ALIANZA MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

OVERVIEW AND INTRODUCTORY COMMENT

Alianza Minerals Ltd. ("Alianza" or the "Company") is a growth-oriented junior exploration and development company listed on the TSX Venture Exchange under the trading symbol "ANZ". The Company is a prospect generator focused on the Americas, particularly the Cordilleran regions that characterize western North and South America. As a prospect generator, the goal of Alianza is to acquire mineral exploration and evaluation assets (Mineral Properties) on attractive terms, add value through early stage exploration and then vend or option some or all of a value-added Mineral Property to a third party explorer for further advancement. The Company has properties in Nevada and Colorado USA, Yukon and British Columbia Canada, and Peru. The Company also has a 1% NSR (capped at $1,000,000) on certain properties in Mexico.

This MD&A is dated February 22, 2021 and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the related notes for the three months ended December 31, 2020 and the Company's audited consolidated financial statements for the year ended September 30, 2020 and the related notes thereto.

Additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.alianzaminerals.com.

MAJOR INTERIM PERIOD OPERATING MILESTONES

Haldane, Yukon Territory, Canada

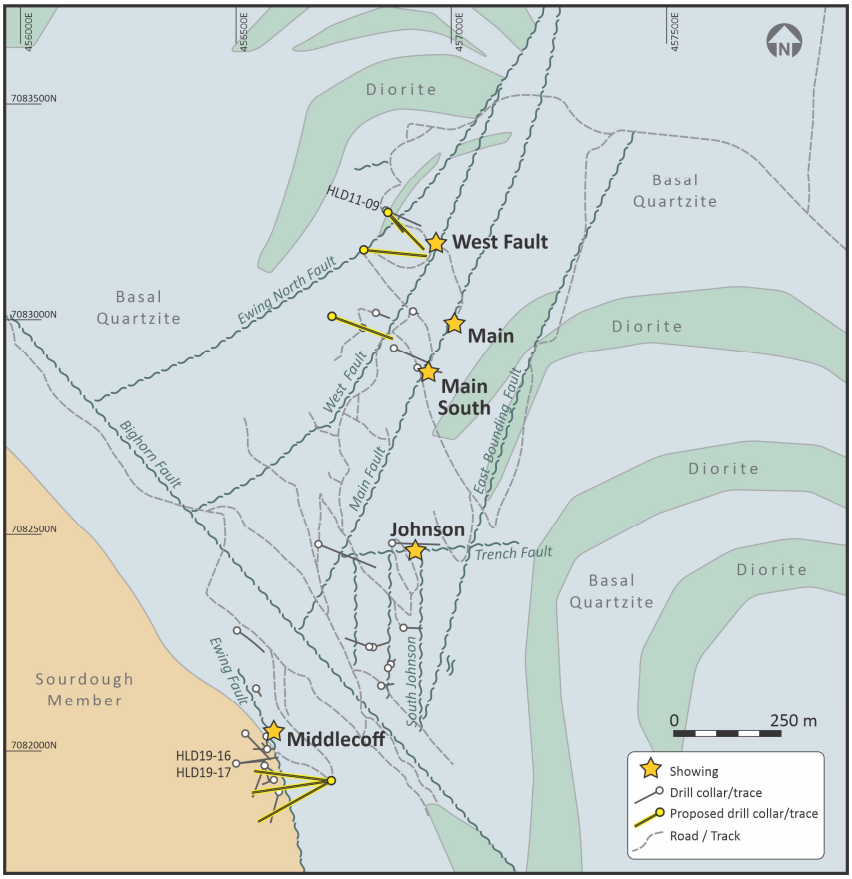
On October 26, 2020, the Company reported that the Phase One drilling program had commenced at the Haldane property. Exploration at Haldane is targeting extensions of historic high-grade silver production as well as newly defined targets in new areas of the property.

A total of 10 holes (approximately 2,500 metres) were planned in the current program with Phase One consisting of 6 holes this fall. The initial phase of drilling would target the West Fault, one kilometre north of the Middlecoff Zone in the core of the property (known as the Mt. Haldane Vein System - "MHVS"). A previous operator intersected the West Fault mineralization in one hole in 2011, returning **320 g/t silver, 1.1 g/t gold and 0.7% lead over 2.20 metres.** Two holes (HLD20-18, HLD20-19) were completed to test the target down dip and along strike of the 2011 intersection. HLD20-19 returned a **16.15 metres (8.72 metres true width) vein/fault intersection averaging 311 g/t silver, 0.89% lead and 1.13% zinc.** A high-grade core of the vein/fault averaged **818 g/t silver, 3.47% lead and 1.03% zinc over a true width of 1.78 metres**. Mineralization appears to plunge to depth as evidenced by the grades and widths of mineralization intersected in HLD20-19.

The second target area was the extension of the Middlecoff Zone to the south of 2019 drilling where HLD19-16 intersected **455.0 g/t silver** over 1.02 metres and **996 g/t silver, 1.486 g/t gold and 28.35% lead over 0.35 metres**). Three holes were planned to test the southern extension of the Middlecoff intersections and to also follow up a historic underground drillhole that was reported to have returned 2,791 g/t silver over 1.2 metres, 150 metres south of the 2019 drilling. Two holes (HLD20-20 and HLD20-21) were completed at the Middlecoff Zone prior to shutting down for winter. The first hole attempted at

Middlecoff was terminated due to excessive deviation from the target and was re-drilled from the same pad. Results of the abandoned hole as well as the successfully completed HLD20-20 are pending.

A follow-up Phase Two drilling program was planned for late spring of 2021, further targeting both the West Fault and Middlecoff veins, as well as the recently discovered Bighorn Zone (2.35 metres of 125 g/t silver and 4.39 % lead from the first and only hole) and other targets on the property.



On December 10, 2020, the Company reported that the Phase One diamond drilling program had been completed at the Haldane property.

Phase One drilling tested the targets at the Mt. Haldane Vein System (West Fault and Middlecoff) to assess the extension of silver-lead+/-gold mineralization intersected in prior drilling. Two holes successfully tested the West Fault target on strike and down dip. At the Middlecoff Zone, two holes were collared to test the extension of high-grade silver-lead+/-gold mineralization identified in drilling and historic underground development. One hole was terminated before reaching the target due to excessive deviation, while the second successfully intersected the Middlecoff Zone. A total of 798.6 metres of drilling was completed in this program.

The second phase of drilling in the spring of 2021, will continue at the Mt. Haldane Vein System targets, as well as the recently discovered Bighorn Zone (2.35 metres of 125 g/t silver and 4.39 % lead from the first and only hole).

On January 28, 2021, the Company reported results from the Phase One diamond drilling program at the Haldane Silver Project. Holes HLD20-18 and HLD20-19 targeted the West Fault, with both holes intersecting silver mineralization including a core length of **16.15 m (estimated true width 8.72 m) averaging 311 g/t silver, 0.89% lead and 1.13% zinc (390 g/t silver-equivalent*). This includes a**

high-grade core of 818 g/t silver, 3.47% lead and 1.03% zinc (980 g/t silver-equivalent) over 3.3 m (1.78 m estimated true width). Results from the remaining two holes of this program testing the Middlecoff target are pending.

The West Fault structure, as interpreted from surface geology and historical drilling, is over 1,750 m in strike length. Drilling to date has successfully intersected the West Fault over a fraction of this strike length and the target remains open in all directions. The high-grade results from HLD20-19 now allow for additional vectoring along possible high-grade ore-shoot orientations.

The 2020 program at the West Fault was designed to follow up on a 2011 intersection of 320 g/t silver, 1.12 g/t gold,0.67% lead and 0.86% zinc over 2.20 m obtained by a prior operator. HLD20-19 intersected 16.15 metres of heavily broken and faulted mineralization in the vein structure and adjacent footwall crackle breccia. HLD20-19 intersected the target structure 39 m along strike and 55 m down dip of the 2011 intersection. Much of the structure is heavily fractured and broken, but fragments of sulphide vein (galena, sphalerite +/- sulphosalts) in an iron-manganese carbonate matrix are evident. This is most apparent in a 4.48 m (estimated true width) intersection averaging 444 g/t silver, 1.54% lead, and 1.34% zinc.

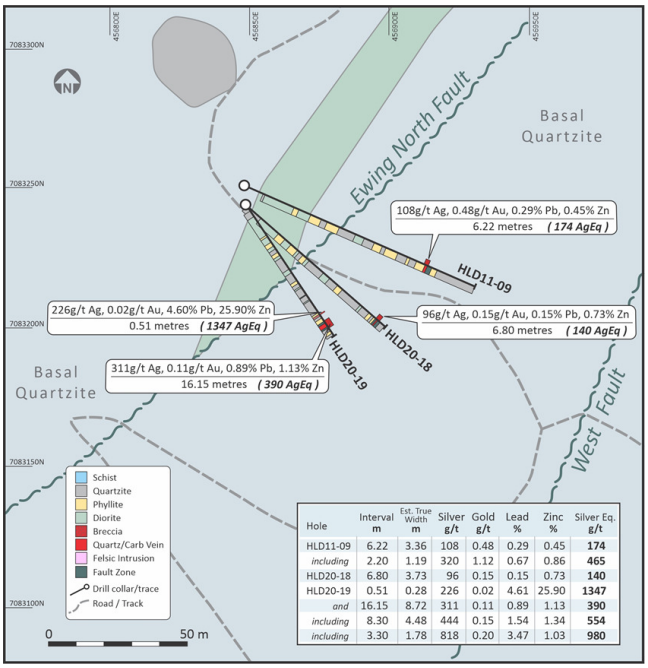
HLD20-18 tested the West Fault 18 m along strike and 27 m down dip of the 2011 hole. HLD20-18 returned 96 g/t silver, 0.15% lead and 0.73% zinc over 3.73 m (estimated true width) from a well-defined structure dominated by iron-manganese carbonate gangue.

2020 Significant Drill Intersections – West Fault Target

Hole	From (m)	To (m)	Core Length (m)	Estimated True Width (m)	Silver (g/t)	Gold (g/t)	Lead (%)	Zinc (%)	Silver-Equivalent (g/t)*
HLD20-18	246.85	248.00	6.80	3.73	**96**	0.15	0.15	0.73	140
HLD20-19	225.50	226.01	0.51	0.28	**226**	0.02	4.61	25.90	1347
and	246.85	263.00	16.15	8.72	**311**	0.11	0.89	1.13	390
including	252.00	260.30	8.30	4.48	**444**	0.15	1.54	1.34	554
including	257.00	260.30	3.30	1.78	**818**	0.20	3.47	1.03	980

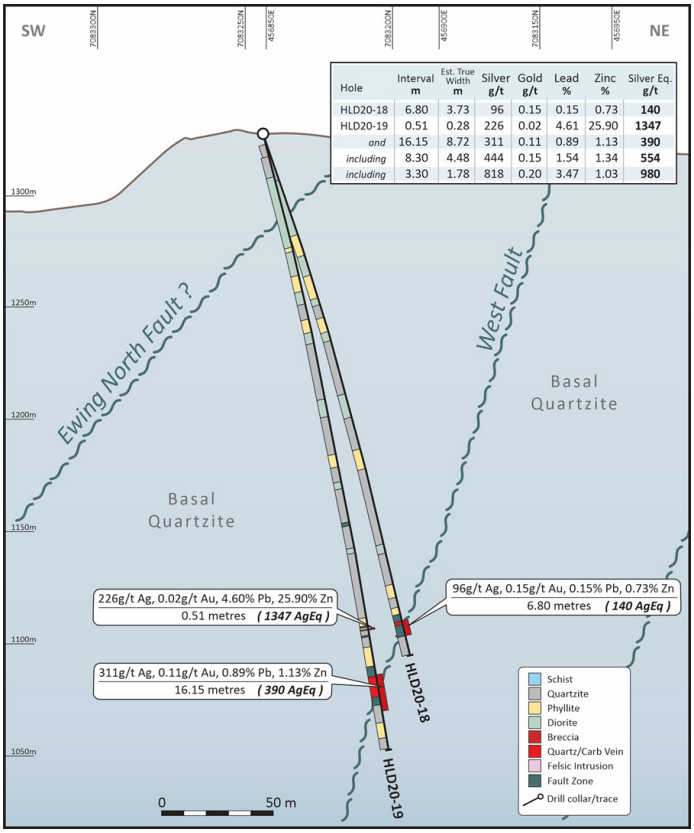
Analytical values have been rounded.

*Silver-equivalent values are calculated assuming 100% recovery using the formula: ((20 * silver (g/t) / 31.104) + (1650 * gold (g/t) / 31.104) + (0.90 * 2204 * lead %/100) + (1.10 * 2204 * zinc %/100)) *(31.1035 / 20). Metal price assumptions are US$20/oz silver, US$1650/oz gold, US$0.90/lb lead and US$1.10/lb zinc.



Hole	Interval m	Est. True Width m	Silver g/t	Gold g/t	Lead %	Zinc %	Silver Eq. g/t
HLD11-09	6.22	3.36	108	0.48	0.29	0.45	**174**
including	2.20	1.19	320	1.12	0.67	0.86	**465**
HLD20-18	6.80	3.73	96	0.15	0.15	0.73	**140**
HLD20-19	0.51	0.28	226	0.02	4.61	25.90	**1347**
and	16.15	8.72	311	0.11	0.89	1.13	**390**
including	8.30	4.48	444	0.15	1.54	1.34	**554**
including	3.30	1.78	818	0.20	3.47	1.03	**980**

Figure 1: West Fault Plan View



Hole	Interval m	Est. True Width m	Silver g/t	Gold g/t	Lead %	Zinc %	Silver Eq. g/t
HLD20-18	6.80	3.73	96	0.15	0.15	0.73	**140**
HLD20-19	0.51	0.28	226	0.02	4.61	25.90	**1347**
and	16.15	8.72	311	0.11	0.89	1.13	**390**
including	8.30	4.48	444	0.15	1.54	1.34	**554**
including	3.30	1.78	818	0.20	3.47	1.03	**980**

Figure 2: West Fault - HLD20-18 and -19 Cross Section – View looking 050º, +/- 25 metres

On Febuary 16, 2021, the Company reported final results from the Phase One diamond drilling program. Holes HLD20-20 and HLD20-21 targeted the Middlecoff Vein. HLD20-21 intersected silver mineralization including a core length of **0.89 m averaging 342 g/t silver, 2.35% lead and 1.20% zinc (476 g/t silver-equivalent*)**.

The 2020 program at Middlecoff was designed to follow up a 2019 intersection of **455 g/t silver over 1 metre.** HLD20-21 tested the Middlecoff vein 30 m south of the 2019 holes and intersected heavily oxidized and broken fault-vein material with fragments of sulphide vein (galena, sphalerite +/- sulphosalts). The entire vein is approximately 6.75 m in width (3.00 m estimated true width), with 81 g/t Ag, 0.14 g/t Au, 0.40% Pb and 0.41% Zn (120 g/t Ag-Equivalent). The higher-grade portion of the vein was 0.89 m wide (0.40 m estimated true width), averaging 342 g/t silver, 2.35% lead and 1.20% zinc (476 g/t silver-equivalent*), and consisted of grey fault breccia cemented by beige manganese carbonate and orange oxide material. The intersection appears to be bounded on either side by a quartz breccia which may be acting to constrain the vein in this area. HLD20-21 was drilled from the same pad as HLD20-20, which was terminated at 59 metres prior to the target depth due to excessive deviation. Both holes intersected narrow silver-bearing veins in the footwall of the Middlecoff mineralization.

Planning for the Phase Two program is underway. Drilling will focus on the West Fault (8.72 m averaging 311 g/t silver, 0.89% lead, 1.13% zinc – see release dated January 28, 2021) and Middlecoff targets. Management expects the Phase Two program to commence in late April, weather permitting. Details of the program will be released once collar locations and depths are finalized.

2020 Significant Drill Intersections – Middlecoff Target

Hole	From (m)	To (m)	Core Length (m)	Estimated True Width (m)	Silver (g/t)	Gold (g/t)	Lead (%)	Zinc (%)	Silver-Equivalent (g/t)*
HLD20-21	180.62	187.37	6.75	3.00	**81**	0.14	0.40	0.41	120
including	186.48	187.37	0.89	0.40	**342**	0.19	2.35	1.20	476

Analytical values have been rounded.

*Silver-equivalent values are calculated assuming 100% recovery using the formula: ((20 * silver (g/t) / 31.104) + (1650 * gold (g/t) / 31.104) + (0.90 * 2204 * lead %/100) + (1.10 * 2204 * zinc %/100)) *(31.1035 / 20). Metal price assumptions are US$20/oz silver, US$1650/oz gold, US$0.90/lb lead and US$1.10/lb zinc.

Maps and cross-sections can be found below and on the Company's website at www.alianzaminerals.com/project/haldane/.

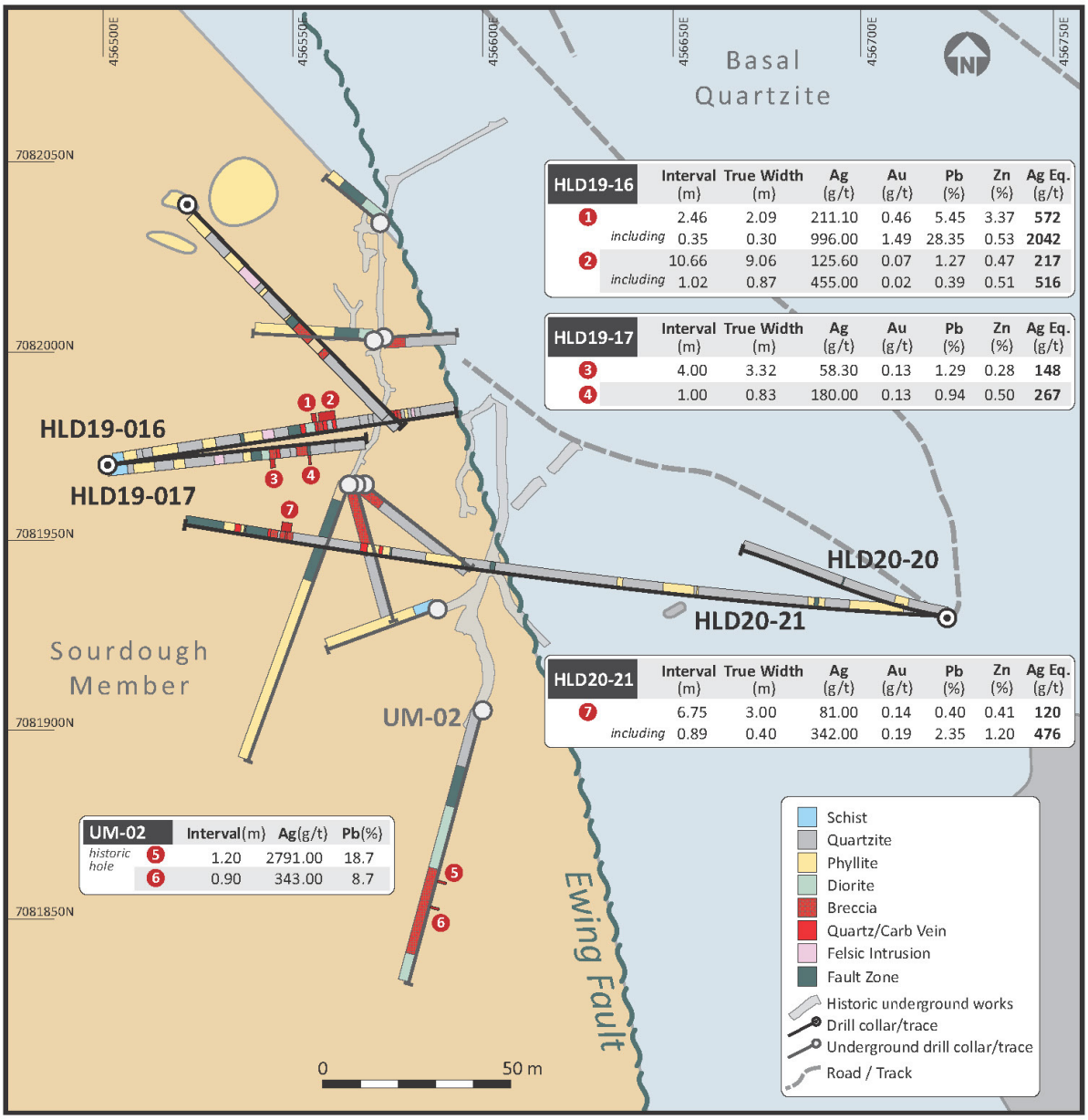


Figure 3: Middlecoff Plan View

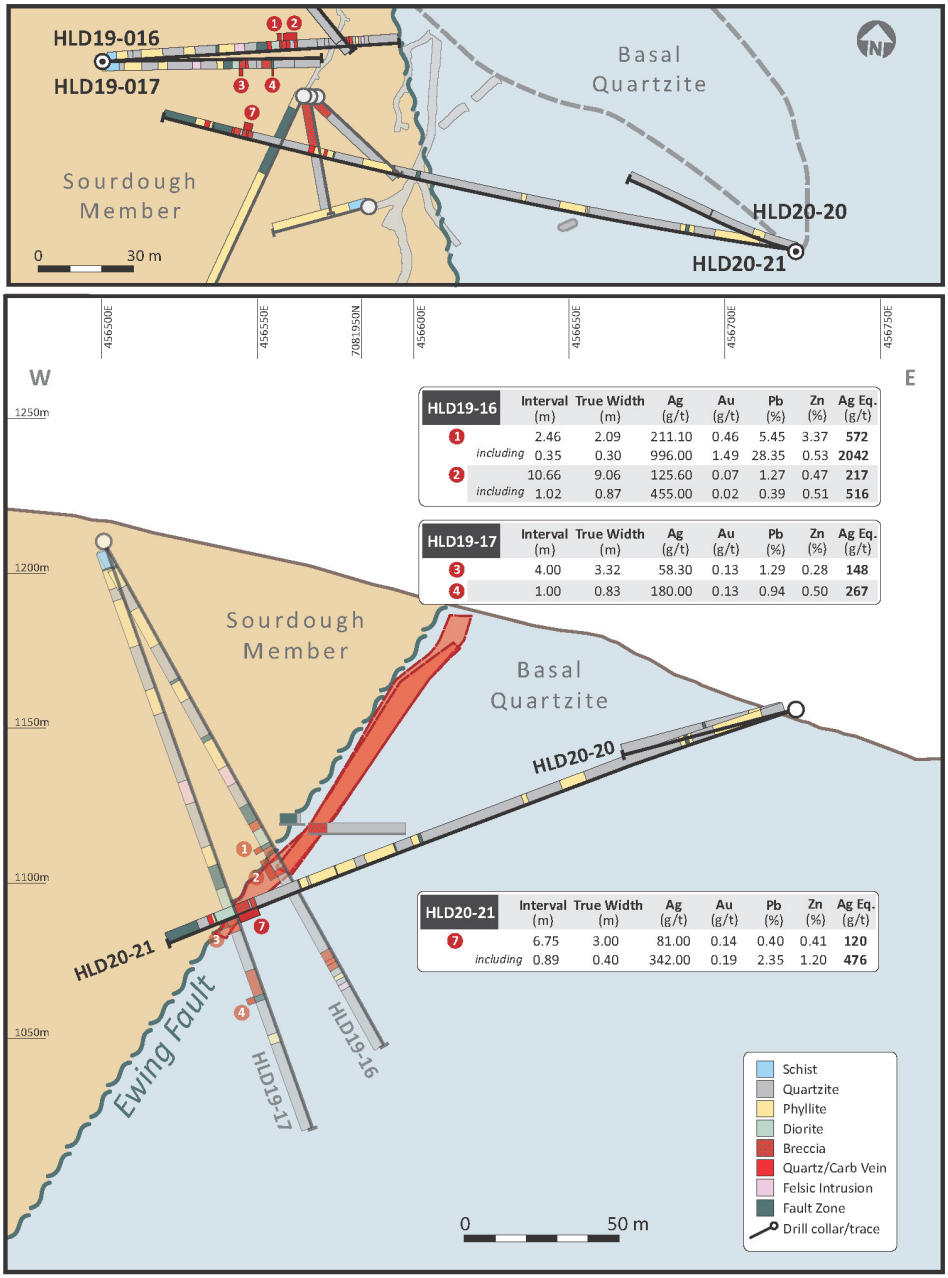


Figure 4: Middlecoff - HLD20-20 and -21 Cross Section – View looking 005º, +/- 30 metres

Horsethief, Nevada, USA

On October 22, 2020, the Company announced that the gold results had been received for the final four holes of the ten-hole reverse circulation drilling program completed in August at the Horsethief property. HT20-009 at the Stallion target yielded a 76 metre intersection from surface of anomalous gold results up to 0.185 g/t from individual 1.5 metre samples. Anomalous gold results are associated with moderate to strong jasperoid development within the carbonate host rocks. One additional hole at the Stallion, one at

the Mustang and one at the Thoroughbred target all intersected variable altered carbonate rocks with only spotty anomalous gold results.

The multi-element ICP data for six of the holes is still outstanding and will be incorporated into the database once received.

On November 20, 2020, Hochschild terminated the earn-in on the Horsethief project. Thus, the Company retains 100% interest in the Horsethief project.

During the option period, Hochschild had forwarded a total of $1,601,766 (US$1,200,814) for the Horsethief property.

INTERIM PERIOD FINANCIAL CONDITION

Capital Resources

On October 9, 2020, the Company completed a non-brokered private placement by issuing 7,670,370 non-flow-through units ("Unit") at a price of $0.135 per Unit for gross proceeds of $1,035,500 and 13,881,130 flow-through shares ("FT Share") at a price of $0.155 per FT Share for gross proceeds of $2,151,575. Each Unit consists of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a 24-month period at a price of $0.20 until October 9, 2022. Finders' fees of $199,868 in cash and 1,339,036 in finders' warrants were. Each finder's warrant is exercisable into one common share at $0.135 until October 9, 2022.

During the three months ended December 31, 2020, the Company received $385,600 from the exercise of 12,000 finder's warrants and 3,850,000 warrants.

Subsequent to December 31, 2020, the Company issued 2,390,000 common shares pursuant to the exercised warrants for cash proceeds of $239,000.

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company's current treasury and the future cash flows from equity issuances and the potential exercise of warrants, finders' warrants and options, along with the planned developments within the Company will allow its efforts to continue throughout 2021. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

Liquidity

As at December 31, 2020, the Company had working capital of $1,700,050 (September 30, 2020 – working capital deficiency of $66,197). As at December 31, 2020, $2,304,216 was held in cash (September 30, 2020 - $278,993) and $Nil was held in restricted cash (September 30, 2020 - $83,070). The total increase of $1,942,153 was due to: (a) net proceeds from financing activities of $3,334,114; while being offset by (b) net exploration and expenditures assets expenditures of $840,853 and (c) operating activities of $551,642.

Operations

For the three months ended December 31, 2020 compared with the three months ended December 31, 2019:

Excluding the non-cash depreciation of $Nil (2019 - $46) and share-based payments of $202,304 (2019 - $Nil), the Company's general and administrative expenses amounted to $287,083 (2019 - $466,109), a decrease of $179,026. The change in the expenses was mainly due to the decrease in investor relations and shareholder information (2020 - $157,113; 2019 - $349,748) as the Company tried out different marketing and shareholder communication venues to find the most cost effective way to promote awareness of the Company's exploration activities.

The other major item for the three months ended December 31, 2020, compared with December 31, 2019, was:

- Flow-through share premium recovery of $140,531 (2019 - $21,459).

SIGNIFICANT RELATED PARTY TRANSACTIONS

During the quarter, there was no significant transaction between related parties.

COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES

As a result of the administrative practices with respect to mining taxation in Mexico, there can be significant uncertainty, in regards to when, or if, taxes are payable and the amount that may ultimately be payable. As at September 30, 2015, Mexican claim taxes totaling approximately $766,000 had been levied. Of this amount, $563,000 relates to properties that were held by Minera Tarsis, S.A. de C.V., which the Company has applied to wind up, and $203,000 relates to properties being acquired. On February 16, 2016, the Company sold all its Mexican properties to Almadex, and reduced the claim taxes to $173,783. These taxes will never be paid in full and any amount that will, or might, be payable cannot realistically be determined at this time. Accordingly, these taxes have been disclosed as a contingent liability, and not recognized as a liability or provision.

As of the date of the MD&A, the Company has no outstanding commitments.

Other than disclosed in this MD&A – Quarterly Highlights, the Company does not have any commitments, expected or unexpected, or uncertainties.

RISK FACTORS

In our MD&A filed on SEDAR January 28, 2021 in connection with our annual financial statements (the "Annual MD&A"), we have set out our discussion of the risk factors *Exploration risks, Market risks* and *Financing risk* which we believe are the most significant risks faced by Alianza. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company's undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. The following is a summary of the Company's outstanding share data as at December 31, 2020:

	Issued and Outstanding	
	December 31, 2020	February 22, 2021
Common shares outstanding	135,656,222	138,046,222
Stock options	5,915,000	5,915,000
Warrants	36,675,186	34,285,186
Finder's warrants	2,133,136	2,133,136
Fully diluted common shares outstanding	180,379,544	180,379,544

QUALIFIED PERSON

Jason Weber, BSc., P.Geo is the Qualified Person as defined under National Instrument 43-101 responsible for the technical disclosure in this document. Mr. Weber is the President and Chief Executive Officer of Alianza and prepared the technical information contained in this MD&A – Quarterly Highlights.

Cautionary Statements

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.

ALIANZA MINERALS LTD.

Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2020 and 2019

325 Howe Street, Suite 410, Vancouver B.C. V6C 1Z7, Canada, TSXV: ANZ; Tel: 604-687-3520

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NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

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

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

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

ALIANZA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

	Note	December 31, 2020 (Unaudited)	September 30, 2020 (Audited)
Assets			
Current assets			
Cash		$ 2,304,216	$ 278,993
Restricted cash	4	-	83,070
Deferred financing costs		-	13,695
Receivables		75,224	13,759
Prepaid expenses		159,075	90,420
		2,538,515	479,937
Non-current assets			
Exploration and evaluation assets	4	5,450,986	4,325,562
VAT receivables		40,061	42,079
		5,491,047	4,367,641
Total assets		$ 8,029,562	$ 4,847,578
Current liabilities			
Accounts payable and accrued liabilities		$ 452,710	$ 191,727
Due to related parties	7	248,663	271,337
Funds held for optionee	4	-	83,070
Flow-through share premium liability	5	137,092	-
		838,465	546,134
Shareholders' equity			
Share capital	5	23,016,056	20,068,707
Reserves	5,6	3,186,929	2,875,483
Accumulated other comprehensive loss		(40,891)	(24,239)
Deficit		(18,970,997)	(18,618,507)
		7,191,097	4,301,444
Total shareholders' equity and liabilities		$ 8,029,562	$ 4,847,578

Nature of operations and going concern (Note 1)
Event after the Reporting Period (Note 13)

These consolidated financial statements are authorized for issue by the Board of Directors on February 22, 2021.

On behalf of the Board of Directors:

Director "Jason Weber" *Director "Mark T. Brown"*

See accompanying notes to the condensed consolidated interim financial statements

ALIANZA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, presented in Canadian Dollars)

	Note	Three months ended December 31 2020	2019
Expenses			
Accounting and legal fees	7	$ 52,592	$ 70,121
Depreciation		-	46
Investor relations and shareholder information	7	157,113	349,748
Office facilities and administrative services	7	4,500	4,500
Office expenses		6,023	8,012
Property investigation expenses		13,101	-
Share-based payments	7	202,304	-
Transfer agent, listing and filing fees		4,560	2,412
Travel		89	12,639
Wages, benefits and consulting fees	7	49,105	18,677
		(489,387)	(466,155)
Interest income and other income		194	692
Flow-through share premium recovery		140,531	21,459
Foreign exchange (loss)		(3,828)	(1,771)
Net loss for the period		$ (352,490)	$ (445,775)
Other comprehensive income (loss)			
Exchange difference arising on the translation of foreign subsidiary		(16,652)	3,735
Total comprehensive loss for the period		$ (369,142)	$ (442,040)
Basic and diluted loss per common share		$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted		130,444,727	82,434,697

See accompanying notes to the condensed consolidated interim financial statements

ALIANZA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited, presented in Canadian Dollars)

	Note	Share Capital		Reserves			Accumulated Other Comprehensive Income (Loss)		
		Number of shares	Amount	Equity settled employee benefits	Warrants	Finders' warrants	Foreign exchange reserve	Deficit	Total equity
Balance, September 30, 2019 (Audited)		**82,434,697**	**$ 18,487,106**	**$ 1,950,613**	**$ 641,848**	**$ 310,607**	**$ (26,619)**	**$ (17,562,365)**	**$ 3,801,190**
Net loss		-	-	-	-	-	3,735	(445,775)	(442,040)
Balance, December 31, 2019 (Unaudited)		**82,434,697**	**18,487,106**	**1,950,613**	**641,848**	**310,607**	**(22,884)**	**(18,008,140)**	**3,359,150**
Private placements	5(b)(i)	22,000,000	1,100,000	-	-	-	-	-	1,100,000
Acquisition of exploration and evaluation assets	5(b)(ii)(iii)(iv)	1,325,000	144,750	-	-	-	-	-	144,750
Share issue costs		-	(111,550)	-	-	32,665	-	-	(78,885)
Exercise of options	5(b)(v)	250,000	45,125	(20,125)	-	-	-	-	25,000
Exercise of finder's warrants	5(b)(v)	1,203,025	100,276	-	-	(40,125)	-	-	60,151
Exercise of warrants	5(b)(v)	3,030,000	303,000	-	-	-	-	-	303,000
Net loss		-	-	-	-	-	(1,355)	(610,367)	(611,722)
Balance, September 30, 2020 (Audited)		**110,242,722**	**$ 20,068,707**	**$ 1,930,488**	**$ 641,848**	**$ 303,147**	**$ (24,239)**	**$ (18,618,507)**	**$ 4,301,444**
Private placement	5(b)(vi)	21,551,500	2,909,452	-	-	-	-	-	2,909,452
Share issue costs		-	(348,094)	-	-	109,533	-	-	(238,561)
Exercise of finder's warrants	5(b)(vii)	12,000	991	-	-	(391)	-	-	600
Exercise of warrants	5(b)(vii)	3,850,000	385,000	-	-	-	-	-	385,000
Share-based payments		-	-	202,304	-	-	-	-	202,304
Net loss		-	-	-	-	-	(16,652)	(352,490)	(369,142)
Balance, December 31, 2020 (Unaudited)		**135,656,222**	**$ 23,016,056**	**$ 2,132,792**	**$ 641,848**	**$ 412,289**	**$ (40,891)**	**$ (18,970,997)**	**$ 7,191,097**

See accompanying notes to the condensed consolidated interim financial statements

ALIANZA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31
(Unaudited, presented in Canadian Dollars)

	Three months ended December 31	
	2020	2019
Cash flows from (used in) operating activities		
Net loss for the period	$ (352,490)	$ (445,775)
Items not affecting cash:		
Depreciation	-	46
Flow-through share premium recovery	(140,531)	(21,459)
Share-based payments	202,304	-
Changes in non-cash working capital items:		
Receivables	(61,596)	38,055
VAT Receivables	(143)	(104)
Prepaid expenses	(55,915)	309,515
Accounts payable and accrued liabilities	(49,527)	59,434
Due to related parties	(10,674)	89,628
Funds held for optionee	(83,070)	53,061
Net cash provided by (used in) operating activities	(551,642)	82,401
Cash flows from (used in) investing activities		
Exploration and evaluation assets	(840,853)	(345,254)
Net cash (used in) investing activities	(840,853)	(345,254)
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	3,187,075	-
Proceeds from exercise of warrants	385,000	-
Proceeds from exercise of finder's warrants	600	-
Share issue costs	(238,561)	(1,931)
Net cash provided by (used in) financing activities	3,334,114	(1,931)
Effect of exchange rate changes on cash	534	839
Change in cash for the period	1,942,153	(263,945)
Cash, beginning of the period	362,063	352,530
Cash, end of the period	$ 2,304,216	$ 88,585
Cash comprised of:		
Cash	$ 2,304,216	$ 5,978
Restricted Cash	-	82,607
	$ 2,304,216	$ 88,585

Supplemental disclosure with respect to cash flows (Note 8)

Cash consists of $1,319,371 (September 30, 2020 - $Nil) held for flow-through expenditures, while $310,110 (September 30, 2020 - $Nil) included in accounts payable and accrued liabilities is related to flow-through expenditures.

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Alianza Minerals Ltd. (the "Company" or "Alianza") was incorporated in Alberta on October 21, 2005 under the Business Corporations Act of Alberta and its registered office is Suite 410, 325 Howe Street, Vancouver, BC, Canada, V6C 1Z7. On April 25, 2008 the Company filed for a certificate of continuance and is continuing as a BC Company under the Business Corporations Act (British Columbia).

The Company is an exploration stage company and is engaged principally in the acquisition and exploration of mineral properties. The recovery of the Company's investment in its exploration and evaluation assets is dependent upon the future discovery, development and sale of minerals, upon the ability to raise sufficient capital to finance these activities, and/or upon the sale of these properties.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on obtaining additional financing through the issuance of common shares or obtaining joint venture or property sale agreements for one or more properties.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the condensed consolidated interim statement of financial position. The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Adverse financial market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both manage expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. Accordingly, these material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

As at December 31, 2020, the Company had working capital of $1,700,050 (September 30, 2020: working capital deficiency of $66,197) and shareholders' equity of $7,191,097 (September 30, 2020: $4,301,444).

2. BASIS OF PREPARATION

Statement of Compliance

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

2. BASIS OF PREPARATION - continued

Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for marketable securities classified as available-for-sale, which are stated at fair value through other comprehensive income (loss). In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2020 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- Presentation of financial statements

  An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended September 30, 2020.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended September 30, 2020. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three-month period ended December 31, 2020 are not necessarily indicative of the results that may be expected for the current fiscal year ending September 30, 2021.

4. EXPLORATION AND EVALUATION ASSETS

The Company follows the prospect generator model whereby it acquires projects on attractive terms, adds value through preliminary exploration efforts and then vends or options the project for further advancement.

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

The Company has properties in Nevada, USA (the “USA Properties”), in British Columbia and Yukon Territory of Canada (the “Canada Properties”) and in Peru (the “Peru Properties”). Following are summary tables of exploration and evaluation assets and brief summary descriptions of each of the exploration and evaluation assets:

4. EXPLORATION AND EVALUATION ASSETS – continued

Exploration and Evaluation Assets for the period ended December 31, 2020

	USA					Canada				Peru	
	Horsethief	Twin Canyon	Bellview	BP	Others	Haldane	KRL	Tim	Others	Yanac	**Total**
Balance at September 30, 2020	**$ 178,638**	**$ 351,336**	**$ 97,786**	**$ 260,569**	**$ 23,546**	**$ 1,627,078**	**$ 257,487**	**$ (9,949)**	**$ 1,114,250**	**$ 424,821**	**$ 4,325,562**
Additions during the period											
Exploration expenditures:											
Aircraft charter	-	-	-	-	-	18,640	-	-	-	-	18,640
Camp, travel and meals	2,105	5,430	-	-	-	133,767	-	-	-	-	141,302
Drilling	-	-	-	-	-	626,071	-	-	-	-	626,071
Field equipment rental	-	640	-	-	-	18,705	-	-	-	-	19,345
Field supplies and maps	-	852	-	-	-	14,089	-	-	-	-	14,941
Geochemical	38,321	12,931	-	-	-	-	-	-	-	-	51,252
Geological consulting	8,647	47,749	87	-	-	268,042	568	-	-	-	325,093
Geophysics	3,445	-	-	-	-	-	-	-	-	-	3,445
Licence and permits	-	594	-	-	-	-	-	-	-	-	594
Reclamation	23,376	-	-	-	-	-	-	-	-	-	23,376
Reporting, drafting, sampling and analysis	-	11,720	-	-	-	-	-	-	-	-	11,720
	75,894	79,916	87	-	-	1,079,314	568	-	-	-	1,235,779
Less:											
Recovered exploration expenditures	(96,409)	-	-	-	-	-	-	-	-	-	(96,409)
Net additions	(20,515)	79,916	87	-	-	1,079,314	568	-	-	-	1,139,370
Foreign currency translation	6,408	(15,988)	181	1,174	-	-	-	-	-	(5,721)	(13,946)
Balance at December 31, 2020	**$ 164,531**	**$ 415,264**	**$ 98,054**	**$ 261,743**	**$ 23,546**	**$ 2,706,392**	**$ 258,055**	**$ (9,949)**	**$ 1,114,250**	**$ 419,100**	**$ 5,450,986**

4. EXPLORATION AND EVALUATION ASSETS – continued

Exploration and Evaluation Assets for the year ended September 30, 2020

	USA					Canada				Peru	
	Horsethief		Bellview	BP	Others	Haldane	KRL		Others	Yanac	**Total**
Balance at September 30, 2019	**$ 173,156**	**$ -**	**$ 85,548**	**$ 248,975**	**$ 23,404**	**$ 1,433,291**	**$ 139,847**	**$ 1**	**$ 1,198,997**	**$ 425,012**	**$ 3,728,231**
Additions during the year											
Acquisition costs:											
Property acquisition	-	185,012	-	-	-	31,250	101,000	-	-	-	317,262
	-	185,012	-	-	-	31,250	101,000	-	-	-	317,262
Exploration expenditures:											
Aircraft charter	-		-	-	-	30,366	-	-	-	-	30,366
Camp, travel and meals	45,929	16,353	-	-	-	11,274	690	-	-	-	74,246
Community relations	-	-	-	-	-	1,420	-	-	-	-	1,420
Drilling	540,092	-	-	-	-	7,020	-	-	-	-	547,112
Field equipment rental	13,094	-	-	-	-	6,788	4	-	-	-	19,886
Field supplies and maps	12,761	3,266	-	-	-	5,397	-	-	-	-	21,424
Geochemical	114,324	11,375	1,870	1,478	-	2,100	-	-	-	-	131,147
Geological consulting	245,193	106,014	71	1,701	-	80,548	13,816	50	2,591	-	449,984
Geophysics	45,753	-	-	-	-	-	-	-	-	-	45,753
Legal and accounting	3,335	-	-	-	-	38	500		-	-	3,873
Licence and permits	43,400	29,316	10,368	33,424	3,501	5,335	-	-	-	5,885	131,229
Management fees	121,169	-	-	-	-	-	-	-	-	-	121,169
Reporting, drafting, sampling and analysis	-	-	-	-	-	12,251	1,630	-	-	-	13,881
Trenching	31,267	-	-	-	-	-	-	-	-	-	31,267
	1,216,317	166,324	12,309	36,603	3,501	162,537	16,640	50	2,591	5,885	1,622,757
Less:											
Recovered exploration expenditures	(1,210,473)	-	-	(25,009)	(3,359)	-	-	(10,000)	-	-	(1,248,841)
Write-down of properties	-		-	-	-	-	-		(87,338)	-	(87,338)
Net additions / (subtractions)	5,844	351,336	12,309	11,594	142	193,787	117,640	(9,950)	(84,747)	5,885	603,840
Foreign currency translation	(362)	-	(71)	-	-	-	-	-	-	(6,076)	(6,509)
Balance at September 30, 2020	**$ 178,638**	**$ 351,336**	**$ 97,786**	**$ 260,569**	**$ 23,546**	**$ 1,627,078**	**$ 257,487**	**$ (9,949)**	**$ 1,114,250**	**$ 424,821**	**$ 4,325,562**

4. EXPLORATION AND EVALUATION ASSETS – continued

USA

On January 27, 2015, the Company signed a binding agreement to acquire eight gold properties in Nevada, USA from Sandstorm Gold Ltd. ("Sandstorm") by issuing 150,000 shares to Sandstorm and granting a net smelter returns royalty ranging from 0.5% to 1.0%. The Company also granted Sandstorm a right of first refusal on any future metal streaming agreements on these properties. In 2015 and 2016, the Company dropped four of the gold properties. The properties retained are:

- Horsethief
- Bellview
- East Walker
- Ashby

a) *Horsethief (Nevada)*

The Horsethief property is located in Lincoln County Nevada, northeast of Pioche. A 2% NSR is payable to a previous owner of the property from production on certain claims on the property while a 1% NSR is payable to Sandstorm on all the claims on the property.

In 2017, the Company acquired new ground by staking an additional 33 BLM lode mining claims at the Horsethief property.

On March 1, 2019 ("Effective Date"), the Company entered into an option agreement with Hochschild Mining (US) Inc. ("Hochschild") whereby Hochschild could earn up to a 70% undivided interest in the Horsethief property.

Under the terms of the agreement, Hochschild could earn an initial 60% interest in the project by US$5,000,000 in exploration on the property over a 5.5-year period.

During the option period, Hochschild had forwarded a total of $1,601,766 (US$1,200,814) for the Horsethief property.

On November 20, 2020, Hochschild terminated the earn-in on the Horsethief project. Thus, the Company retains 100% interest in the Horsethief project.

b) *Bellview (Nevada)*

The Bellview property is located in White Pine County Nevada, near the Bald Mountain Gold Mine. A 2% NSR is payable to a previous owner of the property and a 1% NSR is payable to Sandstorm from production from all the claims on the property.

On February 7, 2019 ("Effective Date"), the Company entered into an option agreement with Hochschild whereby Hochschild could earn up to a 70% undivided interest in the Bellview property.

Under the terms of the agreement, Hochschild could earn an initial 60% interest in the project by US$3,500,000 in exploration on the property over a 5.5-year period.

During the option period, Hochschild had forwarded a total of $124,502 (US$94,014) for the Bellview property.

On November 25, 2019, Hochschild terminated the earn-in on the Bellview project. Thus, the Company retains 100% interest in the Bellview project.

4. EXPLORATION AND EVALUATION ASSETS – continued

USA – continued

c) *BP (Nevada)*

On June 10, 2013, the Company purchased from Almaden Minerals Ltd. ("Almaden") the BP property in Nevada, USA. A 2% NSR is payable to Almadex Minerals Limited ("Almadex") on future production on the property after Almaden transferred the NSR right to Almadex.

In 2017, the Company acquired new ground by staking an additional 48 BLM lode mining claims at the BP property.

On March 1, 2019 ("Effective Date"), the Company entered into an option agreement with Hochschild whereby Hochschild could earn up to a 70% undivided interest in the BP property.

Under the terms of the agreement, Hochschild could earn an initial 60% interest in the project by US$2,500,000 in exploration on the property over a 4.5-year period.

During the option period, Hochschild had forwarded a total of $179,343 (US$138,267) for the BP property.

On November 25, 2019, Hochschild terminated the earn-in on the BP project. Thus, the Company retains 100% interest in the BP project.

	December 31, 2020	September 30, 2020
Restricted cash & Funds held for optionee		
Horsethief - Hochschild	$ -	$ 83,070
	$ -	**$ 83,070**

d) *Twin Canyon (Colorado)*

On June 17, 2020, the Company acquired a lease of the Twin Canyon gold property in southwest Colorado under the following terms:

- Make cash payments of US$26,000 ($34,681) to Myron Goldstein and US$32,000 ($42,685) to Jon Thorson (paid) and issue 250,000 shares to Myron Goldstein and 250,000 shares to Jon Thorson (shares issued);
- 500,000 shares on the date that is five business days following the date that the Company, directly or indirectly, stakes any mineral claims adjacent to the property (shares issued);
- 500,000 shares on the date that is five business days following the date that the Company enters into a joint venture, option or similar agreement with a third party in respect of the property; and
- 500,000 shares on the date that is five business days following the date that the Company, directly or indirectly, commence a drill program in respect of the property.

4. EXPLORATION AND EVALUATION ASSETS – continued

USA – continued

d) *Twin Canyon (Colorado)* – continued

The Company agreed to assume the terms of Myron Goldstein and Jon Thorson commitments under the lease, namely the annual lease payments of US$15,000 for ten years, with the right to extend the lease for 2 additional terms of ten years each. The original property owner has a 1.5% NSR on the property, two-thirds (1%) of which is purchasable at any time for US$1,000,000. If annual NSR payments exceed US$20,000 in a given year, the Company will not have to make the annual US$15,000 lease payment for that year.

As of December 31, 2020, the Company had spent $415,264 on advancing this property, including the acquisition costs.

e) *Others – Ashby (Nevada)*

On August 2, 2017, the Company signed an exploration lease agreement to lease the Ashby gold property to Nevada Canyon Gold Corp. ("Nevada Canyon"). Under the terms of the agreement, Nevada Canyon made a US$1,000 payment on signing, will make annual payments of US$2,000 and will grant a 2% Net Smelter Royalty ("NSR") on future production from the Lazy 1-3 claims comprising the Ashby property. Nevada Canyon will also be responsible for all claim fees and certain reclamation work to be undertaken on the property. The initial term of the lease is 10 years and can be extended for an additional 20 years.

During the year ended September 30, 2020, Nevada Canyon reimbursed the Company $3,359 which includes US$543 for the 2020 annual property claim fee and US$2,000 for the 2020 annual payment.

f) *Others – East Walker (Nevada)*

The East Walker property is located in Lyon County, west of Hawthorne. A 2% NSR is payable to a previous owner of the property from production from some claims on the property.

As of December 31, 2020, the Company had spent $27,056 on advancing this property.

Canada

a) *Haldane (Yukon)*

On March 2, 2018, the Haldane property was purchased from Equity Exploration Consultants Ltd. ("Equity"), and is located in Yukon Territory, Canada. Equity has a 2% NSR royalty on the Haldane property.

The Company purchased the Haldane property from Equity for the following consideration:

- issue 2 million shares to Equity upon receipt of TSX-Venture approval (shares issued);
- make two staged cash payments of $50,000 each to Equity by June 30, 2018 (paid) and June 30, 2019 (paid);
- make a final $100,000 cash payment or issue the number of shares of equivalent value at the Company's election, on June 30, 2019 ($25,000 paid and shares of $75,000 issued); and

4. EXPLORATION AND EVALUATION ASSETS – continued

Canada – continued

a) *Haldane (Yukon)* (continued)

- make bonus share payments to Equity:
  - issue 250,000 shares to Equity upon the public disclosure of a Measured Mineral Resource (as such term is defined in National Instrument 43-101- Standards of Disclosure for Mineral Projects) of 5 million oz silver-equivalent at 500g/t silver-equivalent; and
  - 500,000 shares to be issued upon the decision to commence construction of a mine or processing plant.

On April 12, 2018, the Company purchased the Nur, Clarkston and Fara claims which are contiguous to and grouped with the Haldane property from the estate of Yukon prospector John Peter Ross (the "Estate") for the following consideration:

- issue 100,000 shares to the Estate upon receipt of TSX-Venture approval (shares issued);
- make cash payment of $10,000 to the Estate by June 30, 2018 (paid);
- make cash payment of $20,000 (paid) and issue 125,000 shares (issued) to the Estate by April 12, 2019;
- make cash payment of $20,000 (paid) and issue 125,000 shares (issued) to the Estate by April 12, 2020;
- make cash payment of $25,000 and issue 150,000 shares to the Estate by April 12, 2021; and
- make bonus share payments to the Estate as follows:
  - issue 250,000 shares to the Estate upon the public disclosure of a Measured Mineral Resource (as such term is defined in National Instrument 43-101- Standards of Disclosure for Mineral Projects) of 5 million oz silver-equivalent at 500g/t silver-equivalent; and
  - 500,000 shares to be issued upon the decision to commence construction of a mine or processing plant.

As of December 31, 2020, the Company had spent $2,706,392 on advancing this property.

b) *KRL (British Columbia)*

On September 1, 2018, the Company optioned the KRL property from prospector Bernie Kreft ("Kreft"), and is located in British Columbia's prolific Golden Triangle, Canada. Kreft has a 1% NSR royalty on the KRL property.

The Company optioned the KRL property from Kreft for the following consideration:

- make cash payments of $10,000 (paid) and issue 100,000 shares to Kreft upon receipt of TSX-Venture approval (issued);
- make cash payments of $15,000 to Kreft by October 15, 2018 (paid);
- make cash payments of $5,000 by October 31, 2019 (paid) and a further $20,000 by January 1, 2020 (paid) and issue 100,000 shares (issued) to Kreft by September 30, 2019;
- make cash payments of $50,000 (paid) and issue 200,000 shares (issued) to Kreft by September 30, 2020;
- make cash payments of $50,000 and issue 200,000 shares to Kreft by September 30,2021;
- make cash payments of $100,000 and issue 200,000 shares to Kreft by September 30,2022; and

4. EXPLORATION AND EVALUATION ASSETS – continued

Canada – continued

b) *KRL (British Columbia)* (continued)

- make bonus share payments to Kreft as follows:
  - issue additional shares upon the disclosure of an NI43-101 inferred resource estimate equal to 1 share per ounce of inferred resource, to a maximum of 350,000 shares; and
  - 500,000 shares to be issued on the commencement of commercial production.

As of December 31, 2020, the Company had spent $258,055 on advancing this property.

c) *Tim property (Yukon)*

On January 24, 2020, the Company entered into an option agreement with a wholly owned subsidiary of Coeur Mining Inc. ("Coeur") to explore the Tim property in southern Yukon.

Coeur can earn an initial 51% interest in the Tim property by (i) financing $3.55-million in exploration over five years and (ii) making scheduled cash payments totalling $275,000 over five years as follows.

Date/Period	Expenditures	Option Payment
On the Effective Date	None	$10,000 (received)
On or before 1st anniversary of the Class 1 Notification Date	$50,000	$15,000
On or before 2nd anniversary of the Class 1 Notification Date	$500,000	$25,000
On or before 3rd anniversary of the Class 1 Notification Date	$500,000	$50,000
On or before 4th anniversary of the Class 1 Notification Date	$1,000,000	$75,000
On or before 5th anniversary of the Class 1 Notification Date	$1,500,000	$100,000

(*) Class 1 Notification Date is December 16, 2020.

After earning an initial 51% interest in the property, to increase its interest to 80%, Coeur must finance a feasibility study and notify the Company of its intention to develop a commercial mine on the property on or before the eighth anniversary from the date of notification of the Class 1 exploration permit, as well as pay an additional $300,000 to the Company as follows:

Date/Period	Option Payment
On or before 6th anniversary of the Class 1 Notification Date	$100,000
On or before 7th anniversary of the Class 1 Notification Date	$100,000
On or before 8th anniversary of the Class 1 Notification Date	$100,000

4. EXPLORATION AND EVALUATION ASSETS – continued

d) *Others*

In 2010, the Company acquired the White River property through staking. The White River property is located in the Yukon Territory, northwest of Whitehorse.

On July 23, 2007, the Company purchased from Almaden certain properties in the Yukon and Almaden assigned the 2% NSR royalty on future production from these mineral claims to Almadex:

- Goz Creek – located 180 kilometers north east of Mayo, Yukon.
- MOR – located 35 kilometers east of Teslin, Yukon and is 1.5 kilometers north of the paved Alaska Highway.
- Tim – located 72 kilometers west of Watson Lake, Yukon and 12 kilometers northeast of the Silvertip/Midway deposit.

As of December 31, 2020, the Company had spent $1,114,250 on advancing these properties.

On June 10, 2008, the Company signed another agreement with Almaden to acquire a 100% interest in the Prospector Mountain gold-silver-copper property, located in central Yukon. Almaden assigned the 2% NSR over any minerals produced from the property to Almadex. Half of the NSR may be purchased by the Company at any time after the production commences for fair value as determined by an independent valuator. The Company will also issue to Almadex 50,000 fully paid common shares upon receipt of a positive bankable feasibility study for the property. During the year ended September 30, 2020, the Company dropped the Prospector Mountain property and wrote off $87,338.

Peru

On April 29, 2015, the Company acquired the Yanac property which is located in Chincha region of the Department of Ica, south-central Peru.

Yanac

On February 27, 2013, Cliffs Natural Resources Exploration Inc., a wholly owned subsidiary of Cliffs Natural Resources Inc. (“Cliffs”) and the Company’s wholly-owned subsidiary entered into a Limited Liability Company Membership Agreement (“agreement”) in respect of the Yanac property. In December 2015, Cliffs’ interest in Yanac was acquired by 50 King Capital Exploration Inc. (“50 King”), a private company, which took over all previous obligations of Cliffs.

On July 6, 2016, 50 King terminated the agreement, retaining only a 0.5% net smelter royalty (“NSR”) on the Yanac property based on prior expenditures and transferred the ownership of the property back to the Company.

As of December 31, 2020, the Company had spent $419,100 on advancing this property.

Mexico

The Company holds a 1% Net Smelter Royalty on certain Mexican properties which is capped at $1,000,000.

5. SHARE CAPITAL

a) Authorized:

As at December 31, 2020, the authorized share capital is comprised of an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series. All issued shares are fully paid.

b) Issued:

During the year ended September 30, 2020, the Company:

i) Completed a non-brokered private placement on February 25, 2020 by issuing 22,000,000 units ("Unit") at a price of $0.05 per Unit for gross proceeds of $1,100,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a 36-month period at a price of $0.10. In connection with the financing, the Company paid $50,100 as a cash finder's fee and issued 1,002,000 finder's warrants, each of which is exercisable into one common share at a price of $0.05 for a period of 12 months. The value of the finder's warrants was determined to be $32,665 and was calculated using the Black-Scholes option pricing model. Under the residual value approach, no value was assigned to the warrant component of the Units. The Company incurred additional share issue costs of $28,785 in connection with this financing.

ii) Issued 125,000 common shares to the Estate at a price of $0.09 per share for a total consideration of $11,250 to pay for the Haldane property (see Note 5).

iii) Issued 500,000 common shares at a price of $0.085 per share for a total consideration of $42,500 and issued 500,000 common shares at a price of $0.13 per share for a total consideration of $65,000 to pay for the Twin Canyon property (see Note 5).

iv) Issued 200,000 common shares to Kreft at a price of $0.13 per share for a total consideration of $26,000 to pay for the KRL property (see Note 5).

v) Issued common shares pursuant to the exercise of 250,000 stock options, 1,203,025 finder's warrants and 3,030,000 warrants for cash proceeds of $388,151.

During the three months ended December 31, 2020, the Company:

vi) Completed a non-brokered private placement on October 9, 2020 by issuing 7,670,370 non-flow-through units ("Unit") at a price of $0.135 per Unit for gross proceeds of $1,035,500 and 13,881,130 flow-through shares ("FT Share") at a price of $0.155 per FT Share for gross proceeds of $2,151,575. Each Unit consists of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a 24-month period at a price of $0.20. In connection with the financing, the Company paid $199,868 as a cash finder's fee and issued 1,339,036 finder's warrants, each of which is exercisable into one common share at a price of $0.135 for a period of 24 months. The value of the finder's warrants was determined to be $109,533 and was calculated using the Black-Scholes option pricing model. Under the residual value approach, no value was assigned to the warrant component of the Units. The Company recorded a flow-through premium liability of $277,623 and incurred additional share issue costs of $38,693 in connection with this financing.

vii) Issued common shares pursuant to the exercise of 12,000 finder's warrants and 3,850,000 warrants for cash proceeds of $385,600.

6. STOCK OPTIONS AND WARRANTS

a) Stock option compensation plan

The Company grants stock options to directors, officers, employees and consultants pursuant to the Company's Stock Option Plan (the "Plan"). The number of options that may be issued pursuant to the Plan are limited to 10% of the Company's issued and outstanding common shares and to other restrictions with respect to any single participant (not greater than 5% of the issued common shares) or any one consultant (not greater than 2% of the issued common shares).

Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than one quarter of the options vesting in any 3-month period.

Vesting provisions may also be applied to other option grants, at the discretion of the directors. Options issued pursuant to the Plan will have an exercise price as determined by the directors, and permitted by the TSX-V, at the time of the grant. Options have a maximum expiry date of 5 years from the grant date.

Stock option transactions and the number of stock options for the three months ended December 31, 2020 are summarized as follows:

Expiry date	Exercise price	September 30, 2020	Granted	Exercised	Expired / cancelled	December 31, 2020
April 29, 2021	$0.25	100,000	-	-	-	100,000
September 30, 2021	$0.15	1,245,000	-	-	-	1,245,000
March 14, 2023	$0.10	840,000	-	-	-	840,000
July 30, 2024	$0.10	1,725,000	-	-	-	1,725,000
October 15, 2025	$0.14	-	2,005,000	-	-	2,005,000
Options outstanding		3,910,000	2,005,000	-	-	5,915,000
Options exercisable		3,910,000	2,005,000	-	-	5,915,000
Weighted average exercise price		$0.12	$0.14	$Nil	$Nil	$0.13

As at December 31, 2020, the weighted average contractual remaining life of options is 3.14 years (September 30, 2020 – 2.55 years). The weighted average fair value of stock options granted during the three months ended December 31, 2020 was $0.10 (2019 - $Nil).

Stock option transactions and the number of stock options for the year ended September 30, 2020 are summarized as follows:

Expiry date	Exercise price	September 30, 2019	Granted	Exercised	Expired / cancelled	September 30, 2020
April 29, 2020	$0.25	1,264,500	-	-	(1,264,500)	-
April 29, 2021	$0.25	100,000	-	-	-	100,000
September 30, 2021	$0.15	1,270,000	-	-	(25,000)	1,245,000
March 14, 2023	$0.10	850,000	-	-	(10,000)	840,000
July 30, 2024	$0.10	2,015,000	-	(250,000)	(40,000)	1,725,000
Options outstanding		5,499,500	-	(250,000)	(1,339,500)	3,910,000
Options exercisable		5,499,500	-	(250,000)	(1,339,500)	3,910,000
Weighted average exercise price		$0.15	$Nil	$0.10	$0.24	$0.12

6. STOCK OPTIONS AND WARRANTS - continued

a) Stock option compensation plan - continued

The weighted average assumptions used to estimate the fair value of options for the three months ended December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Risk-free interest rate	1.29%	n/a
Expected life	5 years	n/a
Expected volatility	101.56%	n/a
Expected dividend yield	nil	n/a

b) Warrants

The continuity of warrants for the three months ended December 31, 2020 is as follows:

Expiry date		Exercise price	September 30, 2020	Issued	Exercised	Expired	December 31, 2020
December 24, 2020		$0.10	4,400,000	-	(3,300,000)	(1,100,000)	-
July 9, 2022	(i)	$0.10	12,600,000	-	(350,000)	-	12,250,000
February 25, 2023	(i)	$0.10	20,790,000	-	(200,000)	-	20,590,000
October 9, 2022		$0.20	-	3,835,186	-	-	3,835,186
Outstanding			37,790,000	3,835,186	(3,850,000)	(1,100,000)	36,675,186
Weighted average exercise price			$0.10	$0.20	$0.10	$0.10	$0.11

(i) Subsequently, a total of 2,390,000 warrants were exercised.

As at December 31, 2020, the weighted average contractual remaining life of warrants is 1.90 years (September 30, 2020 – 1.94 years).

The continuity of warrants for the year ended September 30, 2020 is as follows:

Expiry date	Exercise price	September 30, 2019	Issued	Exercised	Expired	September 30, 2020
March 6, 2020	$0.20	2,500,000	-	-	(2,500,000)	-
March 8, 2020	$0.15	7,221,875	-	-	(7,221,875)	-
April 7, 2020	$0.15	3,255,000	-	-	(3,255,000)	-
April 25, 2020	$0.15	5,000,000	-	-	(5,000,000)	-
August 16, 2020	$0.20	892,857	-	-	(892,857)	-
December 24, 2020	$0.10	5,000,000	-	(600,000)	-	4,400,000
July 9, 2022	$0.10	13,820,000	-	(1,220,000)	-	12,600,000
February 25, 2023	$0.10	-	22,000,000	(1,210,000)	-	20,790,000
Outstanding		37,689,732	22,000,000	(3,030,000)	(18,869,732)	37,790,000
Weighted average exercise price		$0.13	$0.10	$0.10	$0.16	$0.10

6. STOCK OPTIONS AND WARRANTS – continued

c) Finder's warrants

The continuity of finder's warrants for the three months ended December 31, 2020 is as follows:

Expiry date	Exercise price	September 30, 2020	Issued	Exercised	Expired	December 31, 2020
February 25, 2021	$0.05	806,100	-	(12,000)	-	794,100
October 9, 2022	$0.135	-	1,339,036	-	-	1,339,036
Outstanding		806,100	1,339,036	(12,000)	-	2,133,136
Weighted average exercise price		$0.05	$0.135	$0.05	$Nil	$0.10

As at December 31, 2020, the weighted average contractual remaining life of finder's warrants is 1.17 years (September 30, 2020 – 0.41 years).

The continuity of finder's warrants for the year ended September 30, 2020 is as follows:

Expiry date	Exercise price	September 30, 2019	Issued	Exercised	Expired	September 30, 2020
December 24, 2019	$0.05	887,250	-	-	(887,250)	-
April 25, 2020	$0.10	240,000	-	-	(240,000)	-
July 9, 2020	$0.05	1,007,125	-	(1,007,125)	-	-
August 16, 2020	$0.14	26,100	-	-	(26,100)	-
February 25, 2021	$0.05	-	1,002,000	(195,900)	-	806,100
Outstanding		2,160,475	1,002,000	(1,203,025)	(1,153,350)	806,100
Weighted average exercise price		$0.06	$0.05	$0.05	$0.06	$0.05

The weighted average assumptions used to estimate the fair value of finder's warrants for the three months ended December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Risk-free interest rate	1.27%	n/a
Expected life	2 years	n/a
Expected volatility	119.31%	n/a
Expected dividend yield	nil	n/a

7. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the three months ended December 31, 2020

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Jason Weber Chief Executive Officer, Director	$ 40,500	$ Nil	$ Nil	$ Nil	$ 30,270	$ 70,770
Rob Duncan VP of Exploration	$ 37,500	$ Nil	$ Nil	$ Nil	$ 30,270	$ 67,770
Winnie Wong Chief Financial Officer	$ Nil	$ Nil	$ Nil	$ Nil	$ 20,180	$ 20,180
Marc G. Blythe Director	$ Nil	$ Nil	$ Nil	$ Nil	$ 20,180	$ 20,180
Mark T. Brown Director	$ Nil	$ Nil	$ Nil	$ Nil	$ 30,270	$ 30,270
Craig Lindsay Director	$ Nil	$ Nil	$ Nil	$ Nil	$ 20,180	$ 20,180
John Wilson Director	$ Nil	$ Nil	$ Nil	$ Nil	$ 20,180	$ 20,180

For the three months ended December 31, 2019

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Jason Weber Chief Executive Officer, Director	$ 36,000	$ Nil	$ Nil	$ Nil	$ Nil	$ 36,000

Related party transactions and balances

		Three months ended		Balance due	
	Services	December 31, 2020	December 31, 2019	As at December 31, 2020	As at September 30, 2020
Amounts due to:					
Jason Weber	Consulting fee and share-based payment	$ 70,770	$ 36,000	$ Nil	$ Nil
Rob Duncan	Consulting fee	$ 67,770	$ Nil	$ Nil	$ Nil
Pacific Opportunity Capital Ltd. [(a)]	Accounting, financing, and shareholder communication services	$ 51,245	$ 59,030	$ 248,663	$ 271,337
TOTAL:		$ 189,785	$ 95,030	$ 248,663	$ 271,337

(a) The president of Pacific Opportunity Capital Ltd., a private company, is a director of the Company.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the three months ended December 31, 2020 were as follows:

- As at December 31, 2020, a total of $366,094 in exploration and evaluation asset costs was included in accounts payable and accrued liabilities;
- As at December 31, 2018, a total of $52,750 in share issue costs was included in due to related parties;
- The Company recorded $109,533 in share issue costs related to the issue of finder's warrants pursuant to the private placement financing completed; and
- The Company recorded $391 in share capital related to the reclassification of the fair values of finder's warrants exercised from reserves.

The significant non-cash investing and financing transactions during the three months ended December 31, 2019 were as follows:

- As at December 31, 2019, a total of $22,722 in exploration and evaluation asset costs was included in accounts payable and accrued liabilities.

9. SEGMENTED INFORMATION

The Company has one reportable operating segment, that being the acquisition and exploration of mineral properties. Geographical information is as follows:

	December 31, 2020	September 30, 2020
Non-current assets		
USA	963,138	911,875
Peru	459,161	466,900
Canada	4,068,748	2,988,866
	$ 5,491,047	$ 4,367,641

10. FINANCIAL INSTRUMENTS

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

(a) Currency risk

The Company's property interests in Peru and USA make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks. The Company's exploration program, some of its general and administrative expenses and financial instruments denoted in a foreign currency are exposed to currency risk. A 10% change in the Peruvian nuevo sol and US dollar over the Canadian dollar would change the results of operations by approximately $2,100.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to the liquidity of its cash. The Company limits exposure to credit risk by maintaining its cash with a large Canadian financial institution.

10. FINANCIAL INSTRUMENTS – continued

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company does not have sufficient cash to settle its current liabilities, and further funding will be required to meet the Company's short-term and long-term operating needs. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

(d) Market risk

Market risks to which the Company is exposed include unfavorable movements in commodity prices, interest rates, and foreign exchange rates. As at December 31, 2020, the Company has no producing assets and holds the majority of its cash in secure, Canadian dollar-denominated deposits. Consequently, its exposure to these risks has been significantly reduced, but as the Company redeploys its cash, exposure to these risks may increase. The objective of the Company is to mitigate exposure to these risks while maximizing returns.

The Company may from time-to-time own available-for-sale marketable securities, in the mineral resource sector. Changes in the future pricing and demand of commodities can have a material impact on the market value of the investments. The nature of such investments is normally dependent on the invested company being able to raise additional capital to further develop and to determine the commercial viability of its resource properties. Management mitigates the risk of loss resulting from this concentration by monitoring the trading value of the investments on a regular basis.

i) Interest rate risk

As at December 31, 2020, the Company's exposure to movements in interest rates was limited to potential decreases in interest income from changes to the variable portion of interest rates for its cash. Market interest rates in Canada are at historically low levels, so management does not consider the risk of interest rate declines to be significant, but should such risks increase the Company may mitigate future exposure by entering into fixed-rate deposits. A 1% change in the interest rate, with other variables unchanged, would not significantly affect the Company.

ii) Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company may maintain cash and other financial instruments, or may incur revenues and expenditures in currencies other than the Canadian dollar. Significant changes in the currency exchange rates between the Canadian dollar relative to these foreign currencies, which may include but are not limited to US dollars and Peruvian nuevo sol, could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

10. FINANCIAL INSTRUMENTS – continued

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of minerals such as gold, zinc, lead and copper. The Company's input costs are also affected by the price of fuel. The Company closely monitors mineral and fuel prices to determine the appropriate course of action to be taken by the Company.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

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

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

The following table sets forth the Company's financial assets measured at amortized cost by level within the fair value hierarchy.

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 2,304,216	$ -	$ -	$ 2,304,216

As at September 30, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 278,993	$ -	$ -	$ 278,993
Restricted cash	83,070	-	-	83,070

11. MANAGEMENT OF CAPITAL RISK

The Company considers items included in shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's approach to managing capital remains unchanged from the year ended September 30, 2020.

12. CONTINGENT LIABILITIES

As a result of the administrative practices with respect to mining taxation in Mexico, there can be significant uncertainty, in regards to when, or if, taxes are payable and the amount that may ultimately be payable. As at September 30, 2015, Mexican claim taxes totalling approximately $766,000 had been levied. Of this amount, $563,000 ($193,000 for 2014 and $370,000 for 2015) related to properties that were held by Minera Tarsis, S.A. de C.V., which the Company had applied to wind up, and $203,000 ($63,000 for 2014 and $140,000 for 2015) related to properties being acquired. On February 16, 2016, the Company sold all its Mexican properties, Yago, Mezquites and San Pedro, to Almadex, and reduced the claim taxes to $173,783. These taxes will never be paid in full and any amount that will, or might, be payable cannot realistically be determined at this time. Accordingly, these taxes have been disclosed as a contingent liability, and not recognized as a liability or provision.

13. EVENT AFTER THE REPORTING PERIOD

(a) Subsequently, the Company issued 2,390,000 common shares pursuant to the exercised warrants for cash proceeds of $239,000.