
MONTEGO RESOURCES INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED
MARCH 31, 2021 AND 2020

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

MONTEGO RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION****EXPRESSED IN CANADIAN DOLLARS**

| | Note | March 31, 2021 (unaudited) \$ | June 30, 2020 (audited) \$ |
|--------------------------------------------|------|----------------------------------------|-------------------------------------|
| ASSETS | | | |
| CURRENT | | | |
| Cash | | 20,515 | 145,890 |
| Amounts receivable | | 33,684 | 23,556 |
| Prepaid expenses | | 14,551 | 14,551 |
| Investment | 5 | 68,571 | 30,000 |
| | | 137,321 | 213,997 |
| NON-CURRENT | | | |
| Equipment | | 2,790 | 3,254 |
| | | 2,790 | 3,254 |
| | | 140,111 | 217,251 |
| LIABILITIES | | | |
| CURRENT | | | |
| Accounts payable and accrued liabilities | 9 | 530,987 | 499,940 |
| Loans payable | 6 | 433,668 | 386,157 |
| Convertible debentures | 7 | 100,092 | 100,092 |
| | | 1,064,747 | 986,189 |
| SHAREHOLDERS' DEFICIENCY | | | |
| Share capital | 8 | 8,738,995 | 8,738,995 |
| Subscription receivable | | (50,000) | (50,000) |
| Contributed surplus | | 907,885 | 907,885 |
| Equity component of convertible debentures | 7 | 60,870 | 60,870 |
| Deficit | | (10,582,386) | (10,426,688) |
| | | (924,636) | (768,938) |
| | | 140,111 | 217,251 |

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENT (Note 12)

Approved and authorized for issue on behalf of the Board on May 26, 2021.

/s/ David Greenway Director
David Greenway

/s/ Dave Jenkins Director
Dave Jenkins

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

MONTEGO RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****EXPRESSED IN CANADIAN DOLLARS****UNAUDITED**

| | Note | Three months ended March 31, 2021 | Three months ended March 31, 2020 | Nine months ended March 31, 2021 | Nine months ended March 31, 2020 |
|------------------------------------------------------|------|--------------------------------------------|--------------------------------------------|-------------------------------------------|-------------------------------------------|
| MINERAL PROPERTY EXPENSES | | \$ - | \$ - | \$ - | 47,838 |
| ADMINISTRATION EXPENSES | | | | | |
| Consulting fees | 9 | 788 | 6,750 | 2,288 | 8,000 |
| Depreciation | | 144 | 179 | 464 | 572 |
| Interest expense | 6,7 | 10,734 | 26,476 | 28,272 | 71,420 |
| Insurance | | - | 1,459 | - | 7,625 |
| Management fees | 9 | 15,750 | 16,000 | 52,750 | 48,206 |
| Office and miscellaneous | | 276 | 549 | 9,735 | 21,024 |
| Professional fees | | 10,659 | 4,082 | 41,059 | 87,311 |
| Rent | 12 | 15,750 | - | 45,750 | 15,000 |
| Transfer agent and filing fees | | 3,526 | 4,872 | 13,878 | 18,061 |
| Travel and promotion | | - | - | 438 | 1,226 |
| | | 57,627 | 60,367 | 194,634 | 278,445 |
| LOSS BEFORE OTHER ITEMS | | \$ (57,627) | \$ (60,367) | \$ (194,634) | (326,283) |
| OTHER ITEMS | | | | | |
| Foreign exchange gain (loss) | | 56 | (424) | 365 | (380) |
| Unrealized gain (loss) on investment | 5 | (57,857) | 15,000 | 38,571 | (120,000) |
| NET LOSS AND COMPREHENSIVE LOSS | | \$ (115,428) | \$ (45,791) | \$ (155,698) | (446,663) |
| LOSS PER SHARE - basic and diluted | | \$ (0.00) | \$ (0.00) | \$ (0.00) | (0.01) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | 45,324,903 | 45,324,903 | 45,324,903 | 45,259,982 |

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

MONTEGO RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY****EXPRESSED IN CANADIAN DOLLARS****UNAUDITED**

| | <u>Common Shares</u> | | | | Equity Component of Convertible Debentures | | Total |
|---------------------------------------------------------------------|----------------------|------------------|------------------------------|----------------------------------|-----------------------------------------------------|---------------------|------------------|
| | Number of Shares | Amount \$ | Contributed Surplus \$ | Subscription Receivable \$ | \$ | Deficit \$ | \$ |
| Balance, June 30, 2019 | 45,151,570 | 8,730,328 | 907,885 | (50,000) | 60,870 | (9,824,489) | (175,406) |
| Shares issued for exploration and evaluation assets (Notes 4 and 8) | 173,333 | 8,667 | - | - | - | - | 8,667 |
| Net loss for the period | - | - | - | - | - | (446,663) | (446,663) |
| Balance, March 31, 2020 | 45,324,903 | 8,738,995 | 907,885 | (50,000) | 60,870 | (10,271,152) | (613,402) |
| Balance, June 30, 2020 | 45,324,903 | 8,738,995 | 907,885 | (50,000) | 60,870 | (10,426,688) | (768,938) |
| Net loss for the period | - | - | - | - | - | (155,698) | (155,698) |
| Balance, March 31, 2021 | 45,324,903 | 8,738,995 | 907,885 | (50,000) | 60,870 | (10,582,386) | (924,636) |

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

MONTEGO RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF CASH FLOWS****EXPRESSED IN CANADIAN DOLLARS****UNAUDITED**

| | Three months ended March 31, 2021 | Three months ended March 31, 2020 | Nine months ended March 31, 2021 | Nine months ended March 31, 2020 |
|----------------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------------------------------|-------------------------------------------|
| | \$ | \$ | \$ | \$ |
| CASH PROVIDED BY (USED IN): | | | | |
| OPERATING ACTIVITIES | | | | |
| Net loss for the period | (115,428) | (45,791) | (155,698) | (446,663) |
| Items not involving cash: | | | | |
| Accrued interest and accretion | 10,734 | 30,716 | 28,272 | 75,660 |
| Depreciation | 144 | 179 | 464 | 572 |
| Foreign exchange (gain) loss | (56) | 424 | (365) | 380 |
| Shares issued for mineral property acquisition | - | - | - | 8,667 |
| Unrealized (gain) loss on investment | 57,857 | (15,000) | (38,571) | 120,000 |
| | (46,749) | (29,472) | (165,898) | (241,384) |
| Changes in non-cash working capital balances: | | | | |
| Amounts receivable | (78) | 188,797 | (5,889) | 181,792 |
| Prepaid expenses | - | (3,443) | - | 1,242 |
| Accounts payable and accrued liabilities | 35,994 | (60,330) | 31,412 | (329,232) |
| Cash provided by (used in) operating activities | (10,833) | 95,552 | (140,375) | (387,582) |
| FINANCING ACTIVITY | | | | |
| Proceeds from loans payable | 15,000 | - | 15,000 | 360,000 |
| Cash provided by investing activity | 15,000 | - | 15,000 | 360,000 |
| INCREASE (DECREASE) IN CASH | 4,167 | 95,552 | (125,375) | (27,582) |
| CASH, BEGINNING OF PERIOD | 16,348 | 63,216 | 145,890 | 186,350 |
| CASH, END OF PERIOD | 20,515 | 158,768 | 20,515 | 158,768 |

The Company did not pay any interest or income taxes in cash during the nine months ended March 31, 2021 and 2020.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Montego Resources Inc. (“the Company”) was incorporated on July 20, 2012 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 400-837 West Hastings, Vancouver, British Columbia, Canada, V6C 3N6. On July 8, 2020, the Company’s symbol changed from MY to MY.X. The .X extension was added to listed securities of issuers that the Canadian Securities Exchange has deemed to be inactive.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As of March 31, 2021, the Company had \$Nil exploration and evaluation assets (Note 4). The Company had a net loss of \$155,698 for the nine months ended March 31, 2021 and, as of that date, the Company had an accumulated deficit of \$10,582,386 which has been funded mainly by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

In March 2020, 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. 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, the Company anticipates this outbreak might increase the difficulty in capital raising which may negatively impact the Company’s business and financial condition. These factors indicate a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

These condensed interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed interim financial statements follow the same accounting policies and methods of computations as compared with the most recent annual financial statements, being for the year ended June 30, 2020, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, these condensed interim financial statements should be read in conjunction with the Company’s most recent annual financial statements.

These condensed interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on May 26, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of presentation

The condensed interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency (continued)

exchange prevailing on the statement of financial position date are recognized in the statement of net loss and comprehensive loss.

f) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to Nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable. The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

h) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Convertible debentures

Convertible debentures, where applicable, are separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue is determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value and the fair value of the liability component.

j) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

| Financial assets/liabilities | IFRS 9 Classification |
|-------------------------------------|------------------------------|
| Cash | FVTPL |
| Amounts receivable | Amortized cost |
| Investment | FVTPL |
| Accounts payable | Amortized cost |
| Loans payable | Amortized cost |
| Convertible debentures | Amortized cost |

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

(ii) Measurement

Financial assets at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of net loss in the period in which they arise.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss. The Company has not designated any financial assets at FVTOCI.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Share-based payments

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates, and the dividend yield of the Company's common shares.

l) Leases

The Company recognizes a right-of-use asset and a lease liability based on the present value of the future lease payments at the commencement date. The commencement date is when the lessor makes the leased asset available for use by the Company, typically the possession date. The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option.

Lease payments for short-term leases with a term of 12 months or less and leases of low-value assets are treated as operating leases, with rent expense recognized in general and administrative expenses on a straight-line or other systematic basis.

Lease liabilities are measured at the present value of future lease payments, discounted using the Company's incremental borrowing rates, and include the fixed payments, variable lease payments that depend on an index or a rate, less any lease incentives receivable. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there are changes to the lease payments, a change in lease term, a change in the assessment of an option to purchase the underlying asset, a change in expected residual value guarantee, or a change in future lease payments due to a change in index or rate tied to the payment.

Right-of-use assets are measured at the initial amount of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs if any, and decommissioning costs to restore the site to the condition required by the terms and conditions of the lease. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets and measures the asset at cost less any accumulated depreciation, accumulated impairment losses in accordance with IAS 36, *Impairment of Assets* and any remeasurements of the lease liabilities. Assets are depreciated from the commencement date on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

During the nine months ended March 31, 2021, the Company recognized \$45,750 in rent expense for contracts exempted under the IFRS 16 provisions due to lease terms of less than 12 months (Note 12).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Changes in accounting policies

(i) Adoption of New or Amended Accounting Standards

Leases

The Company adopted all of the requirements of IFRS 16 *Leases* ("IFRS 16") as of July 1, 2019. This standard sets out a new model for lease accounting. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated, and the lease liability is accreted using the effective interest method.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As at the date of transition, management has assessed that it does not have any leases to which IFRS 16 applies. The adoption of the new IFRS pronouncement has therefore not resulted to adjustments in previously reported figures and there have been no changes to the opening deficit balance as at July 1, 2019.

(ii) New Accounting Standards Issued but Not Yet Effective

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting 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:

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;
- ii. decommissioning liabilities relating to the Company's mineral property;
- iii. the measurement of deferred income tax assets and liabilities;

MONTEGO RESOURCES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020
(Expressed in Canadian dollars)

UNAUDITED

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- iv. the inputs used in accounting for share-based payments in profit or loss; and
- v. discount rate used to determine the fair value of the liability component of convertible debentures.

Significant accounting judgments

- i. the determination of categories of financial assets and financial liabilities; and
- ii. the evaluation of the Company's ability to continue as a going concern.

4. EXPLORATION AND EVALUATION ASSETS

| | Acquisition Costs | Exploration Costs | Total |
|-------------------------------------------------|----------------------|----------------------|----------|
| | \$ | \$ | \$ |
| Balance, June 30, 2019 | 1 | - | 1 |
| Acquisition costs | 8,667 | - | 8,667 |
| Property acquisition and expenditures | - | 39,171 | 39,171 |
| Impairment of exploration and evaluation assets | (8,668) | (39,171) | (47,839) |
| Balance, June 30, 2020 and March 31, 2021 | - | - | - |

Taylor Silver Property

On March 28, 2017, the Company entered into an option agreement with Silver Predator Corp. ("Silver") to acquire 100% interest in the mining claims of the Taylor Silver Property ("Taylor"), located in White Pine County in the state of Nevada, USA.

To earn the 100% interest in Taylor, the Company is required to make cash payments of US\$1,200,000, issue 2,500,000 common shares of the Company and incur an aggregate exploration expenditure of US\$700,000 as follows:

| | Number of Common Shares | Cash US\$ | Exploration Expenditures US\$ |
|----------------------------------------------------------------------------------|-------------------------------|--------------|-------------------------------------|
| Upon closing of the agreement (issued and paid) | 500,000 | 200,000 | - |
| On or before 6 months from closing of the agreement (issued and paid) | 300,000 | 100,000 | - |
| On or before 12 months from closing of the agreement (issued, paid and incurred) | 400,000 | 200,000 | 100,000 |
| On or before 24 months from closing of the agreement | 500,000 | 300,000 | 250,000 |
| On or before 36 months from closing of the agreement | 800,000 | 400,000 | 350,000 |
| Total | 2,500,000 | 1,200,000 | 700,000 |

The property is subject to a 2% net smelter return royalty and 1% net profit royalty to Silver.

As of June 30, 2020 and 2019, the Company has paid \$650,135 (US\$500,000) and issued 1,200,000 common shares with a fair value of \$341,500 to Silver.

4. EXPLORATION AND EVALUATION ASSETS (continued)

Taylor Silver Property (continued)

During the year ended June 30, 2020, the Company incurred \$39,171 (2019 - \$122,961) mineral property expenses.

As at June 30, 2019, the Company determined there was objective evidence of impairment and recognized an impairment loss of \$1,260,814. During the year ended June 30, 2020, the Company received notice from Silver that it has terminated its option agreement with the Company and recognized an additional impairment loss of \$39,172.

Orogrande Gold Project

The Company signed a mineral property acquisition agreement dated September 13, 2018 with Altiplano Metals Inc. ("Altiplano") to acquire a series of mining claims located in Idaho County in the state of Idaho and commonly referred as the Orogrande Gold Project. The claims are subject to 1.5% NSR on commercial production pursuant to a royal agreement with the previous owner dated November 24, 2016. The consideration is the sum of US\$150,000 which shall be satisfied by one-time cash payment of US\$50,000 and the issuance of 520,000 common shares.

The Company paid the one-time cash payment of \$64,875 (US\$50,000) during the year ended June 30, 2019 and issued 173,333 common shares with a fair value of \$8,667 during the year ended June 30, 2020 (Note 8).

As at June 30, 2019, the Company determined there was objective evidence of impairment and recognized an impairment loss of \$64,875. During the year ended June 30, 2020, the Company recorded an additional impairment loss of \$8,667.

5. INVESTMENT

Continuity for the periods ended March 31, 2021 and June 30, 2020 is as follows:

| Common shares of Cache Exploration Inc. | Number of Shares | Cost | Fair value |
|------------------------------------------------|-------------------------|-------------|-------------------|
| | | \$ | \$ |
| Balance, June 30, 2019 | 428,571 | 210,000 | 150,000 |
| Unrealized loss on changes in fair value | - | - | (120,000) |
| Balance, June 30, 2020 | 428,571 | 210,000 | 30,000 |
| Unrealized gain on changes in fair value | - | - | 38,571 |
| Balance, March 31, 2021 | 428,571 | 210,000 | 68,571 |

On February 28, 2017, the Company entered into an option agreement with Cache Exploration Inc. ("Cache") whereby Cache can earn a 100% interest in the Kiyuk Lake Property. To earn the 100% interest, Cache would pay the Company an aggregate amount of \$500,000, of which \$200,000 was paid in cash. Cache made the remaining payments of \$300,000 by issuing 428,571 common shares with a fair value of \$210,000 to the Company during the year ended June 30, 2018.

During the nine months ended March 31, 2021, the market value of the investment increased and an unrealized gain of \$38,571 (2020 - loss of \$120,000) was recognized in profit and loss.

MONTEGO RESOURCES INC.
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FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020
(Expressed in Canadian dollars)

UNAUDITED

6. LOANS PAYABLE

On November 21, 2019, the Company entered into two separate loan agreements with arm's length parties for \$180,000 each, resulting in an aggregate amount of \$360,000. Both loans bear interest at 12% per annum. The principal amount and any accrued interest are due on the demand of the lenders. The loans are unsecured.

On February 17, 2021, the Company entered into a loan agreement with an arm's length party for \$10,000. An additional loan of \$5,000 was received by the Company on March 30, 2021 resulting in an aggregate amount of \$15,000. Both loans bear interest at 7% per annum. The principal amount and any accrued interest are due within 12 months from the date of the agreement. The loans are unsecured.

During the nine months ended March 31, 2021, the Company recorded interest expense of \$32,511 (2020 - \$15,386) on these loans. As of March 31, 2021, the balance outstanding including accrued interest was \$433,668 (June 30, 2020 - \$386,157).

7. CONVERTIBLE DEBENTURES

On November 14, 2017, the Company closed a non-brokered private placement of secured convertible debentures. The convertible debentures are secured by a general security agreement over the assets of the Company and will be subordinated to all senior indebtedness of the Company. The Company received proceeds of \$1,000,000, and the debentures mature twelve months from the date of issue, accrue interest at a rate of 8% per year and are convertible into units of the Company at \$0.13 per unit. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price \$0.25 expiring twelve months from the date of close of the private placement.

For accounting purposes, the convertible debentures are separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 15% for convertible debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the convertible debentures and the fair value of the liability component.

On May 13, 2019, the Company was sued for default of the convertible debentures of \$1,000,000 plus 8% interest. As a result, total cash of \$1,115,991 was garnished by the Supreme Court of British Columbia and is designated as restricted cash as at June 30, 2019. During the year ended June 30, 2020, the restricted cash was released to repay the convertible debentures.

The following table summarizes the outstanding balance and changes in the components of the convertible debentures during the periods ended March 31, 2021 and June 30, 2020:

| | Liability Component | | Equity Component | |
|--------------------------------------------------|----------------------------|----------------|-------------------------|---------------|
| Balance, June 30, 2019 | \$ | 1,129,973 | \$ | 60,870 |
| Repayment | | (1,070,136) | | - |
| Interest | | 40,255 | | - |
| Balance, June 30, 2020 and March 31, 2021 | \$ | 100,092 | \$ | 60,870 |

8. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

There were no shares issued during the nine months ended March 31, 2021.

On October 11, 2019, the Company issued 173,333 common shares with a fair value of \$8,667 pursuant to the option agreement for the Orogrande Gold Project (Note 4).

b) Share options:

There were no stock options outstanding as at March 31, 2021 and June 30, 2020.

c) Share purchase warrants:

There were no share purchase warrants outstanding as at March 31, 2021 and June 30, 2020.

9. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management compensation

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include current and former officers and the directors of the Company. The remuneration of key management is as follows:

| Nine months ended March 31, | 2021 | 2020 |
|------------------------------------|-------------|-------------|
| | \$ | \$ |
| Management fees | 2,000 | 48,206 |
| Consulting fees | 2,288 | 8,000 |
| | 4,288 | 56,206 |

Management and consulting services were provided by companies owned by current and former officers and directors of the Company.

Other transactions and balances

- a) On March 20, 2019, a former officer of the Company brought a claim on behalf of the Company against another officer of the Company in the Supreme Court of British Columbia. On September 3, 2019, the Company and the officer agreed to a settlement of \$1 and reimbursement of legal expenses incurred by the officer for a total of \$248,271.

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Other transactions and balances (continued)

- b) On June 11, 2019, the Company was served with a notice of civil claim in the Supreme Court of British Columbia by a former officer of the Company. In the claim, the former officer alleged that the Company was responsible for the \$250,000 he advanced to a law firm retained on behalf of the Company for the claim above, any additional amounts advanced for legal work undertaken, as well as his compensation at a rate of \$10,000 per month for every month for which he was an officer of the Company. The Company believes the claim is meritless and will vigorously defend it. At this time, however, it is premature to make any conclusion regarding the probability of incurring material losses in this litigation.
- c) On January 22, 2020, the Company proceeded with legal action against two former directors for breaches of fiduciary duty, and failure to exercise reasonable care, skill and diligence that jeopardized the Company's interest in the Black Dog Gold Project in Northern Quebec and its interest in the Taylor Silver Property in Nevada, which has affected shareholder value of the Company. On January 29, 2020, the court granted default judgement on one of the former directors against whom the Company will be seeking damages for the losses suffered. The Company is currently in advanced settlement discussions with the other former director.
- d) The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

| | March 31, 2021 | June 30, 2020 |
|------------------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Accounts payable and accrued liabilities | 46,372 | 68,946 |

The amounts are due to current and former directors and companies controlled by current and former directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

a) Categories of financial assets and financial liabilities

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

| Financial Instrument | Category | March 31, 2021 | June 30, 2020 |
|------------------------|----------------|----------------|---------------|
| | | \$ | \$ |
| Cash | FVTPL | 20,515 | 145,890 |
| Investment | FVTPL | 68,571 | 30,000 |
| Accounts payable | Amortized cost | 521,987 | 490,940 |
| Loans payable | Amortized cost | 433,668 | 386,157 |
| Convertible debentures | Amortized cost | 100,092 | 100,092 |

b) Fair value of financial instruments

IFRS 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

Cash and investment are carried at fair value on a recurring basis using Level 1 inputs. The fair value of the Company's amounts receivable, accounts payable, loans payable and convertible debentures approximates their carrying value as of March 31, 2021 because of the demand nature or short-term maturity of these instruments.

c) Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, investment, accounts payable, loans payable and convertible debentures. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is limited to one mineral property which is located in Nevada. The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

c) Financial risk management objectives and policies (continued)

(ii) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high-quality financial institution.

(iv) Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. All of the Company's liabilities are due within 12 months of the date on the statements of financial position.

12. COMMITMENT

On July 1, 2020, the Company entered into a lease agreement for office space for a monthly lease payment of \$5,000 with a term of 12 months and terminates on June 30, 2021.