of $ or USD is to USD dollars, CAD is to Canadian dollars and CLP refers to the Chilean peso.

These Financial Statements have been prepared on a historical cost basis except for financial assets valued at fair value through profit or loss ("**FVTPL**") which is measured at fair value.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

Due to rounding, numbers presented may not add up precisely to totals provided.

3. Significant Judgments, Estimates and Assumptions

The preparation of these Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. These estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amounts included in the Financial Statements.

In preparing these Financial Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended December 31, 2021.

Unaudited - Tabular amounts expressed in thousands of United States dollars except as noted

4. Inventories

	As at	
	Mar. 31, 2022	Dec. 31, 2021
Supplies and consumables	**$ 1,249**	$ 1,156
Work in progress	**11,587**	11,950
Copper cathodes	**2,842**	3,633
	15,678	16,739
Non-current portion of inventory	**9,008**	9,008
	$ 24,686	$ 25,747

Inventories are valued at the lower of cost and net realizable value at each reporting period. For the three months ended March 31, 2022, the Company recorded a net write-down of work-in-progress inventory of $0.7 million, primarily due to increased operating costs during the period as a result of the suspension of Don Gabriel and minimal production from the Papamono block caving operations.

For the three months ended March 31, 2021, the Company recorded a reversal of previous year's write-downs of inventory of $1.7 million, primarily related to changes in the expected copper price. The write-down of inventories has been presented in a separate component of cost of sales (see Note 10).

5. Mineral Properties, Plant and Equipment

Cost	Mineral properties	Land	Building and mining facilities	Machinery and equipment	Total
As at January 1, 2021	$ 36,013	$ 665	$ 44,015	$ 16,630	**$ 97,323**
Additions, net of disposals	13,297	—	183	776	**14,256**
Foreign exchange impact	(553)	—	—	—	**(553)**
As at December 31, 2021	48,757	665	44,198	17,406	**111,026**
Additions, net of disposals	3,956	—	—	20	**3,976**
Foreign exchange impact	433	—	—	—	**433**
As at March 31, 2022	**$ 53,146**	**$ 665**	**$ 44,198**	**$ 17,426**	**$ 115,435**

Accumulated depreciation	Mineral properties	Land	Building and mining facilities	Machinery and equipment	Total
As at January 1, 2021	$ (14,977)	$ —	$ (17,471)	$ (4,829)	**$ (37,277)**
Depreciation expense	(1,714)	—	(1,714)	(1,211)	**(4,639)**
Impairment	(3,611)	—	(4,603)	(1,163)	**(9,377)**
As at December 31, 2021	(20,302)	—	(23,788)	(7,203)	**(51,293)**
Depreciation expense	(107)	—	(195)	(192)	**(494)**
As at March 31, 2022	**$ (20,409)**	**$ —**	**$ (23,983)**	**$ (7,395)**	**$ (51,787)**

Net book value					
As at December 31, 2021	$ 28,455	$ 665	$ 20,410	$ 10,203	$ 59,733
As at March 31, 2022	**$ 32,737**	**$ 665**	**$ 20,215**	**$ 10,031**	**$ 63,648**

Unaudited - Tabular amounts expressed in thousands of United States dollars except as noted

6. Accounts Payable and Accrued Liabilities

	As at	
	Mar. 31, 2022	Dec. 31, 2021
Trade accounts payable	**$ 13,069**	$ 12,975
Accrued liabilities	**4,547**	4,629
Other provisions	**682**	603
	$ 18,298	$ 18,207

7. Loans and Borrowings

	As at	
	Mar. 31, 2022	Dec. 31, 2021
Secured prepayment facility (the "**Amended Facility**")	**$ 54,615**	$ 53,067
Secured term loan	**182**	292
Unsecured Debt [1]	**22,814**	20,750
Leases	**291**	360
Total	**77,902**	74,469
Less: current portion	**77,687**	74,251
	$ 215	$ 218

[1] Included in Unsecured Debt is subordinated debt of $0.8 million (December 31, 2021 - $0.8 million) due to certain executives of MTV and subordinated debt of $6.4 million (December 31, 2021 - $5.7 million) due to Porto San Giorgio SpA, the minority shareholder of MTV. All principal and interest associated with these amounts are subordinated to the JRA and Amended Facility.

On August 24, 2020, creditors of MTV approved the JRA with support from 100% of the Lenders and 93% of the Unsecured Creditors. As a result of the JRA, a significant portion of accounts payable and accrued liabilities at that date were converted to long-term debt (the "**Unsecured Debt**") and the terms of the secured prepayment facility (the **"Facility"**) were amended (the "**Amended Facility**").

On November 22, 2021, the Company and its subsidiaries executed the Undertaking with the Lenders to execute a binding agreement to amend the loan repayment terms of the Amended Facility on or prior to September 30, 2022. Under the terms of the Undertaking the Lenders have agreed not to accelerate or enforce their rights or remedies under the Amended Facility should MTV fail to (i) make scheduled loan repayments on March 31, 2022, June 30, 2022 and September 30, 2022 and/or (ii) replenish the operating reserve account to reestablish the minimum reserve as required under the Amended Facility (each, a "**Specific Event of Default**"). As per the terms of the Undertaking, the forbearance period is from November 22, 2021 to October 1, 2022. The Undertaking also provides that the net proceeds of the bought-deal offering closed on November 25, 2021 (the "**Bought-Deal Financing**") will not be used to repay any of the loans outstanding under the Amended Facility during the forbearance period. The Lenders will cease to be bound by the Undertaking should the Company not invest the net proceeds received from CAD$16.0 million of the Bought-Deal Financing into MTV between the closing of the financing on November 25, 2021 and April 30, 2022, if an event of default occurs under the Amended Facility other than a Specified Event of Default, or if the Company and the Lenders fail to enter into a definitive agreement by September 30, 2022, pursuant to which the loan repayment schedule in the Amended Facility is revised.

On March 31, 2022, MTV did not pay interest due to the Lenders and consequently effective that date MTV is in default with the terms of the Amended Facility. In addition, TVC has not remitted the approximate $2.5 million remaining net proceeds of the Bought-Deal Financing to MTV by April 30, 2022 and the Lenders may exercise their security rights and/or remedies pursuant to the terms of the Amended Facility. As a result of MTV's current financial situation and the interruption in its operations, certain defaults of the Amended Facility have occurred and are continuing, consequently the total outstanding amounts due under the Amended Facility are classified as current liabilities. In addition, the amounts due to the Unsecured Creditors under the terms of the JRA are classified as current liabilities.

Unaudited - Tabular amounts expressed in thousands of United States dollars except as noted

8. Equity

a) Authorized

Unlimited common shares with no par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the Board, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company.

b) Issued and outstanding

	Common shares (#)		Amount
Balance - December 31, 2021	112,452,942		**321,787**
Exercise of warrants	12		—
Balance - March 31, 2022	**112,452,954**	**$**	**321,787**

c) Common Share purchase warrants

Common share purchase warrants outstanding were as follows:

	Warrants(#)		Amount
Balance - December 31, 2021	**283,446,320**	$	10,301
Expiry of warrants	(201,117,320)		(6,026)
Exercise of warrants	(240)		—
Balance - March 31, 2022	**82,328,760**	**$**	**4,275**

On February 9, 2022, the Company's publicly traded common share purchase warrants (TVC.WT) expired and were delisted from the TSXV.

d) Stock options

The number of stock options outstanding as at March 31, 2022 was 2.5 million (December 31, 2021: 2.5 million) at a weighted average exercise price of CAD$0.32 (December 31, 2021: CAD$0.32). The number of stock options vested as at March 31, 2022 was 2.4 million (December 31, 2021: 2.4 million).

	Stock options (#)		Weighted average exercise price (per unit), CAD
Balance - December 31, 2021 and March 31, 2022	**2,500,000**	**$**	**0.32**

f) DSUs and RSUs

	DSUs (#)	RSUs (#)
Outstanding, December 31, 2021	**410,963**	**155,312**
Granted	508,130	325,203
Outstanding, March 31, 2022	**919,093**	**480,515**

Unaudited - Tabular amounts expressed in thousands of United States dollars except as noted

9. Revenues

	Three months ended	
	Mar. 31, 2022	Mar. 31, 2021
Copper cathodes	**$ 10,878**	$ 6,942
Tolling	**—**	58
	$ 10,878	$ 7,000

Revenue from copper cathodes for the three months ended March 31, 2022 include $0.1 million of pricing adjustments due to timing differences for settlement of sales. Pricing adjustments due to timing differences for settlement of sales for the three months ended March 31, 2021 were $nil.

Beginning in 2021, the tolling contract was converted to an ore purchase contract.

During 2020, MTV and the offtake provider (one of MTV's Lenders) agreed to and executed an increase to the fixed price portion originally agreed to in the Offtake from 25% to 40% of forecasted copper production at a fixed price of $2.89 per pound from August 2020 to July 2022.

Effective August 1, 2021, MTV executed an amendment to the Offtake specific to the fixed price sales component with its principal buyer of copper cathode. Under the terms of the amendment, the remaining monthly deliveries of copper cathode due under the fixed price portion of the Offtake were deferred until May 1, 2022 and all sales of copper cathode commencing August 1, 2021 until April 30, 2022 were sold at the prevailing spot price for copper cathode, less a nominal amount. The remaining 12 months of contracted delivery amounts of the fixed price portion of the contract were expected to resume on May 1, 2022 at the previous agreed fixed price of $2.89 per pound. Currently, the fixed price portion of the Offtake has not restarted effective May 1, 2022 and the Company is in negotiations with the Lenders to modify the terms of the fixed price portion of the Offtake. During the first quarter of 2022, 100% of copper cathodes produced by MTV was sold at the prevailing spot price for copper cathode, less a nominal amount, as a result of the amendment to the Offtake.

10. Cost of Sales

	Three months ended	
	Mar. 31, 2022	Mar. 31, 2021
Direct mining and plant costs	**$ 5,775**	$ 5,990
Write-down (reversal) of inventory	**701**	(1,738)
Salaries	**1,404**	1,391
Depreciation and amortization	**535**	1,235
Purchase of ore from third parties	**3,347**	1,768
Other	**69**	48
Change in inventory	**478**	(3,835)
	$ 12,309	$ 4,859

Unaudited - Tabular amounts expressed in thousands of United States dollars except as noted

11. Other (loss) income, net

	Three months ended	
	Mar. 31, 2022	Mar. 31, 2021
Interest and other income (loss)	**$ 110**	$ (142)
Foreign currency translation (loss) gain	**(1,994)**	407
	$ (1,884)	$ 265

12. Impairment of MTV CGU

In the fourth quarter of 2021, the Company began its budgeting process that was completed in 2022. Management observed changes to MTV's future cash flows reflecting adjustments to key mine planning, cost and working capital assumptions, near-term capital requirements and its future outlook on copper prices. In addition, the mining operations at Don Gabriel were suspended in January 2022 due to continuing underperformance of the mine. Together, these impairment indicators to the MTV CGU mine plan resulted in a review event to determine the recoverability of the carrying value of the MTV CGU.

Management engaged an independent third-party to assist management in preparing a valuation for impairment analyses that concluded that the recoverable amount of the MTV CGU was lower than its carrying value as at December 31, 2021. The valuation was prepared using the fair value less cost of disposal approach (Level 3 of the fair value hierarchy). From these analyses, management concluded that an impairment charge of $9.4 million was warranted and was recorded as a reduction in the carrying value of MTV's mineral properties, plant and equipment assets on a proportional basis.

There was no further impairment or reversal of a previous impairment of the MTV CGU during the three months ended March 31, 2022.

13. Contingencies and Commitments

In the normal course of business, the Company is aware of certain claims and potential claims. The outcome of these claims and potential claims is not determinable at this time, although the Company does not believe these claims and potential claims will have a material adverse effect on the Company's results of operations or financial position.

Contractual obligations of the Company as at March 31, 2022 are as follows:

	1 year	**1 - 3 years**	**More than 3 years**	**Total**
Accounts payable and accrued liabilities [1]	$ 18,030	$ —	$ —	$ 18,030
Amended Facility	56,369	—	—	56,369
Unsecured Debt under the JRA	25,472	—	—	25,472
Leases	115	103	277	495
Term Loan	182	—	—	182
Other liabilities	764	660	1,552	2,976
Reclamation and other closure provisions	—	—	5,442	5,442
As at March 31, 2022	$ 100,932	$ 763	$ 7,271	$ 108,966

[1] Included in Accounts payable and accrued liabilities are commitments to purchase mining operating supplies of $0.6 million.

Subsequent to TVC's equity contribution to MTV on June 3, 2021, the minority shareholder of MTV (the "**Minority Shareholder**"), who did not participate in the contribution of funding to MTV, commenced an arbitration proceeding against the Company and its subsidiaries claiming the funding to MTV was not completed in accordance with the terms of the MTV shareholders' agreement (the "**SHA**"). The Minority Shareholder has filed a request for arbitration under the SHA pursuant to the rules of the International Court of Arbitration of the International Chamber of

Unaudited - Tabular amounts expressed in thousands of United States dollars except as noted

Commerce (the "**ICC**") alleging that the equity contribution of TVC did not comply with the SHA and claiming damages of $16 million. The Company and its legal counsel believe the claims of the Minority Shareholder are without merit and the Company has acted appropriately and in accordance with the SHA, and Chilean law in all respects. As the Company is confident in its legal position it has not provided for a possible settlement provision in these Financial Statements. Currently, it is expected that the ICC arbitration will be completed in late 2022 and the Company will continue to monitor the arbitration proceedings.

14. Operating Segments

The Company has two reportable segments. MTV is the Company's principal operating business. Corporate includes the Canadian publicly traded corporation which holds legacy portfolio investments, which are in the process of being dissolved, and its indirect ownership of MTV.

Significant information relating to reportable operating segments is summarized below:

As at March 31, 2022	**MTV**	**Corporate**	**Total**
Total assets	$ 96,727	$ 7,677	**$ 104,404**
Total liabilities	$ 104,619	$ 710	**$ 105,329**

As at December 31, 2021	MTV	Corporate	Total
Total assets	$ 99,798	$ 8,174	**$ 107,972**
Total liabilities	$ 100,954	$ 840	**$ 101,794**

Three Months Ended March 31, 2022	**MTV**	**Corporate**	**Total**
Revenue	$ 10,878	$ —	**$ 10,878**
Cost of sales	(12,309)	—	**(12,309)**
Gross loss	1,431	—	**1,431**
Expenses			
General and administrative expenses	547	486	**1,033**
General exploration and evaluation expense	175	—	**175**
Finance expenses, net	2,700	—	**2,700**
Other loss (income), net	1,893	(9)	**1,884**
Net loss for the period	$ 6,746	$ 477	**$ 7,223**

Unaudited - Tabular amounts expressed in thousands of United States dollars except as noted

Three Months Ended March 31, 2021	**MTV**	**Corporate**	**Total**
Revenue	$ 7,000	$ —	**$ 7,000**
Cost of sales	(4,859)	—	**(4,859)**
Gross profit	(2,141)	—	**(2,141)**
Expenses			
General and administrative expenses	547	409	**956**
Gain on portfolio investments	—	(107)	**(107)**
Finance expenses, net	2,212	—	**2,212**
Other income, net	(261)	(4)	**(265)**
Net loss for the period	$ 357	$ 298	**$ 655**

For the three months ended March 31, 2022, 100% of the revenues ($10.9 million) was from one customer. For the three months ended March 31, 2021, 99% of the revenues ($6.9 million) was from one customer.

15. Supplementary Cash Flow Information

Net Change in Non-Cash Operating Working Capital

	Three months ended	
	Mar. 31, 2022	Mar. 31, 2021
Net (increase) decrease in:		
Trade and other receivables	**$ 457**	$ (226)
Inventories	**296**	(4,310)
Other current assets	**50**	742
Net increase (decrease) in:		
Accounts payable and accrued liabilities	**(1,573)**	812
Deferred revenue	**(431)**	(1,585)
Net change in non-cash operating working capital	**$ (1,201)**	$ (4,567)

16. Related Party Transactions

The Company entered into the following transactions with related parties during the three months ended March 31, 2022 and 2021. Transactions with related parties are recorded at the price agreed between the parties. Transactions in the normal course of business are measured at the monetary amount, which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

Unaudited - Tabular amounts expressed in thousands of United States dollars except as noted

a) Key Management Compensation

Compensation for services paid or payable to executive officers and independent directors of the Company is shown below:

	Three months ended	
	Mar. 31, 2022	Mar. 31, 2021
Compensation paid by and on behalf of TVC for executive management services provided to the Company (including stock-based compensation)[1]	**$ 111**	$ 82
Directors fees and stock-based compensation[2]	**48**	91
	$ 159	$ 173

[1] During the three months ended March 31, 2022, the Company issued 325,203 RSUs and $16 thousand was recognized as compensation paid for executive management services. The RSUs vest on January 1, 2024.
[2] During the three months ended March 31, 2022, the Company issued 508,130 DSUs and $25 thousand was recognized as stock-based compensation. All DSUs have vested.

b) Mine Contracting Services

As at March 31, 2022, a balance of $8.5 million payable to Porto San Giorgio SpA remained outstanding as Unsecured Debt as a result of the JRA (December 31, 2021: $7.7 million) (see Note 7). Porto San Giorgio SpA is the minority shareholder of MTV. No transactions occurred during the three months ended March 31, 2022.

c) MTV Management Loan

In 2018 and 2019, certain executives of MTV entered into loan agreements with MTV. All principal and interest is subordinated to the JRA and the Amended Facility.

As of March 31, 2022, $0.8 million of principal and interest was outstanding. (December 31, 2021: $0.8 million)

17. Fair Value Estimation

All of the Company's portfolio investments are carried at fair value. TVC includes portfolio investments in private companies in Level 3 of the fair value hierarchy because they trade infrequently and have limited observable inputs.

The Company has provided fair market disclosure for its portfolio of investments by industry groups. The mining industry group consists of one mining company (2021 - one company) that is in care and maintenance and undergoing dissolution. The agricultural group consists of one company undergoing dissolution.

The following table presents the classification within the levels of the fair value hierarchy.

As at March 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment - mining	$ —	$ —	$ 632	**$ 632**
Investment - agriculture	—	—	131	**131**
Deferred revenue	—	2,509	—	**$ 2,509**
	$ —	$ 2,509	$ 763	**$ 3,272**

As at December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment - mining	$ —	$ —	$ 1,972	**$ 1,972**
Investment - agriculture	—	—	129	**129**
Deferred revenue	—	2,940	—	**2,940**
	$ —	$ 2,940	$ 2,101	**$ 5,041**

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The Company's policy is to recognize transfers to and from fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers between levels during the three months ended March 31, 2022 and the year ended December 31, 2021.

The following presents the movement in Level 3 instruments for the three months ended March 31, 2022 and the year ended December 31, 2021:

	Mar. 31, 2022	Dec. 31, 2021
Opening balance	**$ 2,101**	$ 2,093
Cash distribution from portfolio investment	**(1,351)**	—
Foreign currency translation differences	**13**	8
Ending balance	**$ 763**	$ 2,101

The Company's Level 3 portfolio investment at March 31, 2022 consists of an investment in the mining sector and an investment in the agricultural sector.

18. Financial Risk Management

The Company's activities expose it to certain financial risks during or at the end of the reporting period as described below.

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 commodity prices. The purpose of market risk management is to manage and control exposures to market risks, within acceptable parameters, while optimizing return. The sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rates and changes in foreign currency rates.

Interest Rate Risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents and any interest paid on floating rate borrowings.

Cash and cash equivalents are invested on a short-term basis to ensure minimal interest rate risk and to adequately provide liquidity for payment of operational and capital expenditures. To date, no interest-rate management products, such as swaps, are used in relation to cash and cash equivalents or the Amended Facility.

The Company has additional exposure to interest rate risk on the Amended Facility, which is subject to a floating interest rate. Floating interest rates are based on USD LIBOR plus a fixed margin. The Company does not enter into derivative contracts to manage this risk.

Foreign Currency Risk

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency for results and financial position of Canadian entities is CAD while for Chilean entities is USD. The presentation currency for the Financial Statements is USD.

The Company incurs expenditures in CAD other than through its subsidiary, MTV, whose expenditures are in USD and CLP. The Company's exposure to foreign currency risk at March 31, 2022 arises primarily from those transactions carried out at MTV in CLP rather than USD and that have a direct effect on the operating results, such as wages. Cash held in foreign currencies is also subject to foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that the fair values or cash flows associated with the Company's revenues and portfolio investments will vary due to changes in the prices of a particular commodity, e.g. copper. The Company does not engage in programs to mitigate its copper commodity exposure.

The Company is exposed to commodity price risk in respect of its revenues as all of its revenues are generated from the sale of copper cathodes. The price of this commodity is volatile and subject to fluctuations that may have a significant effect on the ability of the Company to meet its obligations, capital spending targets or commitments, and expected operational results which in turn impacts the cash flows of the Company.

Under the Offtake with Anglo American Marketing Limited, MTV has contracted to sell a fixed amount of copper cathode representing 40% of its expected copper cathode production at $2.89 per pound from August 2020 to July 2022. The volume of monthly copper cathode contracted to sell at $2.89 per pound was set in July 2020 based on expected production from August 2020 to July 2022. In the event that monthly copper cathode production is in excess of the expected volume, less than 40% of copper produced in that month will be sold at $2.89 per pound. In the event that monthly copper cathode production is below the expected volume, greater than 40% of copper produced in that month will be sold at $2.89 per pound.

Effective August 1, 2021, MTV executed an amendment to the Offtake specific to the fixed price sales component with its principal buyer of copper cathode. Under the terms of the amendment, the remaining monthly deliveries of copper cathode due under the fixed price portion of the Offtake were deferred until May 1, 2022 and all sales of copper cathode commencing August 1, 2021 until April 30, 2022 were sold at the prevailing spot price for copper cathode, less a nominal amount. The remaining 12 months of contracted delivery amounts of the fixed price portion of the contract were expected to resume on May 1, 2022 at the previous agreed fixed price of $2.89 per pound. Currently, the fixed price portion of the Offtake has not restarted effective May 1, 2022 and the Company is in negotiations with the Lenders to modify the terms of the fixed price portion of the Offtake. During the first quarter of 2022, 100% of copper cathodes produced by MTV was sold at the prevailing spot price for copper cathode, less a nominal amount, as a result of the amendment to the Offtake.

Credit Risk

Credit risk is the risk that a third party will fail to meet its contractual obligations, which could result in the Company incurring a loss and arises primarily from the Company's receivables from customers and its cash and cash equivalents deposited with financial institutions.

The Company invests cash and cash equivalents with financial institutions that are financially sound based on their credit rating with the majority of the Company's cash held through large Canadian and US financial institutions with credit ratings of AA or higher. The Company’s exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company had one customer that represented 100% of revenue for the three months ended March 31, 2022 and which is considered low risk as it is a large public company with operations throughout the world. The Company has not incurred any credit losses during the three months ended March 31, 2022 nor does it have an allowance for expected credit losses.

The carrying value of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk associated with the difficulties that the Company may have meeting the obligations associated with financial liabilities that are settled with cash payments or with another financial asset. The Company manages liquidity risk by utilizing budgets and cash flow forecasts to assist the Company with maintaining sufficient cash to meet operating and capital obligations.

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. A maturity analysis was performed for all financial liabilities (see Note 13).

The Company currently has investments in securities of private companies. In some cases, the Company may be restricted by contract or by applicable securities laws or for other reasons from selling such securities for a period of time. The inability to sell such securities may impair the Company's ability to exit these portfolio investments when the Company considers it appropriate.

The Company will need to raise additional capital in order to further support MTV's operations including development of its mineral properties, securing the remaining non-controlling interest of MTV and general working capital purposes. MTV currently operates in a high-cost environment as it expands production. Working capital stresses exist at MTV and additional sources of capital will be required to execute MTV's planned operations. Additional financings will depend on a number of unpredictable factors, which are often beyond the control of the Company and MTV. Raising capital may be adversely impacted by, amongst other factors: (i) a lack of normally available financing, (ii) volatile market conditions, (iii) extended and unforeseen issues resulting from the current COVID-19 pandemic, (iv) uncertain water supply in Chile (v) geopolitical issues in Chile and (vi) engineering, production, geological and environmental risks. To address its financing requirements, the Company may seek financing through joint venture agreements, debt and equity financings, asset sales, rights offerings to existing shareholders or restructuring MTV's debt and payment terms with critical suppliers. The outcome of these matters cannot be predicted at this time and there can be no assurance that capital will be available to the Company or MTV in the amount required at any particular time or for any particular period, or, if available, that such financing can be obtained on satisfactory terms. The Company and MTV are exposed to liquidity risk.

19. Capital Management

The Company defines capital as shareholders' equity (excluding accumulated other comprehensive income) and long-term debt. The Company's corporate office is responsible for capital management. The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The primary capital management objective of the Company is to ensure adequate working capital is available to adequately fund the Board-approved business plans which include those of MTV such as the costs of mining operations, capital commitments and corporate overhead costs.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company's operating, administrative and capital expenditure requirements are met. To maintain or adjust its capital structure, the Company may attempt to issue new shares, repurchase for cancellation outstanding shares, acquire or dispose of assets, incur short-term or long-term debt or adjust the amount of cash and cash equivalents and portfolio investments.

Capital management strategies include continuously monitoring forecasted and actual cash flow from operating, financing and investing activities and opportunities to issue additional equity. In light of the volatile nature of commodity prices, including copper prices, mining operations risk, along with the effect of COVID-19, the preparation of financial forecasts and estimates are increasingly uncertain. Any of these events present risks that could affect the Company's ability to fund ongoing operations. The Company will also consider additional short-term financing or issuing equity in order to meet its future liabilities. If required, MTV may be forced to further curtail its operations and/or the Company to sell or liquidate MTV.

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Stock Information

Three Valley Copper Corp. common shares are traded on the TSX Venture Exchange under the symbol "TVC" and on the OTCQB Venture Market under the symbol “TVCCF”.

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