



COLLECTIVE

— MINING —

TSXV:[CNL](#) | OTCQX:[CNLMF](#)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022

COLLECTIVE MINING LTD.
Interim Condensed Consolidated Statement of Financial Position (unaudited)
(All amounts expressed in U.S. Dollars, unless otherwise indicated)

As at	Note	September 30, 2022	December 31, 2021
		\$	\$
ASSETS			
Current assets:			
Cash and cash equivalents	12(a)	4,861,229	16,308,805
Receivables and prepaid expenses	5	354,521	391,337
		5,215,750	16,700,142
Non-current assets:			
Equipment and other fixed assets	6	510,846	343,749
Long-term VAT receivable	8	603,399	222,096
		1,114,245	565,845
Total assets		6,329,995	17,265,987
LIABILITIES AND EQUITY			
Current liabilities:			
Account payables and accrued liabilities		1,372,609	1,566,035
Current portion of lease liability	9	75,831	55,727
		1,448,440	1,621,762
Non-current liabilities:			
Lease liability	9	57,123	65,927
		57,123	65,927
		1,505,563	1,687,689
Equity:			
Share capital	13	25,281,420	25,192,092
Contributed surplus		11,242,736	9,393,189
Deficit		(31,699,724)	(19,006,983)
		4,824,432	15,578,298
Total liabilities and equity		6,329,995	17,265,987
Commitments and contingencies	18		
Subsequent events	19		

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

ON BEHALF OF THE BOARD:

Ari Sussman
Executive Chairman

Paul Begin
CFO

COLLECTIVE MINING LTD.**Interim Condensed Consolidated Statement of Operations and Comprehensive Loss (unaudited)**

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

	Note	For the three months ended September 30		For the nine months ended September 30	
		2022	2021	2022	2021
		\$	\$	\$	\$
Expenses					
Exploration and evaluation	16(a)	(2,987,155)	(1,952,642)	(8,632,253)	(4,707,264)
General and administration	16(b)	(1,044,118)	(597,787)	(3,759,497)	(1,937,432)
RTO Transaction and public listing costs	14(a)	—	—	—	(1,512,215)
		(4,031,273)	(2,550,429)	(12,391,750)	(8,156,911)
Other income (expense)					
Revaluation of warrants liability	14(b)	—	2,854,405	—	(5,087,559)
Foreign exchange loss		(233,475)	(146,045)	(338,113)	(279,503)
Other income		28,494	(18,644)	103,176	(10,434)
Net loss before finance items and income tax		(4,236,254)	139,287	(12,626,687)	(13,534,407)
Finance income(expense)					
Finance costs	16(c)	(20,688)	(5,499)	(66,054)	(144,102)
Net loss before income tax		(4,256,942)	133,788	(12,692,741)	(13,678,509)
Income tax		—	—	—	—
Net loss and comprehensive loss		(4,256,942)	133,788	(12,692,741)	(13,678,509)
Basic and diluted loss per common share		(0.09)	0.00	(0.27)	(0.42)
Weighted average common shares outstanding, basic and diluted		47,681,518	45,453,988	47,488,152	32,811,221

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

COLLECTIVE MINING LTD.**Interim Condensed Consolidated Statement of Cash Flows (unaudited)**

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

	Note	For the nine months ended September 30	
		2022	2021
		\$	\$
Cash flows used in operating activities			
Net loss		(12,692,741)	(13,678,509)
Items not involving cash and cash equivalents:			
Public listing cost	14(a)	—	1,309,047
Revaluation of warrants liability	14(b)	—	5,087,559
Finance costs	16(c)	22,247	144,102
Foreign exchange loss		338,113	279,503
Share-based compensation	16(b)	1,849,547	637,935
Depreciation and amortization	16(a),(b)	164,742	80,834
Net changes in working capital items	17(a)	(594,774)	1,563,646
		(10,912,866)	(4,575,883)
Cash flows from financing activities			
Cash proceeds from issuance of shares or subscription units	13	—	12,427,506
Financing costs incurred	14(b)	—	(119,007)
Cash proceeds/advances from warrant exercises	13	—	10,789,874
Cash proceeds from option exercises	13	89,328	84,831
Repayment of loan and related party payables	17(b)	—	(83,452)
Principal portion of lease payments	9	(75,989)	(36,652)
		13,339	23,063,099
Cash flows used in investing activities			
Acquisition of fixed assets	6	(243,446)	(183,956)
		(243,446)	(183,956)
Net change in cash and cash equivalents during the period		(11,142,973)	18,303,260
Cash and cash equivalents, beginning of period		16,308,805	1,717,385
Foreign exchange effect on cash balances		(304,603)	(305,253)
Cash and cash equivalents, end of period		4,861,229	19,715,392

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

COLLECTIVE MINING LTD.
Interim Condensed Consolidated Statement of Changes in Equity (unaudited)
(All amounts expressed in U.S. Dollars, unless otherwise indicated)

	Note	Number of shares issued and outstanding	Share capital	Contributed surplus	Deficit	Total
			\$	\$	\$	\$
Balance January 1, 2022		47,386,715	25,192,092	9,393,189	(19,006,983)	15,578,298
Exercise of options	13, 15	498,767	89,328	—	—	89,328
Share-based compensation	15	—	—	1,849,547	—	1,849,547
Net loss for the period		—	—	—	(12,692,741)	(12,692,741)
Balance September 30, 2022		47,885,482	25,281,420	11,242,736	(31,699,724)	4,824,432
Balance January 1, 2021		21,617,465	3,050,813	542,698	(1,700,470)	1,893,041
Issuance of shares – RTO	13(b)	2,785,000	1,772,606	—	—	1,772,606
Issuance of shares – Offering	13(b)	15,000,000	12,427,506	—	—	12,427,506
Fair value of warrants issued	14(b)	—	(2,880,258)	—	—	(2,880,258)
Finders' Units	13, 14 (c)	534,500	340,200	102,633	—	442,833
Exercise of warrants	13(b)	6,762,250	10,789,874	7,967,816	—	18,757,690
Exercise of options	13, 15	537,500	84,831	—	—	84,831
Share-based compensation	15	—	—	637,935	—	637,935
Share issue costs	13, 14(b)	—	(417,738)	—	—	(417,738)
Net loss for the period		—	—	—	(13,678,509)	(13,678,509)
Balance September 30, 2021		47,236,715	25,167,834	9,251,082	(15,378,979)	19,039,937

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

COLLECTIVE MINING LTD.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

Tabular dollar amounts represent United States ("U.S.") dollars, unless otherwise shown. References to C\$/CAD and COP are to Canadian dollars and Colombian pesos, respectively.

1. NATURE OF OPERATIONS

Collective Mining Ltd. ("CML") is the resulting issuer upon completion of a three-cornered amalgamation between Collective Mining Inc. ("CMI" or "Old Collective") and POCML 5 Inc. ("POCML"), a company listed on the Toronto Stock Venture Exchange (the "TSXV"), resulting in a reverse take-over of POCML by CMI (the "RTO" or the "RTO Transaction") on May 20, 2021. (See Note 14).

CMI was incorporated under the Business Corporations Act (Ontario) on February 11, 2020 and was the holding company of the wholly-owned subsidiary Collective Mining Limited, a Bermuda company incorporated under the Bermuda Companies Act 1981. In addition, wholly owned subsidiaries, incorporated in Colombia, hold certain exploration properties. Prior to May 20, 2021, CMI was controlled by a founding shareholder, who is also the Executive Chairman of the Board of Directors.

On May 20, 2021, pursuant to the closing of the RTO, CML's common shares were accepted for listing and began trading on the TSXV under the symbol "CNL". On July 18, 2022, the Company's shares began trading on the OTCQX® Best Market under the symbol "CNLMF".

The registered office for CML is located at 82 Richmond St E 4th Floor Toronto, Ontario, Canada.

CML and its subsidiaries (collectively referred to as the "Company") are principally engaged in the acquisition, exploration and development of mineral properties located in South America. The Company principally carries on business through an Ontario corporation and a foreign company branch office in Colombia.

To date, the Company has not generated any revenue from mining or other operations as it is considered to be in the exploration stage.

2. BASIS OF PREPARATION

Statement of Compliance

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim consolidated financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34"), on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements.

These interim financial statements do not include all the information required for full annual financial statements. Certain information, in particular, accompanying notes normally included in the audited annual consolidated financial statements prepared in accordance with IFRS, has been omitted or condensed. The accounting policies and the significant judgements, estimates and assumptions used in the application of the accounting policies in the preparation of these unaudited interim consolidated financial statements are those described in notes 2, 3, and 4 of the audited annual consolidated financial statements for the year ended December 31, 2021 and have been consistently applied throughout all periods presented as if these policies had always been in effect.

These unaudited interim condensed consolidated financial statements were approved and authorized by the Audit Committee, on behalf of the Board of Directors of the Company, on November 17th, 2022.

COLLECTIVE MINING LTD.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

3. NEW ACCOUNTING STANDARDS

(a) New Accounting Standards and Interpretations adopted

- i. IAS 16, Property, Plant and Equipment (“IAS 16”) was amended to prohibit the deduction of proceeds from the sale of items produced from an item of property, plant and equipment while the entity is preparing the asset for its intended use. IAS 16 further clarifies that the financial performance of the asset is not relevant in the assessment of the technical and physical performance of the asset.

Effective January 1, 2022, the Company adopted the amendment to IAS 16. The adoption did not have an impact on the Company’s consolidated financial statements as the Company is not yet in the construction phase.

(b) New Accounting Standards and Interpretations not yet adopted

The following revised standards and amendments, unless otherwise stated, are effective on or after January 1, 2023, with early adoption permitted, and have not been applied in preparing these consolidated financial statements. The Company does not plan to adopt any of these standards before they become effective.

- i. IAS 1, Presentation of Financial Statements (“IAS 1”) was amended to clarify the classification of liabilities between current and noncurrent to be based on the rights that exist at the end of the reporting period and that such classification is unaffected by the expectations of the entity or events after the reporting date. The changes must be applied retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) and are effective on or after January 1, 2023, with early adoption permitted.

The Company does not expect an impact to its consolidated financial statements on adoption.

- ii. IAS 1 was also amended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective on or after January 1, 2023.

The Company does not expect an impact to its consolidated financial statements on adoption.

4. OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity’s chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company’s operations comprise a single reporting operating segment engaged in mineral development and exploration in Colombia.

5. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses are made up of the following:

As at	September 30, 2022	December 31, 2021
	\$	\$
Prepaid expenses	278,537	198,098
Advance to suppliers	43,065	172,358
Other receivables (a)	32,919	20,881
	354,521	391,337

COLLECTIVE MINING LTD.**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

(a) Other receivables

Included in other receivables is \$11,021 (December 31, 2021 – \$20,881) of Harmonized Sales Tax (“HST”) refund receivable in Canada.

6. EQUIPMENT AND OTHER FIXED ASSETS

Equipment and other fixed assets consist of the following:

	Exploration Equipment and structures	Computer Equipment	Leasehold Improvement	Right of use assets - ROU (a)	Total
	\$	\$	\$	\$	\$
Opening net book value, January 1, 2022	73,398	70,735	81,270	118,346	343,749
Additions	112,516	28,243	102,687	84,633	328,079
Changes in ROU (interest rate and inflation)	—	—	—	3,760	3,760
Disposals and write-downs	—	—	—	—	—
Depreciation (b)	(25,521)	(30,445)	(49,288)	(59,488)	(164,742)
Net book value, September 30, 2022	160,393	68,533	134,669	147,251	510,846
Balance, September 30, 2022					
Cost	203,141	120,367	195,913	275,671	795,092
Accumulated depreciation	(42,748)	(51,834)	(61,244)	(128,420)	(284,246)
Net book value	160,393	68,533	134,669	147,251	510,846

	Exploration Equipment and structures	Computer Equipment	Leasehold Improvement	Right of use assets (a)	Total
	\$	\$	\$	\$	\$
Opening net book value, January 1, 2021	20,315	20,971	—	124,563	165,849
Additions	68,558	70,311	93,226	51,391	283,486
Disposals and write-downs	—	—	—	—	—
Depreciation (b)	(15,475)	(20,547)	(11,956)	(57,608)	(105,586)
Net book value, December 31, 2021	73,398	70,735	81,270	118,346	343,749
Balance, December 31, 2021					
Cost	90,624	92,125	93,226	187,278	463,253
Accumulated depreciation	(17,226)	(21,390)	(11,956)	(68,932)	(119,504)
Net book value	73,398	70,735	81,270	118,346	343,749

(a) Right of use assets

Right of use assets are comprised of vehicle leases with terms of 3 years, a warehouse lease with an initial term of 2 years plus an extension for an additional term of 2 years, and a land lease with a term of 3 years. The value of additions is determined as the present value of lease payments at the inception of the lease (see Note 9).

(b) Depreciation

Depreciation expense for the three and nine months ended September 30, 2022 of \$55,068 and \$164,742, respectively (three and nine months ended September 30, 2021 – \$33,807 and \$80,834 respectively), was recognized within exploration and evaluation expenses and general and administration expenses in the consolidated statement of operations and comprehensive loss.

COLLECTIVE MINING LTD.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

7. MINERAL INTERESTS

(a) Guayabales Project

The Guayabales project is comprised of exploration applications, exploration titles and three option agreements. The Company entered into two option agreements (the “First Guayabales Option” and the “Second Guayabales Option”) with third parties to explore, develop and acquire property within the Guayabales Project and during the fourth quarter of 2021, the Company secured option agreements to purchase surface rights from a third party for a two-year period (see Note 18). The Guayabales Project is located in the Middle Cauca belt in the Department of Caldas, Colombia.

Details of the two first option agreements are as follows:

i. First Guayabales Option

On June 24, 2020, the Company entered into the First Guayabales Option. The terms of the agreement are as follows:

Phase 1:

The Company must incur a minimum of \$3,000,000 of exploration and evaluation expenditures in respect of such property within the First Guayabales Option and make total option payments of \$2,000,000 over a maximum four-year term ending on or before June 24, 2024, to proceed to Phase 2 of the agreement.

Phase 2:

To acquire a 90% interest in the property within the First Guayabales Option, the Company must incur a minimum of \$10,000,000 of exploration and evaluation expenditures in respect of such property and make total option payments \$2,000,000, payable in equal instalments of \$166,666 semi-annually over a maximum six-year term, commencing at the end of Phase 1.

Phase 3:

To acquire the remaining 10% interest in the property within the First Guayabales Option, the Company has the following options:

- provide notice that the Company has elected to pay a 1% NSR commencing on the first calendar day of each month after 85% of the processing plant capacity has been achieved in exchange for the remaining 10% interest;
- acquire 0.625% each year to a total of 10% by paying \$250,000 semi-annually, commencing at the end of Phase 2, to a total of \$8,000,000 in lieu of the NSR; or
- pay a one-time payment of \$8,000,000 in lieu of the NSR.

In addition, the Company is required to fund and complete all development and construction activities to bring the project to commercial production.

COLLECTIVE MINING LTD.**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

Summary:

The following is a summary of the option payments and exploration expenditures required to acquire 100% of the property under the First Guayabales Option:

		Option Payments	Exploration Expenditures	Total
		\$	\$	\$
Phase 1	June 24, 2020 – June 24, 2024	2,000,000	3,000,000	5,000,000
Phase 2	June 24, 2024 – June 24, 2030	2,000,000	10,000,000	12,000,000
Phase 3	To commercial production	8,000,000 ¹	–	8,000,000
		12,000,000	13,000,000	25,000,000

¹ Based on the assumption that the Company does not elect to pay the NSR.

The Company has the option to terminate the agreement at any time, upon notification to the optionor. As a result, the Company has not recognized any option payments payable in the future under the agreement in the consolidated statement of financial position.

For the three and nine months ended September 30, 2022, the Company has recognized \$3,231,000 and \$5,169,000, respectively (three and nine months ended September 30, 2021 – \$1,263,000 and \$1,714,000, respectively), including option payments of \$nil and \$250,000, respectively (three and nine months ended September 30, 2021 – \$200,000 and \$400,000, respectively), as exploration and evaluation expense in the consolidated statement of operations in respect of the First Guayabales Option.

As at September 30, 2022, and from inception of the agreement, the Company has recognized a total of \$7,381,000 as exploration and evaluation expenditures in respect of the minimum expenditures required under the Option agreement and has made total option payments of \$1,000,000 required within the agreement.

ii. Second Guayabales Option

On January 4, 2021, the Company entered into the Second Guayabales Option. The terms of the agreement are as follows:

Phase 1:

The option agreement provides the Company the right to explore the property within the Second Guayabales Option over a four-year term, expiring on January 2, 2025, for total payments over the term of the agreement of \$1,750,000, with minimum payments of \$1,000,000 if the agreement is terminated on or before January 2, 2022.

For the three and nine months ended September 30, 2022, the Company has recognized \$9,000 and \$14,000, respectively (three and nine months ended September 30, 2021 – \$405,000 and \$1,105,000, respectively), including option payments of \$nil (three and nine months ended September 30, 2021 – \$nil and \$700,000, respectively), as exploration and evaluation expense in the consolidated statement of operations in respect of Phase I of the Second Guayabales Option.

Phase 2:

The option agreement provides the Company the right to explore the property within the Second Guayabales Option over a second four-year term between January 2, 2025 to January 2, 2029 for total payments over the term of \$1,000,000.

Phase 3:

Upon completion of Phase 2, the Company is required to pay a total of \$4,300,000 over a two-year period ending on January 2, 2030 to acquire 100 percent of the property

COLLECTIVE MINING LTD.**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

within the Second Guayabales Option.

Summary:

The following is a summary of the option payments to acquire the property under the Second Guayabales Option:

	\$
Total Phase 1	1,750,000
Total Phase 2	1,000,000
Total Phase 3	4,300,000
	7,050,000

The Company has the option to terminate the agreement at any time, upon notification to the optionor. Other than the required minimum option payments under the agreement, the Company has not recognized any option payments payable in the future in the consolidated statement of financial position.

(b) San Antonio Project

On July 9, 2020, the Company entered into an option agreement with a third party to acquire the San Antonio Project. The San Antonio project is located approximately 80km south of Medellín. It is situated in the Middle Cauca belt in the Department of Caldas, Colombia.

The option agreement provides the Company the right to explore, develop and acquire the property over a seven-year term, expiring on July 9, 2027, for total payments over the term of the agreement of \$2,500,000. The Company has the option to pay an additional \$2,500,000 to the optionor upon reaching commercial production in exchange for the 1.5% NSR.

The exploration and development program, including the amount of expenditures, is at the sole discretion of the Company during the term of the agreement.

For the three and nine months ended September 30, 2022, the Company has recognized \$111,000 and \$384,000, respectively (three and nine months ended September 30, 2021 – \$284,000 and \$1,883,000, respectively), as exploration and evaluation expense in the consolidated statement of operations and comprehensive loss.

As the Company has the option to terminate the agreement at any time, upon notification to the optionor, the Company has not recognized any option payments payable in the future under the agreement in its consolidated statement of financial position.

8. LONG-TERM RECEIVABLE

Long-term receivable represents value added taxes in respect of exploration activities that will be recovered when the related project commences production.

9. LEASE LIABILITIES

As at	September 30, 2022	December 31, 2021
	\$	\$
Opening balance	121,654	142,841
New leases during the period	84,633	51,391
Lease payments	(75,989)	(72,299)
Changes in liability (interest rate and inflation)	(1,609)	—
Interest accretion expense	22,248	23,063
Foreign exchange	(17,983)	(23,342)
Balance, end of period	132,954	121,654
Current portion	(75,831)	(55,727)
Long-term portion	57,123	65,927

COLLECTIVE MINING LTD.**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

The lease liabilities were measured on inception of the lease at the present value of the lease payments over the lease term, discounted using a weighted average discount rate of 25.29%, based on the Company's incremental borrowing rate.

Interest accretion expense or amortization of the discount on the lease liability is charged to the consolidated statement of operations and comprehensive loss using the effective interest method.

For the three and nine months ended September 30, 2022, the Company made lease payments of \$13,280 and \$47,286, respectively (three and nine months ended September 30, 2021 – \$35,150, and \$96,352, respectively) for contracts with terms of 12 months or less and which were recognized as lease expense within exploration and evaluation expenses.

10. RELATED PARTY TRANSACTIONS

Related parties include management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Compensation of key management personnel

Key management includes independent directors, the executive chairman of the board of directors (the "Chairman"), the president and chief executive officer ("CEO") and the chief financial officer ("CFO"). The remuneration of members of key management personnel were as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management salaries and benefits	193,679	125,983	511,057	486,243
Share-based payments	122,736	10,920	458,488	94,573
	316,415	136,903	969,545	580,816

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company.

11. FINANCIAL INSTRUMENTS**Financial Instrument Disclosures**

The carrying values for financial assets and liabilities of cash and cash equivalents, receivables, accounts payable and accrued liabilities, loan payable and related party payable approximate their fair values as at December 31, 2021 and September 30, 2022.

There were no transfers between the fair value hierarchy during the three and nine months ended September 30, 2022.

12. FINANCIAL AND CAPITAL RISK MANAGEMENT**(a) Financial Risk Management**

The Company's activities expose it to a variety of financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

Risk management is carried out by the Company's management with guidance from and policies approved by the Board of Directors.

COLLECTIVE MINING LTD.**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

Financial risk factors**Foreign currency risk**

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities denominated in currency that is not the entity's functional currency. The Company's functional currency is the U.S. dollar. The Company conducts some of its operating, financing and investing activities in currencies other than the U.S. dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the U.S. dollar. The Company does not use derivative instruments to hedge exposure to foreign exchange risk.

As at September 30, 2022, the exchange rates were COP:US\$4,532.07, based on Banco de la Republica – Colombia, and US:CAD\$0.7296, based on Bank of Canada, respectively (December 31, 2021, COP:US\$3,981.16 and US:CAD\$0.7887, respectively). For the nine months ended September 30, 2022, the average was COP:US\$4,069.33 and US:CAD\$0.7795, respectively (nine months ended September 30, 2021, COP:US\$3,697.10 and US:CAD\$0.7994, respectively).

The Company had the following foreign currency balances:

As at September 30, 2022	Foreign Currency	Foreign Balance	\$
Cash and cash equivalents	COP (000's)	10,396,793	2,294,050
Cash and cash equivalents	CAD	128,752	93,931
Receivables	COP (000's)	3,921,419	865,260
Receivables	CAD	15,108	11,022
Accounts payable and accrued liabilities	COP (000's)	(5,296,610)	(1,168,696)
Accounts payable and accrued liabilities	CAD	(50,523)	(36,859)
Lease liability	COP (000's)	(602,562)	(132,954)
As at December 31, 2021	Foreign Currency	Foreign Balance	\$
Cash and cash equivalents	COP (000's)	25,077,015	6,298,922
Cash and cash equivalents	CAD	1,042,895	822,602
Receivables	COP (000's)	2,083,482	526,783
Receivables	CAD	26,473	20,881
Accounts payable and accrued liabilities	COP (000's)	(3,835,494)	(963,411)
Accounts payable and accrued liabilities	CAD	(92,515)	(72,973)
Lease liability	COP (000's)	(484,324)	(121,654)

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from its properties. The majority of the Company's cash and cash equivalents are held with banks in Canada and Colombia. Funds held in banks in Colombia are limited to yearly forecasted Colombian denominated expenses. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least "A" or equivalent, or those which have been otherwise approved. Receivables mainly consist of receivables for refundable commodity taxes in Canada. Management believes that the credit risk concentration with respect to remaining amounts receivable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company manages its liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated investing

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and financing activities.

As at September 30, 2022, the cash balance was \$4,861,000. On October 25, 2022, the Company closed a total of \$7,890,000 (C\$10,763,000) bought deal financing (See Note 19). The cash balance is not sufficient to meet all of its future obligations in respect of the option contracts in notes 8 and 18 if the Company elects to exercise all its options in respect of all the contracts. Thus, continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from existing shareholders and/or new shareholders or through other arrangements, complete sufficient public equity financing, or generate profitable operations in the future.

Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company's cash balances are not subject to significant interest rate risk as balances are current.

(b) Capital Management

The Company manages its capital to maintain its ability to continue as a going concern in order to pursue the exploration and evaluation of its mineral interests. The Company mainly relies on equity issuances to raise new capital. The capital structure of the Company includes the components of equity as well as cash and cash equivalents.

On November 10, 2021, the Company filed a short form base shelf prospectus which will allow the Company to issue common shares, warrants, subscriptions receipts, units of debt securities among others for up to an aggregate total of C\$100,000,000. The base shelf prospectus is effective until December 2023.

In connection with the base shelf prospectus, on October 25, 2022, the Company closed a total of \$7,890,000 (C\$10,763,000) bought deal financing which consisted of the sale of 4,783,400 units (including the partial exercise of an over-allotment option) at a price of C\$2.25 per unit (See Note 19).

The remaining balance of the base shelf prospectus, after deducting the financing, is C\$89,237,000

The Company prepares annual estimates of exploration and administrative expenditures and monitors actual expenditures compared to estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company maintains its cash in highly liquid short-term deposits which can be liquidated immediately without interest or penalty.

The Company's overall strategy with respect to capital risk management has remained consistent for the nine months ended September 30, 2022 with what was disclosed in the annual financial statements ended December 31, 2021.

13. SHARE CAPITAL

(a) Authorized

Authorized share capital consists of an unlimited number of common shares without par value. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

(b) Issued

During the three and nine months ended September 30, 2022 and 2021, the Company issued shares resulting from the following transactions:

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2022 Transactions

- i. The Company issued 484,834 and 498,767 common shares resulting from the exercise of stock options during the three and nine months ended September 30, 2022 (See Note 15(a)).

2021 Transactions

- ii. On January 5, 2021, the Company issued 500,000 common shares resulting from the exercise of stock options (See Note 15(a)).
- iii. On May 20, 2021, the Company issued 2,785,000 common shares to original POCML shareholders on closing of the RTO. The fair value of shares was determined to be \$1,772,606 (See Note 14(a)).
- iv. On May 20, 2021, the Company issued 15,000,000 common shares upon closing of the Offering. Proceeds from the Offering of C\$15,000,000 (\$12,427,506) were allocated between Subscription Shares and Subscription Warrants on a pro-rata basis of their fair value within the unit of which \$9,547,248 was allocated to Subscription Shares (See Note 14(b)). Share issue costs of \$417,739 (See Note 14(b)) were recognized as a reduction in share capital.

From July 1, 2021 to August 9, 2021, the Company issued 6,495,000 common shares and received total proceeds of C\$12,990,000 (\$10,363,272) as a result of the exercise of the Subscription Warrants (See Note 14(b)).

- v. On May 20, 2021, the Company issued 534,500 common shares as part of the Subscription Units issued to eligible finders (the "Finders' Shares") (See Note 14(c)). The value allocated to the Finders' Shares was \$340,200.

From July 1, 2021 to August 9, 2021, the Company issued 267,250 common shares and received total proceeds of C\$534,500 (\$426,602) as a result of the exercise of the Finders' Warrants (See Note 14(c)).

(c) Earnings per share

Basic earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

The Company incurred net losses for each of the periods of nine months ended September 30, 2022 and 2021; therefore, all outstanding stock options and share warrants have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive.

14. 2021 REVERSE TAKE-OVER AND OFFERING

(a) Reverse Take-Over

On May 20, 2021, Old Collective and POCML completed a business combination agreement whereby POCML acquired all the issued and outstanding shares of Old Collective and which resulted in a reverse take-over of POCML by Old Collective (the "RTO" or the "RTO Transaction") and constituted POCML's qualifying transaction pursuant to TSXV Policy 2.4.

Upon closing of the RTO Transaction, the issued and outstanding common shares of Old Collective prior to the RTO were exchanged on a one for one basis of the resulting issuer company (the "Resulting Issuer") while every four issued and outstanding shares of POCML, prior to the RTO Transaction, were exchanged for one common share of the Resulting Issuer. Management and directors of the Resulting Issuer were appointed by Old Collective. Immediately after closing of the RTO Transaction, the Resulting Issuer was renamed to Collective Mining Ltd. ("CML" or the "Company").

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The substance of the transaction was a reverse acquisition of a non-operating company with Old Collective being identified as the acquirer. The transaction did not constitute a business combination as POCML did not meet the definition of a business under IFRS 3 – Business Combinations (“IFRS 3”). As a result, the RTO Transaction was accounted for as a share-based payment in accordance with IFRS 2 – Share-Based Payments (“IFRS 2”) where the consideration for the RTO Transaction is determined as the fair value of CML shares issued to original POCML shareholders.

On closing of the RTO, the Company issued 2,785,000 common shares to original POCML shareholders. The fair value of CML per share on closing of the RTO Transaction has been determined as C\$0.77 per share, resulting in a total fair value of \$1,772,606 determined as the purchase consideration for the RTO Transaction. In accordance with IFRS 2, any excess of the fair value of the shares issued by the Company over the fair value of the net monetary assets of POCML acquired is recognized as an expense of listing Old Collective on the TSXV.

	\$
Fair value of POCML net assets acquired, May 20, 2021	463,559
Public listing costs expensed	1,309,047
Fair value of 2,785,000 CML shares issued to original POCML shareholders, May 20, 2021	1,772,606

Total RTO Transaction costs recognized in the consolidated statement of operations and comprehensive loss for the three and nine months ended September 30, 2021 was \$1,512,215, including the public listing costs of \$1,309,047 and costs incurred of \$203,168.

(b) Offering

In 2021, in conjunction with the Transaction, the Company closed a total of C\$15,000,000 non-brokered private placement in the form of subscription receipts (“Subscription Receipts”) at a price of C\$1.00 per Subscription Receipt (the “Offering”).

Each Subscription Receipt holder (on a post-consolidation basis) received one unit in the capital of the Company at a price of C\$1.00 per unit (a “Subscription Unit”). Each Subscription Unit consisted of one common share of CML (a “Subscription Share”) and one-half share purchase warrant of CML (each whole warrant, a “Subscription Warrant”). Each Subscription Warrant had an exercise price of C\$2.00 per share with an expiry date of May 20, 2024, which was accelerated to August 9, 2021.

As at September 30, 2021, there were no outstanding Subscription Warrants and the balance of the warrants liability was \$nil. As at August 9, 2021, 6,495,000 Subscription Warrants were exercised with total proceeds received of \$10,363,272 (C\$12,990,000) in respect of the Subscription Warrants. The remaining 1,005,000 unexercised warrants expired. The fair value of the Subscription Warrants exercised was revalued to \$7,967,813 and transferred to contributed surplus. The remaining value of the warrants liability was reduced to \$nil and recognized in the statement of operations. For the three and nine months ended September 30, 2021, the Company recognized a derivative gain of \$2,854,405 and a derivative loss of \$5,087,559, respectively, in the consolidated statement of operations and comprehensive loss for the revaluation of the Subscription Warrants.

The Subscription Warrants were classified as derivative financial liabilities as a result of their being denominated in Canadian dollars. Proceeds from the Offering were allocated between Subscription Shares and Subscription Warrants on a pro-rata basis of their fair value within the unit.

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The issue date fair value of the Subscription Warrants was determined to be C\$0.46 per warrant with the resulting allocation of the total proceeds for the Offering being:

	C\$	\$
Warrants liability – Subscription Warrants	3,476,472	2,880,258
Share capital – Subscription Shares	11,523,528	9,547,248
Total gross proceeds	15,000,000	12,427,506

Financing Costs

Costs directly attributable to the Offering were made of:

	\$
Finders' Units	442,833
Additional financing costs	100,931
Total financing costs	543,764

Financing costs were allocated on a pro-rata basis between Subscription Shares and Subscription Warrants, with the portion allocated to Subscription Warrants recognized as an expense and the portion allocated to Subscription Shares recognized as a reduction in share capital as follows:

	\$
Subscription Warrants – financing expense	126,026
Subscription Shares – share issue costs	417,738
	543,764

(c) Finders' Units

In connection with the Offering, eligible finders were issued a total of 534,500 Finders' Units, upon closing of the Transaction and representing 5% of the number of Subscription Receipts placed by such eligible finders. Each Finders' Unit consisted of one Finders' Share and one-half of a Finders' Warrant, with the same terms and conditions as the Subscription Warrants (See (b)).

The Finders' Warrants were accounted for under IFRS 2, as they were issued in exchange for services and therefore, the value allocated to the Finders' Warrants were classified in warrants reserve, a component of contributed surplus, and are not subsequently revalued. The value of services received is determined to be the issue price of the Finders' Units on the date of issue, May 20, 2021, and were allocated between Finders' Shares and Finders' Warrants on a pro-rata basis of their fair value within the unit. Fair value for the Finders' Warrants was determined using the Black-Scholes option pricing model.

The allocation of values between Finders' Shares and Finders' Warrants were as follows:

	C\$	\$
Contributed surplus – Finders' Warrants	123,878	102,633
Share capital – Finders' Shares	410,622	340,200
Total value of Finders' Units issued	534,500	442,833

On June 25, 2021, the Company issued a notice exercising its right to accelerate the expiry date to August 9, 2021.

As at August 9, 2021, all Finders' Warrants were exercised and total proceeds of \$426,602 (C\$534,500) in respect of the Finders' Warrants were received.

15. SHARE BASED PAYMENTS

The Company adopted a stock option plan (the "Plan") pursuant to the Securities Act of Ontario (the "Act"). The aggregate maximum number of shares reserved for issuance under the Plan and all other

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security-based compensation arrangements (together “Share Compensation Arrangements”) at any given time is 10% of the Company’s issued and outstanding shares as at the date of the grant of the Share Compensation Arrangement. Any shares subject to a stock option under the Plan which have been exercised, cancelled, repurchased, expired or terminated in accordance with the Plan will again be available under the Plan.

Under the Plan, the Company may grant to directors, officers, employees, and consultants stock options to purchase common shares of the Company. Stock options granted under the Plan will be for a term not to exceed 10 years.

The continuity of stock options during the period were as follows:

	2022		2021	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
		C\$		C\$
Outstanding, beginning of period	3,798,750	1.78	2,120,000	0.37
Granted	40,000	3.49	940,000	1.88
Exercised (a)	(498,767)	(0.23)	(537,500)	(0.20)
Forfeited	(27,500)	(3.02)	(122,500)	(0.48)
Outstanding, September 30	3,312,483	2.02	2,400,000	1.00

- (a) On January 5, 2021, 500,000 options were modified whereby vesting of such options were accelerated and immediately exercised, resulting in the recognition of \$19,237 in the consolidated statement of operations and comprehensive loss on the date of modification.

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2022:

Range of Price (C\$)	Options Outstanding			Options Exercisable		
	Number of Options Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C\$)
\$0.20 – \$1.00	1,396,233	1.39	0.77	922,901	1.39	0.76
\$2.00 – \$3.00	1,748,750	4.15	2.84	487,188	4.13	2.85
\$3.01 – \$4.00	167,500	3.73	3.94	82,500	3.57	3.96
	3,312,483	2.97	2.02	1,492,589	2.40	1.62

Options outstanding as at September 30, 2022 have vesting terms of every six or eight months over a two-year period and have terms of two to five years.

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The following is a summary of the stock options granted during the period, the fair values and the assumptions used in the Black-Scholes option pricing formula:

For the nine months ended September 30	2022	2021
Number of options granted	40,000	940,000
Weighted average share price on grant date	C\$3.49	C\$1.88
Weighted average risk-free interest rate	1.75%	0.6%
Weighted average dividend yield	Nil	Nil
Weighted average stock price volatility, based on historical volatility for comparable companies	85%	130%
Weighted average period to expiry (years)	1.7	2.5
Weighted average grant date fair value per option	\$1.17	\$1.00

16. EXPENSES BY NATURE**(a) Exploration and evaluation**

Exploration and evaluation expense is made up of the following:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Drilling services	1,231,942	409,804	3,205,473	1,130,380
Assaying	389,298	195,349	1,115,408	249,587
Field costs, surveys and other	372,612	284,497	1,105,057	511,530
Salaries and benefits	325,390	224,421	997,543	562,677
Option payments and fees (i)	207,380	341,150	651,649	1,295,503
Transportation and meals	151,180	111,688	519,046	220,225
Consulting and professional fees	89,637	138,910	293,025	373,484
Community expenses	97,697	27,401	283,281	66,298
Geophysics	29,590	172,217	175,899	172,217
Depreciation and amortization	53,015	32,464	159,159	77,776
Security	39,414	14,741	126,713	47,587
	2,987,155	1,952,642	8,632,253	4,707,264

- i. Includes total option payments in respect of option agreements for the three and nine months ended September 30, 2022, of \$100,000 and \$350,000, respectively (three and nine months ended September 30, 2021 – \$250,000 and \$1,150,000, respectively).

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(b) General and administration

General and administration expense is made up of the following:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Share-based compensation	413,873	191,391	1,849,547	637,935
Salaries and benefits	269,906	237,960	850,665	794,708
Consulting and professional fees	163,454	149,730	375,825	351,663
Office administration	80,502	697	294,173	29,336
Travel and entertainment	83,874	6,816	217,860	96,947
Director's fees and expenses	—	8,000	—	8,000
Regulatory and compliance fees	10,560	1,850	105,520	15,391
Investor relations	19,896	—	60,324	394
Depreciation	2,053	1,343	5,583	3,058
	1,044,118	597,787	3,759,497	1,937,432

(c) Finance costs

Finance costs is made up of the following:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Finance issue expense (i)	—	—	—	126,025
Interest accretion expense (ii)	7,209	5,499	22,247	18,077
Other finance expense	13,479	—	43,807	—
	20,688	5,499	66,054	144,102

- i. Represents the portion of the Offering financing costs allocated to the Subscription Warrants (See Note 14(b)).
- ii. Interest accretion expense or amortization of the discount is in respect of the lease liability, representing also the interest portion of lease payments (See Note 9)

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17. CASH FLOW INFORMATION**(a) Operating Activities**

Net changes in working capital items:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Receivables and prepaid expenses	(155,592)	10,421	(372,459)	190,335
Inventories	–	1,956	–	(1,620)
Net assets acquired from RTO Transaction (Note 14(a))	–	–	–	463,559
Accounts payables and accrued liabilities	95,585	228,386	(222,315)	911,373
	(60,007)	240,763	(594,774)	1,563,647

(b) Financing Activities

Loan and related party payables:

As at September 30, 2021 the balance as at December 31, 2020 on a loan from a third party of \$76,477(COP262,507) was settled in full.

As at September 30, 2021, the balance of the related party payables as at December 31, 2020 of \$6,973 was settled in full.

18. COMMITMENTS, OPTION AGREEMENTS AND CONTINGENCIES**Commitments**

As at September 30, 2022, the Company had the following contractual commitments and obligations:

	Total	Less than		After 5 Years
		1 Year	Years 2 – 5	
	\$	\$	\$	\$
Other lease commitments (a)	47,042	47,042	–	–
Social and governance commitments	19,858	19,858	–	–
Service contracts (b)	1,663,932	1,663,932	–	–
	1,730,832	1,730,832	–	–

(a) Lease liability commitments represent contractual lease payments payable over future periods in respect of lease liabilities recognized.

(b) Service contracts represent commitments in respect of drilling.

Option Agreements

The Company has the option to terminate its option agreements at any time. Future expenditures are therefore dependent on the success of exploration and development programs and a decision by management to continue or exercise its option(s) for the relevant project and agreement.

As at September 30, 2022, the expected timing of payments, in respect of the Company's option agreements under the assumption that the Company continues to exercise its option(s) for the relevant project and agreement are as follows:

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	Total	Less than 1 Year	Years 2 – 5	After 5 Years
	\$	\$	\$	\$
First Guayabales Option (c)	3,000,000	500,000	1,499,996	1,000,004
Second Guayabales Option	6,050,000	250,000	1,000,000	4,800,000
San Antonio Option (d)	2,320,000	150,000	2,170,000	–
Other Option agreements (e)	1,772,735	–	1,772,735	–
	13,142,735	900,000	6,442,731	5,800,004

(c) Amounts disclosed relate only to option payments of the agreement. In addition, as at September 30, 2022, the Company has recognized a total of \$7,381,000 as exploration and evaluation expenditures in respect of the minimum expenditures required under the First Guayabales Option.

(d) Excludes additional option payment or NSR upon reaching commercial production.

(e) Amounts disclosed related to the option agreements to purchase surface rights from a third party for a two-year period.

Environmental Contingencies

The Company's exploration activities are subject to Colombian laws and regulations governing the protection of the environment. These laws are subject to change and may generally become more restrictive. The Company may be required to make future expenditures to comply with such laws and regulations, the amounts for which are not determinable and have not been recognized in the consolidated financial statements.

19. SUBSEQUENT EVENTS

On October 25, 2022, the Company announced the closing of a bought deal financing of C\$10,763,000 conducted by a syndicate of underwriters.

The offering consisted of the sale of 4,783,400 Units (including a partial exercise of the over-allotment option) at a price of C\$2.25 per Unit. Each Unit was comprised of one common share in the capital of the Company ("Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at a price of \$3.25 until April 25, 2024.

The net proceeds from the Offering are expected to be used to fund the Company's recommended stage two exploration program at its Guayabales Project, and for other general corporate purposes, as more fully described in the prospectus supplement (the "Prospectus Supplement") of the Company dated October 19, 2022.

The securities issued pursuant to the Offering were qualified for distribution pursuant to the Prospectus Supplement and a short form base shelf prospectus (the "Base Shelf Prospectus") dated November 9, 2021, filed in each of the provinces and territories of Canada, other than Quebec, and offered and sold elsewhere outside of Canada on a private placement basis. The Prospectus Supplement, Base Shelf Prospectus, and the documents incorporated by reference therein, are available on the Company's issuer profile on SEDAR at www.sedar.com.