**Condensed Consolidated Interim Financial Statements of**

# Mammoth Resources Corp.

**For the three and six months ended July 31, 2021 and July 31, 2020**
(Expressed in Canadian Dollars)

**Unaudited condensed consolidated interim financial statements**

**In accordance with National Instrument 51-102 released by the Canadian Securities administrators, the Company discloses that its auditors have not reviewed these condensed consolidated interim financial statements for the three and six months ended July 31, 2021 and 2020.**

# MAMMOTH RESOURCES CORP.
## Condensed Consolidated Interim Statements of Financial Position
## (Expressed in Canadian dollars)

| As at, | Notes | July 31, 2021 | January 31, 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash | | $ 394,193 | $ 321,675 |
| Marketable securities | 4 | 1,750,000 | - |
| Government taxes recoverable | 5 | 42,149 | 5,467 |
| Subscription receivable | | - | 181,150 |
| Accounts receivable | | 8,731 | 1,508 |
| Prepaid | | 2,130 | - |
| | | 2,197,203 | 509,800 |
| Non-current | | | |
| Government taxes recoverable | 5 | 138,855 | 114,144 |
| Exploration advances | | 54,606 | 49,927 |
| Exploration and evaluation assets | 6 | 2,880,983 | 2,412,917 |
| | | 5,271,647 | 3,086,788 |
| **LIABILITIES** | | | |
| Current | | | |
| Trade payables and accrued liabilities | 7 | 57,975 | 115,425 |
| Due to related party | 10 | 159,690 | 352,929 |
| Loan from related party | 10 | 6,585 | 240,990 |
| Interest payable to related party | 10 | 430 | - |
| | | 224,680 | 709,344 |
| Non-current | | | |
| Deferred income taxes | | 50,000 | 50,000 |
| Total liabilities | | 274,680 | 759,344 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 8 | 6,162,566 | 5,063,150 |
| Warrants | 8 | 1,727,712 | - |
| Contributed surplus | 8 | 409,971 | 235,141 |
| Accumulated deficit | | (3,303,282) | (2,970,847) |
| | | 4,996,967 | 2,327,444 |
| Total liabilities and shareholders' equity | | $ 5,271,647 | $ 3,086,788 |
| Going concern | 2 | | |

Approved on behalf of the board on September 29, 2021

(signed) "Tom Atkins"
Director

(signed) "Paul O'Brien"
Director

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

# MAMMOTH RESOURCES CORP.
## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
## (Expressed in Canadian dollars)

| | | For the three months ended July 31, | | For the six months ended July 31, | |
|---|---|---|---|---|---|
| | Notes | **2021** | 2020 | **2021** | 2020 |
| **Expenses** | | | | | |
| General and administrative | 11 | **$38,958** | $8,694 | **$52,715** | $16,186 |
| Management fees | 10 | **36,167** | 20,500 | **38,917** | 41,000 |
| Professional fees | | **31,124** | 8,000 | **49,230** | 16,000 |
| Interest expense | 10 | **4,118** | 13,429 | **8,435** | 21,404 |
| Share-based compensation | 8 | **180,960** | 39,072 | **180,960** | 39,072 |
| Gain on settlement of accounts payable | | **-** | | **-** | (6,771) |
| Foreign exchange | | **(6,255)** | 618 | **2,756** | 928 |
| **Net loss** | | **285,072** | 90,313 | **333,013** | 127,819 |
| **Other items** | | | | | |
| Interest income | 4 | **(579)** | - | **(579)** | - |
| **Net loss and comprehensive loss** | | **$284,494** | $90,313 | **$332,435** | $127,819 |
| | | | | | |
| **Net loss per share - basic and diluted** | 9 | **$(0.00)** | $(0.00) | **$(0.01)** | $(0.00) |
| **Weighted average shares outstanding basic and diluted** | | **57,034,771** | 35,196,940 | **52,031,602** | 33,025,790 |

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

# MAMMOTH RESOURCES CORP.
## Condensed Consolidated Interim Statements of Cash Flows
## (Expressed in Canadian dollars)

| | For the six months ended July 31, | |
|---|---|---|
| | **2021** | 2020 |
| **Cash flow used in operating activities** | | |
| Loss for the period | **$(332,435)** | $(127,819) |
| Items not affecting cash: | | |
| Interest expense | **8,435** | 16,757 |
| Stock-based compensation | **180,960** | 39,072 |
| Foreign exchange | **2,756** | - |
| Net change in non-cash working capital balances: | | |
| Government taxes recoverable | **(61,393)** | 19,241 |
| Subscription receivable | **181,150** | - |
| Accounts receivable | **(7,223)** | - |
| Prepaid expenses | **(2,130)** | 4,308 |
| Trade payables and accrued liabilities | **(57,450)** | (28,910) |
| Due to related parties | **12,442** | 54,000 |
| Cash flow used in operating activities | **(74,888)** | (23,351) |
| **Cash flow provided by financing activities** | | |
| Private placement | **2,810,996** | 167,475 |
| Exercise of stock options | **6,000** | - |
| Share issuance costs | **(33,997)** | (3,437) |
| Repayment of loan from third party | **-** | (11,158) |
| Repayment of loan from related party | **(287,788)** | (69,403) |
| Loan received from related party | **53,383** | 29,558 |
| Repayment of accrued salaries | **(178,443)** | - |
| Repayment of interest payable | **-** | (52,572) |
| Cash flow provided by financing activities | **2,370,151** | 60,463 |
| **Cash flow used by investing activities** | | |
| Marketable securities | **(1,750,000)** | - |
| Exploration and evaluation costs | **(472,745)** | (6,339) |
| Cash flow used by investing activities | **(2,111,745)** | (6,339) |
| | | |
| **Net change in cash** | **72,518** | 30,773 |
| Cash at the beginning of the period | **321,675** | 2,618 |
| **Cash at the end of the period** | **$394,193** | $33,391 |

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

# MAMMOTH RESOURCES CORP.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
## (Expressed in Canadian dollars)

| | Share Capital | | Reserves | | |
|---|---|---|---|---|---|
| | **Number of shares** | **Amount** | **Warrants** | **Contributed surplus** | **Accumulated deficit** |
| **Balance at January 31, 2020** | ***32,586,788*** | **$4,126,757** | **$ -** | **$172,239** | **$(2,713,327)** |
| Private placement | *4,785,000* | 167,475 | - | - | - |
| Common shares issued for debt settlement | *2,503,000* | 87,605 | - | - | - |
| Share issuance costs | - | (3,437) | - | - | - |
| Share based compensation | - | - | - | 39,072 | - |
| Net loss | - | - | - | - | (127,819) |
| Balance at July 31, 2020 | *39,874,788* | 4,378,400 | - | 211,311 | (2,841,146) |
| Private placement | *6,885,000* | 688,500 | - | - | - |
| Share issuance costs | - | (3,750) | - | - | - |
| Share based compensation | - | - | - | 23,830 | - |
| Net loss | - | - | - | - | (129,701) |
| Balance at January 31, 2021 | *46,759,788* | 5,063,150 | - | 235,141 | (2,970,847) |
| Private placement | *20,349,965* | 2,848,995 | - | - | - |
| Share issuance costs | - | (33,997) | - | - | - |
| Common shares issued for stock options | *100,000* | 12,130 | - | (6,130) | - |
| Warrants issued | - | (1,727,712) | 1,727,712 | - | - |
| Share based compensation | - | - | - | 180,960 | - |
| Net loss | - | - | - | - | (332,435) |
| **Balance at July 31, 2021** | ***67,209,753*** | **$6,162,566** | **$1,727,712** | **$409,971** | **$(3,303,282)** |

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

**1. Nature of operations**

Mammoth Resources Corp. ("Mammoth" or the "Company") was incorporated on January 7, 2011 under the *Canada Business Corporations Act*, and is involved in the acquisition, exploration and evaluation of mining properties in Mexico. Its stock is listed on the TSX Venture Exchange under the symbol MTH. The head office of the Company is located at 410-150 York Street, Toronto, Ontario, Canada M5H 3S5.

Mammoth is an exploration stage company and currently has interests in mineral exploration properties in Mexico. Substantially all of the Company's efforts are devoted to financing and developing these properties and/or acquiring new ones. There has been no determination whether the Company's interests in mineral exploration properties contain mineral reserves, which are economically recoverable.

**2. Going concern**

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplate the realization of assets and the discharge of liabilities in the ordinary course of business. As of July 31, 2021, the Company had recurring net losses and negative cash flows from operations. In addition, the Company has future spending commitments with the Government of Mexico to keep its exploration concessions in good standing.

As at July 31, 2021, the Company had an accumulated deficit of $3,303,282 (January 31, 2021 - $2,970,847) and a working capital surplus of $1,972,523 (January 31, 2021 deficit – ($199,544)). For the six months ended July 31, 2021, the Company incurred a net loss of $332,435 (July 31, 2020 – $127,819). The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations. The Company also is dependent upon its ability to continue to raise adequate financing and there can be no assurances that the Company will be successful. These circumstances comprise a material uncertainty, which may lend significant doubt as to the ability of the Company to continue as a going concern. Changes in future conditions could require material write-downs of the carrying values. The Company is actively targeting sources of additional financing, which may assure continuation of the Company's operations and exploration programs.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by countries to fight the virus. Therefore, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Company were unable to continue its operations as a going concern.

**3. Basis of preparation and significant accounting policies**

**Statement of compliance**
The Company's condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. The condensed interim financial statements do not include all financial risk management information and disclosures as required in the audited annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements for the year ended January 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods of computation remain the same as presented in the audited financial statements for the year ended January 31, 2021.

(Expressed in Canadian dollars)

There are no new IFRS and/or International Financial Reporting Interpretations Committee ("IFRIC") pronouncements currently in effect that would have a material effect on the Company.

These financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies.

### 4. Government taxes recoverable

The Company's government taxes recoverable arise from two main sources: The Canadian harmonized sales tax ("GST"/"HST") receivable due from the Canadian government taxation authorities and the value added tax ("VAT") receivable due from Mexican government taxation authorities.

| | July 31, 2021 | January 31 2021 |
|---|---|---|
| Canadian Sales Tax (GST/HST) | $ 42,149 | $ 5,467 |
| Mexican Sales Tax (VAT) | 138,855 | 114,144 |
| | $ 181,004 | $ 119,611 |

The Company exercises judgment in presenting the Mexican Sales Tax (VAT) recoverable as non-current. It is management's judgment that the VAT recoverable is a non-current asset as the timing of the receipt cannot be determined.

### 5. Marketable securities

On June 28, 2021 the Company purchased $1,750,000 guaranteed investment certificates ("GICs") which will mature between September 28, 2021 and January 26, 2022. As of July 31, 2021 the Company has recognized $579 in accrued interest income.

### 6. Exploration and evaluation assets

The Company has incurred the following acquisition costs and deferred exploration costs on its exploration and evaluation assets:

| **Tenoriba Project** | **For the six months ended July 31, 2021** | **For the year ended January 31, 2021** |
|---|---|---|
| Acquisition costs, opening balance | $ 216,614 | $ 216,614 |
| Additions and deductions | - | - |
| Total acquisition costs | 216,614 | 216,614 |
| **Deferred exploration costs, opening balance** | **2,142,454** | **2,043,084** |
| Additions for the period | | |
| Drilling and sample analysis | 101,067 | 19,058 |
| Geophysical survey | 245,067 | - |
| Field, equipment and travel | 62,275 | 87,451 |
| Government fees and legal | 64,972 | 47,373 |
| Community relations | 49,369 | 2,218 |
| | 522,750 | 156,100 |
| Expense recovery | - | (56,730) |
| | 522,750 | 99,370 |
| **Deferred exploration costs** | **2,665,204** | **2,142,454** |
| **Total exploration and evaluation assets** | **$ 2,881,818** | **$ 2,412,917** |

Title to exploration and evaluation assets involve certain inherent risks due to the difficulty of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets, and, to the best of its knowledge, title to all of its properties, except as described below, are properly registered and in good standing. However, there can be no guarantee of title and the exploration and evaluation assets may otherwise be subject to prior claims, agreements, or transfers and rights of ownership may be affected by undetected defects. The properties in which the Company has earned or committed to earn an interest are located in Mexico.

**Tenoriba Area**

Mammoth signed an agreement (the "**Agreement**") with two private Mexican citizens on July 3, 2012 to option the Tenoriba project in southwestern Chihuahua State, Mexico. The Agreement pertains to three concessions, Mapy, Mapy2 and Fernanda, collectively referred to as the **Tenoriba Project**. The terms of the Agreement permitted the Company to acquire a 100% interest in the Tenoriba Project, subject to a 2.0% Net Smelter Return ("**NSR**") royalty payable to the vendors upon commercial production (the royalty can be purchased by the Company at any time within a two-year period from commencement of commercial production for US$1,500,000), by issuing a total of 225,000 common shares and making total cash payments of US$160,000 to the vendors over a four-year option period and spending US$1,000,000 in exploration expenditures on or before June 30, 2016. On March 12, 2015 the Company amended the original option agreement on Tenoriba, extending the Company's commitments to earn its 100% interest in Tenoriba to the end of 2019. The Company has earned a 100% interest in the Tenoriba Project, subject to the 2.0% NSR.

On October 3, 2012, the Company, through its Mexican subsidiary, registered the Mapy3 concession comprising 1,849.6 hectares and located directly east of the Mapy and Mapy2 concessions. On February 18, 2018, the Company received confirmation of title from the Direccion General de Minas (mining department of the Mexican government) acknowledging title to the Mapy3 concession. The Company is 100% holder of this concession and is now part of the Tenoriba Area.

The Tenoriba Area is thus comprised of four concessions, Mapy, Mapy2, Mapy3 (collectively the "**Mapy Concessions**") and Fernanda.

**Centerra Option Agreement**

On December 17, 2018, the Company signed an option agreement with Minera Centerra S.A. de C.V. ("**Centerra**") (a subsidiary of Centerra Gold Inc. ("**Centerra Gold**")) whereby the Company had granted Centerra the right to acquire an initial 51% interest in the Tenoriba Project by spending US$5,000,000 in exploration expenditures and making payments to Mammoth of US$400,000 and a second tranche ownership option whereby Centerra could earn an additional 19% interest by spending US$4,000,000 in exploration expenditures and making a payment of US$600,000 to Mammoth.

On September 22, 2020, Mammoth announced that Centerra had informed the Company it was ceasing all exploration activities in Mexico, including at Tenoriba and that this decision was "no reflection upon any of the exploration properties it was involved in, including the Tenoriba property". All ownership interests, information, permissions and applications for permissions to explore the Tenoriba property were transferred to Mammoth.

## 7. Loan from third party

During the year ended January 31, 2020, the Company borrowed $13,109 from the vendor and made repayments of $1,951. The loan had an interest rate of 2.0% per month. During the year ended January 31, 2021, the Company repaid the loan plus interest.

## 8. Share capital and reserves

**Share capital**
The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares are fully paid.

Six months ended July 31, 2021

- On February 3, 2021, 100,000 stock options were exercised for gross proceeds of $12,130.
- On June 9, 2021, the Company completed a private placement through the issuance of 20,349,965 units at $0.14 per unit for gross proceeds of $2,848,995. The Company paid $33,997 in share issue costs. Each unit consisted of one common share of the Company and one share purchase warrant ("warrant"). Each warrant entitles the holder to purchase one additional common share for a period of 18 months from the closing of the private placement at a price of $0.21.
- On June 9, 2021, the Company settled $57,400 of debts to officers of the Company and $20,295 in debts to third party vendors of the Company by issuing 554,965 units valued at $0.14 per unit. Each unit consisted of one common share of the Company and one warrant.

Year ended January 31, 2021

- On June 15, 2020, the Company completed a private placement through issuance of 4,785,000 common shares at $0.035 per common share for gross proceeds of $167,475. The Company paid $1,400 in share issue costs. Of the total proceeds, $121,975 was applied towards settlement of loan payable and accrued loan interest owed to the CEO of the Company.
- On July 23, 2020, the Company settled $59,993 of debts to officers of the Company and $27,612 in debts to a vendor of the Company by issuing 2,503,000 common shares valued at $87,605. The value of the common shares was based on the share price of common shares on the date of issuance.
- On January 27, 2021, the Company completed a private placement through issuance of 6,885,000 common shares at $0.10 per common share for gross proceeds of $688,500. The Company paid $5,787 in share issue costs. Of the total proceeds, $181,150 was received subsequent to year-end and $60,100 was applied towards settlement of loan payable and accrued loan interest owed to the CEO of the Company.

Year ended January 31, 2020

- On March 29, 2019, the Company settled $55,430 of debts to a third party vendor by the issuance of 1,108,600 common shares of the Company valued at $49,887 and recognized a gain on settlement totaling $5,543.
- On March 29, 2019, the Company settled $20,000 of loan from a related party by the issuance of 400,000 common shares of the Company valued at $18,000 and recognized a gain on settlement totaling $2,000.
- On March 29, 2019, the Company settled $22,214 of loan from a third party by the issuance of 427,000 common shares of the Company valued at $19,215 and recognized a gain on settlement totaling $2,999.

The value of the common shares issued above was based on the fair value of shares on the date of issuance.

**Reserve for warrants**

The Company has issued warrants as part of the June 9, 2021 equity financing. The fair value of warrants is recognized upon issuance to reserve for warrants, until expiration or exercise.

- On June 9, 2021, the Company issued 20,349,965 warrants, in connection with the June 9, 2021 Offering. The warrants have an exercise price of $0.21 and expire on December 9, 2022. A fair value of $1,727,712 was assigned to the warrants, using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.87%; volatility of 160%, and an expected life of 18 months.

**Stock options**

The Company's stock option plan (the "Plan") is a 10% rolling Plan, whereby the maximum number of common shares that may be reserved for issuance under it shall not exceed 10% of the then outstanding common shares at the time of grant. The terms upon which any options are issued under the Plan are subject to vesting provisions determined by the board of directors. The term of any options granted may not exceed five years and their exercise price and vesting conditions will be determined by the board of directors pursuant to the policies of the TSX Venture Exchange.

(Expressed in Canadian dollars)

A summary of the Company's stock options at July 31, 2021 is presented below:

| | Number of options | Weighted average exercise price |
|---|---|---|
| **Options outstanding and exercisable at January 31, 2019** | **2,313,917** | **$ 0.09** |
| Cancelled and expired | (505,000) | (0.08) |
| Options outstanding and exercisable at January 31, 2020 | 1,808,917 | 0.09 |
| Issued | 1,347,500 | 0.06 |
| Options outstanding and exercisable at January 31, 2021 | 3,156,417 | 0.08 |
| Exercised | (100,000) | (0.06) |
| Issued | 1,160,000 | 0.17 |
| **Options outstanding and exercisable at July 31, 2021** | **4,216,417** | **$ 0.11** |

i) On July 9, 2020, the Company granted a total of 1,047,500 stock options to a consultant of the Company. The options were exercisable at a price of $0.05 per share, for a period of five years from the date of grant. The fair value assigned for the stock options was $39,072 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.31%; volatility of 167%, and an expected life of 5 years. The options vested immediately following issuance.

ii) On November 5, 2020, the Company granted a total of 100,000 stock options to a consultant of the Company. The options were exercisable at a price of $0.06 per share, for a period of five years from the date of grant. The fair value assigned for the stock options was $6,130 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.38%; volatility of 168%, and an expected life of 5 years. The options vested immediately following issuance.

On February 3, 2021, these 100,000 options were exercised for cash proceeds of $6,000.

iii) On December 22, 2020, the Company granted a total of 200,000 stock options to an officer and a consultant of the Company. The options are exercisable at a price of $0.095 per share, for a period of five years from the date of grant. The fair value assigned for the stock options was $17,720 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.44%; volatility of 163%, and an expected life of 5 years. The options vested immediately following issuance.

iv) On June 9, 2021, the Company granted a total of 1,160,000 stock options to directors, officers and consultants of the Company. The options are exercisable at a price of $0.17 per share, for a period of five years from the date of grant. The fair value assigned for the stock options was $180,960 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.87%; volatility of 154%, and an expected life of 5 years. The options vested immediately following issuance.

The following table sets out the details of the stock options outstanding and exercisable:

| Date of grant | Remaining life (years) | Number of options | Exercise Price |
|---|---|---|---|
| March 28, 2017 | 0.7 | 886,000 | $ 0.08 |
| May 25, 2017 | 0.8 | 150,000 | 0.08 |
| December 29, 2017 | 1.4 | 772,917 | 0.12 |
| July 9, 2020 | 3.9 | 1,047,500 | 0.05 |
| December 22, 2020 | 4.4 | 200,000 | 0.09 |
| June 9, 2021 | 4.9 | 1,160,000 | 0.17 |
| **Options outstanding and exercisable at July 31, 2021** | 3.0 | 4,216,417 | $ 0.11 |

(Expressed in Canadian dollars)

### 9. Loss per share

The calculation of basic loss per share for the six months ended July 31, 2021 was based on the loss attributable to common shareholders of $332,435 (July 31, 2020 - $127,819) and on the weighted average number of common shares outstanding of 52,031,602 (July 31, 2020 – 33,025,790).

### 10. Related party transactions and key management compensation

The Company defines its key management as directors, Chief Executive Officer, Chief Financial Officer and VP Exploration. For the six months ended July 31, 2021, key management compensation and interest expense accrued or paid to senior officers, totaled $237,262 (July 31, 2020 - $118,328).

The following table summarizes information on related party transactions:

| | Six months ended July 31, 2021 | 2020 |
|---|---|---|
| **Amounts recorded in Exploration and Evaluation assets:** | | |
| VP Exploration, CEO consulting fees | $ 55,750 | $ 21,000 |
| **Amounts recorded in Comprehensive Loss:** | | |
| Management fees, CEO and CFO | 38,917 | 41,500 |
| Share based compensation | 134,160 | 39,072 |
| Interest expense | 8,435 | 16,756 |

As at July 31, 2021, amounts due to related parties were $159,690 (July 31, 2020 - $305,912). The Company repaid related parties $178,443 in cash for accrued consulting fees during the six months ended July 31, 2021. In addition, 410,000 units valued at $57,400 were issued on June 9, 2021 to further reduce the accrued consulting fees. Each unit consisted of one common share of the Company and one share purchase warrant. This liability represents the accrued consulting fees due to the CEO, VP Exploration and former CFO.

As at July 31, 2021, a loan payable to the CEO amounted to $6,585 (July 31, 2020 - $201,234). The loan bears interest at 13%, is unsecured and due on demand. This liability represents the expenses the CEO has paid on behalf of the Company. As of July 31, 2021, accrued interest on the loan amounted to $430 (July 31, 2020 - $5,654). As of January 31, 2021, the Company owed the CEO $240,990 for the loan payable and $nil for the interest due. The Company accrued an additional loan of $53,383 and $8,435 of accrued interest during the six months ended July 31, 2021. The Company repaid $287,788 to reduce the outstanding loan and $8,005 to reduce the outstanding interest payable on the loan during the six months ended July 31, 2021.

On July 23, 2020, $59,993 of the amounts due to related parties were settled by issuance of 1,714,100 common shares of the Company valued at $59,993 (Note 8).

On June 9, 2021, $57,400 of the amounts due to related parties were settled by the issuance of 410,000 units valued at $57,400. Each unit consisted of one common share of the Company and one warrant (Note 8).

The Company entered into consulting agreements with the CEO and VP Exploration for the provision of consulting services subject to the Capitalization of the Company (funds available from a financing, other financing related activities, including project funding, and free of any accruals and debt) as follows:

| Annual Base Compensation | CEO | VP Exploration |
|---|---|---|
| Capitalization (Net proceeds of a financing): | | |
| Between $0 to $500,000 | $66,000 | $42,000 |
| Between $500,000 to $1,000,000 | $106,000 | $75,500 |
| Greater than $1,000,000 | $186,000 | $129,500 |

(Expressed in Canadian dollars)

In addition to base fees noted above, the officers are eligible for a discretionary bonus up to 100% of base fees as recommended by the Compensation Committee and approval by the Board of Directors.
The provision of the services shall continue until April 30, 2022 and shall be extendable by concurrent periods of six months each, unless otherwise terminated. The Company must provide six and 12 months written notice of termination for the VP Exploration and CEO, respectively, but reserves the right to waive such notice upon paying the fees, which would have accrued during these periods. Should the Company be subject to a change of control and the agreements terminate, the agreements will terminate immediately, and the Company will be required to pay the base fees equal to 24 and 36 months for the VP Exploration and CEO, respectively, at the rates equivalent to Capitalization greater than $1,000,000, plus an amount equal to any discretionary bonus paid or accrued in the preceding 12 month period, payable in cash, common shares or combination of both at the discretion of the VP Exploration and CEO.

### 11. General and administrative expenses

The following table illustrates spending activity related to general and administrative expenses:

| | Three months ended July 31, | | Six months ended July 31, | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Shareholder and investor relations | **$28,669** | $2,199 | **$29,879** | $3,429 |
| Office costs | **2,832** | 2,370 | **6,508** | 2,942 |
| Regulatory and filing fees | **4,115** | 2,235 | **9,795** | 7,435 |
| Insurance | **1,635** | 1,890 | **3,276** | 2,362 |
| Travel | **1,707** | - | **3,258** | 18 |
| | **$38,958** | $8,694 | **$52,715** | $16,186 |

### 12. Financial instrument risk management

**Credit risk**
The Company's credit risk is primarily attributable to its cash. The risk exposure is limited to their carrying values at the statement of financial position date. Cash is held as cash deposits with counterparties that carry investment grade ratings as assessed by external rating agencies. The Company does not invest in asset-backed deposits or investments.

**Interest rate risk**
The Company is not exposed to significant interest rate risk since it has no interest-bearing debt except loans from related party and third party, which bear a fixed rate of interest. Cash is held in accounts of financial institutions that do not bear significant interest.

**Liquidity risk**
The Company's objective is to ensure that there is sufficient cash available to meet annual business requirements. As of July 31, 2021, the Company had cash and cash equivalents of $2,144,193 to settle current liabilities of $224,680. As the Company does not have operating cash flow, the Company has and will continue to rely primarily on loans from an Officer and equity financing to meet its capital requirements.

**Price risk**
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

**Currency risk**
The Company operates in Canada and Mexico, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency which are primarily the Mexican Peso and the US dollar.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will consequently have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk or credit risk.

**13. Capital risk management**

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan and to meet its ongoing administrative costs. At July 31, 2021, the Company's capital consisted of items in shareholders' equity, in the amount of $4,996,967 (January 31, 2021 - $2,327,444).

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company does not have any externally imposed capital requirements or covenants.

**14. Segmented information**

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets in Mexico. All of the Company's exploration and evaluation assets are located in Mexico.