Colibri
RESOURCE CORPORATION

TSX.V:CBI

# COLIBRI RESOURCE CORPORATION

# CONSOLIDATED FINANCIAL STATEMENTS

# NOVEMBER 30, 2020

# Independent Auditor's Report

To the Shareholders of Colibri Resource Corporation:

## Opinion

We have audited the consolidated financial statements of Colibri Resource Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2020 and November 30, 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2020 and November 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that during the year ended November 30, 2020, the Company incurred a net loss and, as of that date, had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

March 29, 2021 — Licensed Public Accountants

**COLIBRI RESOURCE CORPORATION**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

| | Note | | 2020 | | 2019 |
|---|---|---|---|---|---|
| **EXPENSES, ADMINISTRATIVE AND GENERAL** | | | | | |
| Accounting and audit fees | | $ | 51,740 | $ | 48,250 |
| Advertising and promotion | | | 105,937 | | 52,271 |
| Amortization and depreciation | | | 27,601 | | 777 |
| Consulting fees | | | 82,584 | | 89,451 |
| Foreign exchange | | | (7,486) | | 2,385 |
| Legal | | | 29,193 | | 16,684 |
| Interest and accretion expense | 9 | | 185,568 | | 13,238 |
| Management fees | | | 72,000 | | 72,000 |
| Office and miscellaneous | | | 40,585 | | 64,433 |
| Rent | | | - | | 19,560 |
| Telephone | | | 3,923 | | 3,800 |
| Transfer agent and filing fees | | | 18,153 | | 24,254 |
| Travel and related costs | | | 15,248 | | 43,689 |
| Wages and benefits | | | 82,084 | | 82,647 |
| Share-based compensation | 12 | | 81,903 | | 73,028 |
| | | | (789,033) | | (606,467) |
| **Other Income (Expense)** | | | | | |
| Mineral property option proceeds in excess of capitalized costs | | | 590,040 | | 382,802 |
| Fair value adjustments on investments | 4 | | 198,425 | | 40,000 |
| Realized gain on investments | 4 | | 50,484 | | - |
| | | | 838,949 | | 422,802 |
| **NET INCOME (LOSS) FOR THE YEAR** | | | 49,916 | | (183,665) |
| **COMPREHENSIVE LOSS** | | | | | |
| Net income (loss) for the year | | | 49,916 | | (183,665) |
| Cumulative translation adjustment | | | (16,321) | | (18,193) |
| **COMPREHENSIVE LOSS FOR THE YEAR** | | $ | 33,595 | $ | (201,858) |
| **BASIC AND DILUTED LOSS PER SHARE** | | | (0.00) | | (0.00) |
| Weighted average number of shares outstanding | | | 65,911,924 | | 58,636,685 |

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

**COLIBRI RESOURCE CORPORATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

| | Note | | 2020 | | 2019 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | 3 | $ | 337,641 | $ | 347,148 |
| Receivables | | | 29,122 | | 13,054 |
| Investments | 4 | | 486,000 | | 300,000 |
| Prepaid expenses | | | 95,266 | | 60,126 |
| | | | 948,029 | | 720,328 |
| Capital assets | 5 | | 27,978 | | 16,267 |
| Right-of-use assets | 6 | | 185,158 | | - |
| Exploration and evaluation assets | 7 | | 2,064,106 | | 1,685,614 |
| | | $ | 3,225,271 | $ | 2,422,209 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | | $ | 283,244 | $ | 152,550 |
| Accounts payable to related parties | 9 | | 328,024 | | 425,365 |
| Promissory note payable | 8 | | 430,296 | | 398,670 |
| Current portion of lease liability | 6 | | 28,353 | | - |
| | | | 1,069,917 | | 976,585 |
| Convertible debentures | 9 | | 783,579 | | 571,412 |
| Lease liability | 6 | | 154,299 | | - |
| Loan payable | 10 | | 30,000 | | - |
| | | | 2,037,795 | | 1,547,997 |
| **Shareholders' equity** | | | | | |
| Share capital | 12 | | 14,980,761 | | 14,806,146 |
| Contributed surplus | | | 436,126 | | 452,392 |
| Equity component of convertible debenture | 9 | | 315,904 | | 292,753 |
| Accumulated other comprehensive income | | | (115,976) | | (99,655) |
| Deficit | | | (14,429,339) | | (14,577,424) |
| | | | 1,187,476 | | 874,212 |
| | | $ | 3,225,271 | $ | 2,422,209 |

Nature of operations and going concern (note 1)
Contingencies (note 18)
Subsequent events (note 19)

Approved on behalf of the Board:

(Signed) "William Macdonald" Director

(Signed) "Ron Goguen" Director

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

**COLIBRI RESOURCE CORPORATION**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

| | Share Capital | | Accumulated Other Comprehensive Income | Equity Component Convertible Debenture | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|---|---|
| | Number | Amount | | | | | |
| **Balance at November 30, 2018** | **52,902,986** | **$ 14,216,635** | **$ (81,462)** | **$ -** | **$ 409,628** | **$(14,405,762)** | **$ 139,039** |
| Loss for the year | - | - | - | - | - | (183,665) | (183,665) |
| Other comprehensive income | - | - | (18,193) | - | - | - | (18,193) |
| Shares issued for cash | 11,880,000 | 594,000 | - | - | - | - | 594,000 |
| Share issue costs | - | (22,750) | - | - | - | - | (22,750) |
| Broker warrants | - | (4,230) | - | - | 4,230 | - | - |
| Share-based compensation | - | - | - | - | 73,028 | - | 73,028 |
| Equity component of convertible debenture | - | - | - | 292,753 | - | - | 292,753 |
| Reclassification of expired options and broker warrants | - | 22,491 | - | - | (34,494) | 12,003 | - |
| **Balance at November 30, 2019** | **64,782,986** | **$14,806,146** | **$ (99,655)** | $ **292,753** | **$ 452,392** | **$ (14,577,424)** | **$874,212** |
| Net income (loss) for the year | - | - | - | - | - | 49,916 | 49,916 |
| Other comprehensive income | - | - | (16,321) | - | - | - | (16,321) |
| Shares issued for cash | 2,962,500 | 177,000 | - | - | - | - | 177,000 |
| Share issue costs | - | (2,385) | - | - | - | - | (2,385) |
| Share-based compensation | - | - | - | - | 81,903 | - | 81,903 |
| Equity component of convertible debenture | - | - | - | 23,151 | - | - | 23,151 |
| Reclassification of expired options and broker warrants | - | - | - | - | (98,169) | 98,169 | - |
| **Balance at November 30, 2020** | **67,745,486** | **$ 14,980,761** | **$ (115,976)** | $ **315,904** | **$ 436,126** | **$ (14,429,339)** | **$1,187,476** |

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

**(Expressed in Canadian Dollars)**

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net income (loss) for the year | $ | 49,916 | $ | (183,665) |
| Add: Items not requiring the use of cash | | | | |
| Amortization and depreciation | | 27,601 | | 777 |
| Share-based compensation | | 81,903 | | 73,028 |
| Fair value adjustments on investments | | (248,909) | | (40,000) |
| Mineral property option proceeds in excess of capitalized cost | | (590,040) | | (382,802) |
| Interest and accretion | | 185,568 | | - |
| Unrealized foreign exchange | | (7,916) | | 2,385 |
| Government grant | | 10,000 | | |
| Change in non-cash working capital items: | | | | |
| (Increase) decrease in receivables | | (16,068) | | 34,853 |
| (Increase) increase in prepaid expenses | | (35,140) | | 15,392 |
| Increase (decrease) in accounts payable and accrued liabilities | | 68,194 | | (102,863) |
| Net cash used in operating activities | | (474,891) | | (582,895) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | | |
| Acquisition of mineral properties and deferred exploration costs | | (582,616) | | (72,418) |
| Acquisition costs of subsidiary | | - | | (33,645) |
| Cash received on acquisition of subsidiary | | - | | 4,365 |
| Purchase of property and equipment | | (17,256) | | (8,906) |
| Mineral property option payments received | | 298,265 | | 125,000 |
| Proceeds from sale of investments | | 527,909 | | - |
| Net cash from (used in) investing activities | | 226,302 | | 14,396 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Cash received from the issue of common shares-net | | 174,615 | | 571,250 |
| Repayment of related parties | | (98,456) | | (73,156) |
| Repayment of lease obligation | | (32,984) | | - |
| Proceeds from issue of convertible debenture | | 200,000 | | - |
| Proceeds of loan payable | | 40,000 | | - |
| Proceeds from promissory note | | - | | 398,670 |
| Interest paid on debentures | | (12,500) | | - |
| Net cash from financing activities | | 270,675 | | 896,764 |
| Effect of changes in foreign exchange rates | | (31,593) | | 3,359 |
| **INCREASE (DECREASE) IN CASH DURING THE YEAR** | | (9,507) | | 331,624 |
| **CASH**, beginning of year | | 347,148 | | 15,524 |
| **CASH**, end of year | $ | 337,641 | $ | 347,148 |

Supplemental disclosure with respect to cash flows (Note 13)

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Colibri Resource Corporation ("the Company") was incorporated on February 20, 2004 in the Province of British Columbia. The Company's registered office and principal place of business is 105 Englehart St., Suite 700, Dieppe, NB, Canada.

The Company is pursuing opportunities in the exploration of mineral and natural resource properties in Mexico and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the properties.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and liabilities in the normal course of business. The following material uncertainties cast significant doubt on the validity of this assumption. During the year ended November 30, 2020, the Company incurred net income of $49,916 (2019 – net loss of $183,665), and as at November 30, 2020, has working capital deficit of $121,888 (2019 – $256,257), a cumulative deficit of $14,429,339 (2019 – $14,577,424), no source of operating cash flow, and no assurances that sufficient funding will be available to conduct further exploration and development of its resource property projects.

The only source of future funds presently available to the Company is through the issuance of share capital, or by the sale of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing or sale of an interest in the future will depend in part upon the prevailing market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised through the issuance of shares, control of the Company may change, and shareholders may suffer dilution. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations, and financial condition. The Company has raised funds from private placements during the year (note 12(b)).

The amounts shown as exploration and evaluation assets represent acquisition costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral property interests is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

## 2. BASIS OF PRESENTATION

### (a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved these consolidated financial statements for issue on March 29, 2021.

## 2. BASIS OF PRESENTATION *(Continued)*

### (b) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, with the exception of certain financial instruments which are measured at fair value as described in Note 3. These consolidated financial statements are presented in Canadian dollars unless otherwise stated.

### (c) Subsidiaries and Principles of Consolidation

These consolidated financial statements include the accounts of Colibri Resources Corporation and its wholly owned subsidiaries Canadian Gold Resources Ltd., 0901223 B.C. Ltd., Minera Bestep S.A de C.V., and Yaque Minerales S.A. de C.V. Yaque Minerales S.A de C.V. and Minera Bestep S.A. de C.V. were incorporated in Mexico for the purposes of developing mineral properties. All intercompany transactions and balances have been eliminated upon consolidation. All amounts are reported are measured in Canadian dollars.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial report from the date control commences to the date control ceases.

### (d) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The assumption of going concern basis of accounting;
- The carrying value and recoverable amount of exploration and evaluation assets (note 7);
- The inputs used in accounting for share-based compensation expense in the consolidated statements of operations and comprehensive loss (note 12(d));
- The valuation of shares issued in non-cash transactions (note 3);
- The valuation allowance applied against deferred income tax assets (note 16);
- The determination of functional currency (note 3); and
- The determination that the foreign exchange differences on loans to the Mexican subsidiaries are recorded to other comprehensive income because the loans are part of the net investment in a foreign operation and repayment is not expected in the foreseeable future.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Cash

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at three months or less, with no penalties on early retirement.

### (b) Exploration and evaluation assets

Exploration and evaluation assets are recorded at cost less accumulated impairment losses, if any. All direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the technical feasibility and commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. Technical feasibility and commercial viability is defined as (1) the determination of mineral reserves and (2) a decision to proceed with development has been recommended by management and approved by the Company's board of directors. To the extent that the expenditures are made to establish mineral reserves within the rights to explore, the Company will consider those costs as capital in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the exploration and evaluation asset.

Management reviews the facts and circumstances to determine whether there is an indication that the carrying amount of the exploration and evaluation assets exceeds their carrying value on a regular basis. Indication includes but is not limited to, the expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned and if the entity has decided to discontinue exploration activity in the specific area. If the facts and circumstances suggest the carrying value exceeds the recovery value, the Company will write down the carrying value of the property.

### (c) Impairment of Long-lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized as an expense in the consolidated statement of comprehensive income (loss). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The consolidated financial statements are presented in Canadian dollars, which is the functional currency for Colibri and Canadian Gold Resources Ltd. The functional currency of Yaque Minerales S.A de C.V. and Minera Bestep S.A. de C.V, is the Mexican Peso.

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transaction. The foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year–end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income.

The assets and liabilities of the Company's foreign operations that have a functional currency different from Colibri are translated into Canadian dollars using the exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transaction are used. Exchange differences arising, if any, are recognized in other comprehensive income as cumulative translation adjustments.

### (e) Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are derecognized to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used to arrive at the diluted outstanding that may add to the total number loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options of common shares. Diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

### (g) Share Capital

The Company records its share capital proceeds from share issuances net of related issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Agent’s warrants, stock options and other equity instruments issued as purchase consideration in nonmonetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model.

### (h) Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company’s estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management’s best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial Instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

The Company has made the following classifications:

| | |
|---|---|
| Cash | FVTPL |
| Marketable securities | FVTPL |
| Amounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Convertible debentures | Amortized cost |
| Promissory note | Amortized cost |
| Lease liability | Amortized cost |

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Financial assets at* FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVTPL are measured at fair value with changes in fair value recognized in the statements of comprehensive loss.

*Financial assets at FVOCI*

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of operations. The election is available on an investment-by-investment basis. As at November 30, 2020, the Company did not have any financial assets at FVOCI.

*Financial assets at amortized cost*

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial Instruments *(Continued)*

*Financial liabilities*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net loss when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

De-recognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate. A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net loss.

Impairment of financial assets:

A loss allowance for expected credit losses is recognized in net loss for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Financial instruments recorded at fair value:

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial Instruments *(Continued)*

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

As at November 30, 2020, the carrying value of investments is recorded at fair value on the statement of financial position. Investments in public company shares are carried at fair value using the quoted trading share price and would be considered Level 1.

### (j) Adoption of new accounting standards:

Effective December 1, 2019, the Company adopted IFRS 16, Leases, which resulted in changes in accounting policy as described below. In accordance with the transitional provision in the standard, the Company adopted this standard retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at December 1, 2019. IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases, as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. Effective December 1, 2019, the Company adopted IFRS 16 retrospectively from December 1, 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

For contracts entered into before December 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17 Leases ("IAS 17") and its interpretive guidance. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset.

Upon transition to the new standard, lease liability was measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at December 1, 2019. Right-of-use assets and lease liabilities were recognized on the consolidated statement of financial position.

At transition, lease liability of $208,665 and right-of-use asset of $208,665 were recognized in the consolidated statement of financial position. For contracts entered into subsequent to December 1, 2019,

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognize a provision for onerous lease contacts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statements of loss and comprehensive loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

The Company reports its right-of-use asset on the consolidated statement of financial position. Note 6 shows the continuity schedules of the lease liability and the right-of-use asset.

### (k) Accounting standards issued but not yet applied:

For the purposes of preparing and presenting the Company's consolidated financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not yet been adopted because they are not effective for the Company until subsequent to November 30, 2020.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

(Expressed in Canadian Dollars)

## 4. INVESTMENT

| | 2020 | 2019 |
|---|---|---|
| Tocvan Ventures Corp. | 486,000 | 300,000 |

The Company acquired 2,000,000 common shares of Tocvan Ventures Corp. during fiscal 2019 representing a 15.5% interest. During fiscal 2020 the Company acquired an additional 1,000,000 shares and sold 1,650,000 shares and realized a gain of $50,484. The fair value of the shares has been adjusted to reflect market value resulting in a gain of $198,425 (2019 - $40,000).

The shares of Tocvan Ventures Corp., a reporting issuer whose shares are listed on the Canadian Securities Exchange, were received as partial consideration for the option of a mineral property as described in Note 7.

## 5. CAPITAL ASSETS

| | | Land | | Office Equipment | | Computer Equipment | | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| Balance November 30, 2019 | $ | 6,800 | $ | 5,055 | $ | 8,388 | $ | 20,243 |
| Additions | | - | | 15,163 | | 2,093 | | 17,256 |
| Effect of foreign exchange | | (359) | | 879 | | 2 | | 522 |
| Balance November 30, 2020 | $ | 6,441 | $ | 21,097 | $ | 10,483 | $ | 38,021 |
| **Accumulated amortization:** | | | | | | | | |
| Balance November 30, 2019 | $ | - | $ | 392 | $ | 3,584 | $ | 3,976 |
| Amortization | | - | | 2,027 | | 3,223 | | 5,250 |
| Effect of foreign exchange | | - | | 817 | | - | | 817 |
| Balance November 30, 2020 | $ | - | $ | 3,236 | $ | 6,807 | $ | 7,395 |
| **Carrying amounts:** | | | | | | | | |
| November 30, 2019 | $ | 6,800 | $ | 4,663 | $ | 4,804 | $ | 16,267 |
| **November 30, 2020** | $ | 6,441 | $ | 17,861 | $ | 3,676 | $ | 27,978 |

## 6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its head office space in Dieppe, New Brunswick and a lease agreement for its office in Sonora, Mexico. Upon transition to IFRS 16, the Company recognized $208,665 for a ROU asset and $ 208,665 for a lease liability representing future lease payments discounted at 8% per year.

**(Expressed in Canadian Dollars)**

## 6. RIGHT-OF-USE ASSET AND LEASE LIABILITY *(Continued)*

The continuity of the ROU asset and lease liability for the year ended November 30, 2020 is as follows:

| | | |
|---|---|---|
| **Right-of-use asset** | | |
| Value of right-of-use asset recognized as at December 1, 2019 | $ | 208,665 |
| Depreciation | | (24,182) |
| Effect of foreign exchange | | 675 |
| **Value of right-of-use asset as at November 30, 2020** | $ | 185,158 |
| | | |
| **Lease liability** | | |
| Lease liability recognized as of December 1, 2019 | $ | 208,665 |
| Lease payments | | (32,984) |
| Lease interest | | 6,338 |
| Effect of foreign exchange | | 633 |
| **Lease liability recognized as of November 30, 2020** | $ | 182,652 |
| | | |
| Current portion | $ | 28,353 |
| Long-term portion | $ | 154,299 |

Undiscounted future annual lease payments are CDN $18,648 through November 2030 and MXN $220,350 (CDN $14,192) through December 2025.

## 7. EXPORATION AND EVALUATION ASSETS

### Title to Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

### Colibri Property

The Company holds a 24% interest in the Colibri claim, located in the State of Sonora, Mexico.

### Evelyn Property

The Company holds a 100% interest in the Evelyn claim, located in the State of Sonora, Mexico.

During the 2019 year, the Company carried out preparatory work for a drilling program to be completed during fiscal 2020. Consequently, exploration and evaluation costs of $70,220 were capitalized.

During fiscal 2020, the Company incurred exploration and evaluation expenditures in the amount of $437,670 related to the Evelyn property.

## 7. EXPORATION AND EVALUATION ASSETS *(Continued)*

### Pilar Property

In August 2017 the Company, through its wholly owned subsidiary, Minera Bestep, acquired a 100% interest in the Pilar property. The Pilar property is located in the State of Sonora, Mexico.

During the 2019 year, the Company optioned the Pilar property to Tocvan Ventures Corp. ("Tocvan") whose shares are listed on the Canadian Securities Exchange, and received as consideration 2,000,000 common shares of Tocvan valued at $260,000 and cash of $125,000. Tocvan can earn a 51% interest in the Pilar property by issuing 3,000,000 common shares, making cash payments of $275,000 to the Company, and carrying out exploration and evaluation expenditures of $2,000,000, over a 60-month period.

During the 2020 year, the Company received an additional 1,000,000 common shares of Tocvan valued at $465,000 and cash of $125,000 as partial consideration in connection with the option agreement which has been included in the statement of comprehensive loss.

### Sun Property

In August 2017, the Company through its wholly owned subsidiary, Minera Bestep S.A. de C.V., acquired a 100% interest in the Sun concession.

During the 2018 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $8,565.

During the 2019 fiscal year, the Company determined that the Sun property was no longer an integral part of its property portfolio and allowed the concession to lapse.

### El Mesquite Property

In November 2019, the Company through its recently acquired wholly owned subsidiary, Yaque Minerales S.A. de C.V., acquired a 65% interest in the El Mesquite property. The El Mesquite property is located in the State of Sonora, Mexico.

During the year, the Company entered into an agreement with Silver Spruce Resources Inc. ("Silver Spruce") whereby Silver Spruce acquired a four-year option to purchase a 50% interest in Yaque Minerales S.A. de C.V., a wholly owned subsidiary of the Company which owns a 65% interest in the El Mesquite property in Mexico.

Consideration for the option includes payment of an amount to acquire the remaining 35% interest in the El Mesquite property, payments required to maintain surface rights for the El Mesquite property, payment of 50% of the property taxes on the El Mesquite property, payment of 50% of the interest on an existing convertible debenture related to the purchase of Yaque Minerales, and payment of $500,000 prior to October 2023.

Silver Spruce must also incur US $600,000 in exploration and evaluation expenditures on the El Mesquite property during the period of the option, with no minimum annual amount.

During the year, Silver Spruce paid the Company US $82,500 (CDN $109,729) toward partial payment to acquire the 35% interest in the property and is up to date with amounts payable under the option.

**(Expressed in Canadian Dollars)**

## 7. EXPORATION AND EVALUATION ASSETS *(Continued)*

### Jackie Property

In November 2019, the Company through its recently acquired wholly owned subsidiary, Yaque Minerales S.A. de C.V., acquired a 100% interest in the Jackie property. The Jackie property is located in the State of Sonora, Mexico.

During the year, the Company entered into an option agreement with Silver Spruce Resources Inc. ("Silver Spruce") whereby Silver Spruce can earn a 50% interest in the Jackie property by cash payments of US $50,000 and the issuance of CDN $50,000 Silver Spruce shares to the Company over a two-year

Period (see Note 19). In addition, Silver Spruce is required to carry out US $100,000 of exploration and evaluation expenditures of which US $50,000 of expenditures must be incurred during the first year of the option.

### Yaque Minerales

On November 5, 2019, the Company issued a convertible debenture with a face value of $1,000,000 valued at $864,165 (note 9) and incurred $33,645 of acquisition costs to acquire 100% of the common shares of Yaque Minerales S.A. de C.V., from a company related by virtue of common officers and directors. Yaque Minerales S.A. de C.V. did not constitute a business and has been accounted for as an asset acquisition with the fair value of the consideration measured in accordance with IFRS 2. The fair value of the mineral exploration properties acquired was not reliably measurable and has been assumed to be the excess of the purchase price over the other identifiable net assets acquired.

| | | |
|---|---|---|
| Fair value of convertible debenture | $ | 864,165 |
| Acquisition costs | | 33,645 |
| **Total purchase price** | **$** | **897,810** |
| | | |
| Cash | $ | 4,365 |
| Receivables and prepaids | | 15,729 |
| Exploration assets | | 965,394 |
| Accounts payable and accrued liabilities | | (87,678) |
| **Net assets acquired** | **$** | **897,810** |

## 7. EXPORATION AND EVALUATION ASSETS *(Continued)*

| | Colibri Property | Pilar Property | Evelyn Property | El Mesquite Property | Jackie Property | Total |
|---|---|---|---|---|---|---|
| Balance, December 1, 2018 | $ 650,000 | $ - | $ - | $ - | $ - | $ 650,000 |
| Acquisition | - | - | - | 791,803 | 173,591 | 965,394 |
| Field expenses and personnel | - | - | 53,364 | - | - | 53,364 |
| Geological consulting | - | - | 16,214 | - | - | 16,214 |
| Miscellaneous | - | 2,198 | 642 | - | - | 2,840 |
| Option proceeds | - | (2,198) | - | - | - | (2,198) |
| Balance, November 30, 2019 | 650,000 | - | 70,220 | 791,803 | 173,591 | 1,685,614 |
| Acquisition | - | - | - | 109,729 | - | 109,729 |
| Field expenses and personnel | - | - | 31,144 | 1,451 | - | 32,595 |
| Drilling | - | - | 250,342 | 9,798 | - | 260,140 |
| Geological consulting | - | - | 76,522 | 250 | - | 146,731 |
| Miscellaneous | - | 5,029 | 79,662 | 18,689 | - | 103,380 |
| Option proceeds | - | (5,029) | - | (168,236) | - | (173,265) |
| Effect of foreign exchange | - | - | (95) | (21,600) | (9,164) | (30,859) |
| **Balance, November 30, 2020** | **$ 650,000** | **$ -** | **$ 507,795** | **$ 741,884** | **$ 164,427** | **$ 2,064,106** |

## 8. PROMISSORY NOTE PAYABLE

The promissory note payable to Agnico-Eagle Mines Ltd., is denominated in US dollars, bears interest at 10% per annum and is secured by the Colibri mineral property. The promissory note matures on the earliest of November 8, 2021 or the sale of the Colibri mineral property. The Company accrued US $30,000 of interest expense during the year ended November 30, 2020 (2019 - $US 1,890).

## 9. CONVERTIBLE DEBENTURES

| | 2020 | 2019 |
|---|---|---|
| Convertible debenture (1) | $ 613,114 | $ 571,412 |
| Convertible debenture (2) | $ 170,465 | $ - |
| | **$ 783,579** | **$ 571,412** |

**Convertible Debenture (1)**

On November 5, 2019, the Company issued a convertible debenture as consideration for the acquisition of all of the outstanding shares of Yaque Minerales S.A de C.V. (note 7). The unsecured convertible debenture with a principal amount of $1,000,000 is due in September 2023 and is convertible to common shares of the Company at $0.20 per share at any time prior to maturity. The debenture bears interest at 2.5% per annum payable in advance. The debenture is not redeemable by the Company.

The valuation approach for the debenture involved determining the fair value for the debenture in the absence of a conversion feature. The Black-Scholes option pricing model was used to determine the fair value of the conversion feature. The Company determined an interest rate of 21% was fair value for a debenture without additional features attached. The present value of the interest and principal payments of the debenture at this fair value resulted in an allocation of $571,412 for the debenture and $292,753 to the conversion feature. The difference between the fair value and face value of the debenture is being accreted over the term to maturity using the effective interest method. During the year, interest and accretion expense of $130,968 was recognized.

## 9. CONVERTIBLE DEBENTURE *(Continued)*

### Convertible Debenture (2)

On May 1, 2020, the Company completed a convertible debenture financing of $200,000. The unsecured convertible debenture has a two-year term and bears interest at 8% per annum payable quarterly in arrears and has a conversion price of $0.05 during the first twelve-month term and $0.10 during the second twelve-month term. The Company may redeem the debenture at any time prior to maturity upon thirty days' notice.

The proceeds were allocated between the debenture and the conversion feature. The valuation approach involved determining the fair value for the debenture in the absence of a conversion feature. The Company determined an interest rate of 15% was fair value for a debenture without additional features attached. The present value of the interest and principal payments of the debenture at this fair value resulted in an allocation of $160,002, net of issuance costs and $23,151 to the conversion feature. The difference between the fair value and face value of the debenture, net of expenses, is being accreted over the term to maturity using the effective interest method. During the year interest and accretion of $15,565 was recorded.

## 10. LOAN PAYABLE

As a result of COVID-19, the Canadian federal government created the Canada Emergency Business Account ("CEBA"), designed to provide some financial assistance to qualifying Canadian companies. In April 2020, the Company applied for this funding and received $40,000 as an unsecured, non-interest-bearing demand loan. This loan is due on or before December 31, 2022. If paid before this time, $10,000 of the loan is forgiven. If not paid by this date, interest at a rate of 5% per annum, will need to be paid monthly.

The Company intends to repay the loan prior to December 31, 2022 and has recognized $10,000 in income.

## 11. RELATED PARTY TRANSACTIONS AND BALANCES

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

Accounts payable and accrued liabilities to related parties for 2020 of $328,024 (2019 – $425,365) is comprised of management fees and loans plus accrued interest due to companies controlled by officers of the Company. Amounts payable to related parties bear interest at 6% per annum, are due on demand, and are unsecured.

The Company entered into the following transactions with related parties during the year ended November 30, 2020:

a) Paid or accrued for 2020 $114,000 (2019 – $108,000) in management fees to companies controlled by directors and officers of the Company.

b) Paid or accrued for 2020 is $14,000 (2019 – $14,000) in accounting fees to an officer of the Company.

c) Paid or accrued for 2020 $7,000 (2019 – $6,500) in consulting fees to directors of the Company.

**(Expressed in Canadian Dollars)**

## 11. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

d) Paid or accrued $7,900 (2019-$nil) to a director for exploration and evaluation services.

e) Granted stock options for 2020 with a fair value of $53,577 (2019-$nil) to directors and officers of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

### (a) Authorized

Unlimited number of common shares without par value

### (b) Issued

Common shares:

| | Number of Shares | | Amount |
|---|---|---|---|
| Balance at November 30, 2018 | 52,902,986 | $ | 14,216,635 |
| Shares issued for cash, net of issue costs | 11,880,000 | | 567,020 |
| Reclassification of expired broker warrants | - | | 22,491 |
| Balance November 30, 2019 | 64,782,986 | $ | 14,806,146 |
| Shares issued for cash, net of issue costs | 2,962,500 | | 174,615 |
| Balance November 30, 2020 | 67,745,486 | $ | 14,980,761 |

During the year ended November 30, 2020, the Company issued 2,000,000 common shares at a subscription price of $0.05 per share for gross proceeds of $100,000. The Company incurred share issuance costs of $1,250 in connection with the financing. In addition, the Company issued 962,500 units at a subscription price of $0.08 per unit for gross proceeds of $77,000. Each unit consists of 1 common share and 1 share purchase warrant exercisable for two years at $0.08 per common share. The Company incurred share issuance costs of $1,135 in connection with the financing.

During the year ended November 30, 2019, the Company issued 11,880,000 units at a subscription price of $0.05 per unit for gross proceeds of $594,000. Each unit consists of 1 common share and 1 share purchase warrant exercisable for three years at $0.12 per common share. The Company incurred share issuance costs of $22,750 and issued 73,000 broker warrants with a fair value of $4,230 in connection with the financing.

**(Expressed in Canadian Dollars)**

## 12. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

### (c) Warrants

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price | |
|---|---|---|---|
| Balance November 30, 2018 | 16,385,980 | $ | 0.18 |
| Issued during the year | 11,880,000 | $ | 0.10 |
| Expired during the year | (4,265,000) | $ | 0.25 |
| Balance, November 30, 2019 | 24,000,980 | $ | 0.13 |
| Issued during the year | 962,500 | $ | 0.12 |
| Balance November 30, 2020 | 24,963,480 | $ | 0.13 |

The following warrants are outstanding at November 30, 2020:

| Number of warrants | Exercise price per warrant | Expiry date |
|---|---|---|
| 6,340,000 | $0.10 | March 13, 2022 |
| 2,280,000 | $0.10 | August 7, 2022 |
| 3,260,000 | $0.10 | October 9, 2022 |
| 962,500 | $0.12 | November 5, 2022 |
| 10,770,980 | $0.15 | February 26, 2023 |
| 1,350,000 | $0.15 | March 15, 2023 |
| 24,963,480 | | |

In addition, there are 345,000 broker warrants outstanding of which 272,000 are exercisable at $0.15 per share and expire on February 26, 2023 and 73,000 which are exercisable at $0.10 per share and expire on March 13, 2022.

### (d) Stock Options

The Company has in place a rolling stock option plan whereby the Company may grant stock options to eligible persons to acquire a total of up to 10% of the then existing number of shares outstanding. Awarded stock options generally vest at the discretion of the directors and are exercisable over a period not exceeding ten years at exercise prices determined by the directors. The exercise price of each option is subject to a minimum price of $0.10 and cannot be less than the discounted market price of the Company’s stock as calculated pursuant to the policies of the TSX Venture Exchange.

**(Expressed in Canadian Dollars)**

## 12. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

The number of stock options outstanding at November 30, 2020 is summarized as follows:

| | Number Of Options | Weighted Average Exercise |
|---|---|---|
| Balance, November 30, 2018 | 4,475,000 | $0.11 |
| Options expired | (150,000) | $0.15 |
| Options granted | 625,000 | $0.10 |
| Balance, November 30, 2019 | 4,950,000 | $0.11 |
| Options expired | (850,000) | $0.11 |
| Options granted | 1,200,000 | $0.05 |
| Balance, November 30, 2020 | 5,300,000 | $0.09 |

At November 30, 2020, the following stock options were outstanding:

| Number of Options | Exercise Price | Expiry Date | Exercisable |
|---|---|---|---|
| 300,000 | $0.15 | June 14, 2021 | 300,000 |
| 1,200,000 | $0.10 | April 16, 2028 | 1,200,000 |
| 1,975,000 | $0.10 | April 23, 2023 | 1,818,750 |
| 625,000 | $0.10 | March 23, 2024 | 625,000 |
| 1,200,000 | $0.05 | May 28, 2025 | 1,200,000 |
| 5,300,000 | | | 5,143,750 |

At November 30, 2020, the 5,3000,000 options outstanding have a weighted average life remaining of 3.99 years.

The model inputs for options granted during the years ended November 30, 2020 and 2019 include:

| Grant date | Expiry date | Share price at grant date | Exercise price | Risk-free interest rate | Expected life | Volatility factor | Dividend yield |
|---|---|---|---|---|---|---|---|
| March 13, 2019 | March 13, 2024 | $0.06 | $0.10 | 1.57% | 5 years | 225% | 0% |
| May 28, 2020 | May 28, 2025 | $0.05 | $0.05 | 1.57% | 5 years | 142% | 0% |

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense was $81,903 (2019: $73,028).

As at November 30, 2020 there was $13,365 (2019: $41,691) of unrecognized compensation cost related to unvested share-based compensation.

(Expressed in Canadian Dollars)

## 13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | November 30, 2020 | November 30, 2019 |
|---|---|---|
| Cash paid for: | | |
| Income taxes | $ - | $ - |
| Interest | $ 12,500 | $ - |

## 14. SEGMENTED INFORMATION

The Company primarily operates in one reportable business segment, being the acquisition and exploration of mineral properties located in Mexico. The net loss and assets identifiable with these geographic areas are as follows:

| November 30, 2020 | Canada | Mexico | Total |
|---|---|---|---|
| Net income (loss) for the year | $(488,227) | $538,143 | $ 49,916 |
| Current assets | 921,749 | 26,280 | 948,029 |
| Mineral properties | - | 2,024,106 | 2,064,106 |
| Capital assets | 5,747 | 22,231 | 27,978 |
| Right-of-use assets | 135,245 | 49,913 | 185,158 |
| Total assets | $1,062,741 | $2,162,530 | $3,225,271 |

| November 30, 2019 | Canada | Mexico | Total |
|---|---|---|---|
| Net loss for the year | $ (547,948) | $364,283 | $(183,665) |
| Current assets | 700,628 | 19,700 | 720,328 |
| Mineral properties | - | 1,685,614 | 1,685,614 |
| Capital assets | 5,729 | 10,538 | 16,267 |
| Total assets | $ 706,357 | $1,715,852 | $2,422,209 |

**(Expressed in Canadian Dollars)**

## 15. FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities is exposed to various risks. The following analysis provides a measurement of risks as at the statement of financial position date, November 30, 2020.

1. Fair Value

The carrying values of cash, accounts receivable, accounts payable to related parties, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments.

2. Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances primarily in large Canadian chartered banks, and no interest bearing debt. The Company's current policy is to invest cash in Canadian bank savings accounts with interest that varies at prime and guaranteed investment certificates with terms of one year or less.

3. Credit Risk

The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions, primarily in Canada, and is kept in highly liquid accounts that are closely monitored by management. Credit risk with respect to its accounts receivable is minimal due to the insignificant balances that are primarily due from government agencies.

The Company's maximum exposure to credit risk is as follows:

| November 30, 2020 | Canada | Mexico | Total |
|---|---|---|---|
| Cash | $ 322,642 | $ 14,999 | $ 337,641 |
| Receivables | 19,651 | 9,471 | 29,122 |
| | $ 342,293 | $ 24,470 | $ 366,763 |

| November 30, 2019 | Canada | Mexico | Total |
|---|---|---|---|
| Cash and cash equivalents | $334,866 | $ 12,282 | $347,148 |
| Receivables | 7,405 | 5,649 | 13,054 |
| | $342,271 | $ 17,931 | $360,202 |

4. Derivatives – Mineral Properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

## 15. FINANCIAL INSTRUMENTS *(Continued)*

5. Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar. The Company, through its subsidiaries, has operations in Mexico and therefore is exposed to foreign currency gains and losses due to fluctuations in the exchange rate between the Mexican peso and the Canadian dollar. To reduce the risk, the Company maintains pesos denominated bank accounts in Mexico, and when possible, negotiates its Mexican operations in US dollars. Foreign currency gains and losses on loans from the Company to the Mexican subsidiaries are recorded in other comprehensive income because the loans are part of a net investment in a foreign operation and repayment of the loans is not expected in the foreseeable future.

6. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below. The Company has insufficient funds as at November 30, 2020 to settle its current liabilities of $1,069,918, and insufficient funds to cover its long-term commitments on mineral claims as outlined in Note 7.

The Company has a working capital deficit of $81,888 at November 30, 2020 which, in the opinion of management, is not sufficient to support the Company's normal operating requirements through its current reporting period. The Company is continuing to review expenditures in order to ensure adequate liquidity and flexibility to support its exploration and development strategies. The Company believes that external financing, likely in the form of equity offerings or optioning one or more of its claims, will be required in order to maintain its current operations.

## 16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2020 | 2019 |
|---|---|---|
| Income (loss) before income taxes | $ 49,916 | $ (183,665) |
| Statutory tax rate | 29.00 % | 29.00 % |
| Expected income tax recovery at statutory rates | $ 14,480 | $ (53,263) |
| Effect of foreign tax rate | 5,590 | 3,488 |
| Items subject to lower tax rate | (35,440) | - |
| Share based compensation and non-deductible expenses | 50,350 | 15,728 |
| Share issuance costs booked directly through equity | 6,710 | (6,598) |
| Unrealized foreign exchange | (48,020) | - |
| Change in unrecognized deferred income tax assets | 6,330 | 40,645 |
| Income tax recovery | $ - | $ - |

**(Expressed in Canadian Dollars)**

## 16. INCOME TAXES *(Continued)*

The following table summarizes the components of deferred tax:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Deferred Tax Assets** | | |
| Operating tax losses | 15,650 | 5,800 |
| Capital lease obligation | 38,320 | - |
| **Deferred Tax Liabilities** | | |
| Right of use asset | (39,220) | - |
| Convertible debentures | (8,300) | - |
| Marketable securities | (6,450) | (5,800) |
| **Net Deferred tax asset (liability)** | **-** | **-** |

Deferred tax balances have not been recognized in respect of the following deductible temporary differences because their future utilization is not yet considered probable:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Non-capital losses – Canada | 6,656,180 | 6,032,976 |
| Capital losses | 5,551,240 | 5,795,675 |
| Exploration expenditures | 1,272,958 | 1,272,958 |
| Share issue costs | 74,870 | 111,760 |
| Property, plant and equipment | 19,060 | 24,815 |

The non-capital losses carried forward will expire between 2026 and 2040.
The exploration expenditures, and property, plant, and equipment may be carried forward indefinitely.
The capital losses may be carried forward indefinitely but are only deductible against capital gains.
The share issue costs will be deducted for tax purposes over the next four years.

## 17. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. 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. As at November 30, 2020, total managed capital was $1,187,476 (2019 – $874,212)

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 issue new shares, issue new debt or acquire or dispose of assets.

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

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in interest-bearing accounts with Canadian chartered banks.

The Company's capital resources available to it have been depleted, so has reduced operating expenditures to a minimum.

There were no changes in the Company's approach to capital management during the year ended November 30, 2020. The Company is not subject to externally imposed capital requirements.

## 18. CONTINGENCIES

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The impact on the Company to date includes delays in accessing mineral properties and delays in obtaining information for regulatory filings. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. 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 Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause supply chain disruptions, staff shortages, and increased government regulations, which may negatively impact the Company's business and financial condition.

## 19. SUBSEQUENT EVENTS

Subsequent to the year end, the Company received US $25,000 in cash and common shares of Silver Spruce Resources Inc. valued at CDN $25,000 in connection with the option agreement disclosed in Note 7.

Subsequent to the year end, holders of a $200,000 convertible debenture converted their debt to common shares of the Company resulting in the issue of 4,000,000 common shares.

Subsequent to the year end, the Company entered into an agreement to acquire a mineral property located in Mexico. Consideration for a 50% interest in the property includes a cash payment of $100,000 USD and completion of 2,000 metres of drilling. Upon completion of the drilling program, the Company has the option to acquire the additional 50% interest in the property by making a cash payment of $2.1 million USD or by making a cash payment of $1.4 million USD and granting a 2% Net Smelter Royalty.

Subsequent to the year end, the Company received subscription agreements in the amount of $2,200,000 with respect to a private placement financing. The private placement financing consists of 22,000,000 units at $0.10 per unit with each unit consisting of one common share and one common share purchase warrant exercisable at $0.15 for a period of twenty-four months from the date of issue. The financing is subject to TSXV approval and is expected to close during Q2 of fiscal 2021.