BENJAMIN HILL MINING CORP.
(FORMERLY MOJAVE GOLD CORP.)

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended August 31, 2021 and 2020
(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Benjamin Hill Mining Corp. (formerly Mojave Gold Corp.)

Opinion

We have audited the consolidated financial statements of Benjamin Hill Mining Corp. (formerly Mojave Gold Corp.) (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 to the financial statements, which describes 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 the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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, 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

December 29, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

BENJAMIN HILL MINING CORP.
(FORMERLY MOJAVE GOLD CORP.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	August 31, 2021	August 31, 2020
ASSETS			
Current assets			
Cash		$ 46,355	$ 4,712
Sales tax receivable		9,774	13,993
Subscriptions receivable	7	-	1,975
Prepaids and advances		9,246	-
Total current assets		65,375	20,680
Non-current assets			
Exploration and evaluation assets	5	3,270,166	1,451,124
Due from related parties	8	-	188,675
Total non-current assets		3,270,166	1,639,799
TOTAL ASSETS		$ 3,335,541	$ 1,660,479
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 503,861	$ 50,605
Loans payable	6	1,085,624	-
Due to related parties	8	16,220	-
Total current liabilities		1,605,705	50,605
SHAREHOLDERS' EQUITY			
Capital stock	7	6,154,570	4,301,040
Reserves	7	1,145,436	390,009
Deficit		(5,570,170)	(3,081,175)
TOTAL SHAREHOLDERS' EQUITY		1,729,836	1,609,874
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 3,335,541	$ 1,660,479

Nature and continuance of operations (Note 1)
Subsequent events (Note 13)

"Cole McClay"
Director

"Greg Bronson"
Director

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

BENJAMIN HILL MINING CORP.
(FORMERLY MOJAVE GOLD CORP.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Year ended August 31, 2021	Year ended August 31, 2020
EXPENSES			
Consulting	8	$ 144,000	$ 110,934
Exploration costs		50,220	-
Foreign exchange		1,611	-
Interest expense	6	12,351	-
Office and administration		64,664	66,600
Professional fees		169,401	87,984
Rent	8	36,500	42,000
Stock based compensation	7,8	904,096	433,103
Transfer agent and filing fees		40,859	32,019
Write-down of exploration and evaluation assets	5	734,500	1,215,716
Write-off of amounts due from related parties	8	330,793	-
Loss and comprehensive loss for the year		$ (2,488,995)	$ (1,988,356)
Basic and diluted loss per share		$ (0.07)	$ (0.08)
Weighted average number of shares outstanding - basic and diluted		35,839,856	25,489,744

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

BENJAMIN HILL MINING CORP.
(FORMERLY MOJAVE GOLD CORP.)
Consolidated Statements of Cash Flows
For the years ended August 31, 2021 and 2020
(Expressed in Canadian dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,488,995)	$ (1,988,356)
Item not involving cash:		
Stock based compensation	904,096	433,103
Write-down of exploration and evaluation assets	734,500	1,215,716
Write-off of amounts due from related parties	330,793	-
Changes in non-cash working capital:		
Amounts receivable	6,194	(7,203)
Prepaids and advances	(9,246)	-
Accounts payable and accrued liabilities	453,256	(901)
Due to/from related parties	(125,898)	(519,931)
Net cash used in operating activities	(195,300)	(867,572)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration advances	-	57,286
Exploration and evaluation assets	(1,344,542)	(913,121)
Net cash used in investing activities	(1,344,542)	(855,835)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	-	1,002,770
Repayment of advances from related party	-	(78,833)
Proceeds from loans payable	1,085,624	-
Exercise of options	85,000	353,175
Exercise of warrants	410,861	229,706
Net cash provided by financing activities	1,581,485	1,506,818
Change in cash	41,643	(216,589)
Cash, beginning	4,712	221,301
Cash, end	$ 46,355	$ 4,712

Non-cash investing and financing activities during the year ended August 31, 2021:

- 2,500,000 shares were issued at a fair value of $1,140,000 for an exploration and evaluation asset;
- 150,000 shares were issued at a fair value of $69,000 as a finder's fee for an exploration and evaluation asset;
- Transferred a fair value of $80,192 to share capital on the exercise of stock options;
- Transferred a fair value of $68,477 to share capital on the exercise of warrants.

Non-cash investing and financing activities during the year ended August 31, 2020:

- Issued 3,167,241 shares at a fair value of $884,974 for exploration and evaluation assets;
- Warrants with a fair value of $192,840 was recorded to reserves in connection with unit private placement;
- Transferred a fair value of $223,611 to share capital on the exercise of stock options;
- Transferred a fair value of $14,360 to share capital on the exercise of warrants.

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

(Expressed in Canadian dollars)

	Number of Shares		Capital Stock		Reserves		Deficit		Total
Balance as at August 31, 2019	17,955,130	$	1,785,284	$	2,037	$	(1,092,819)	$	694,502
Issuance of common shares	7,713,616		809,930		192,840		-		1,002,770
Shares issued for exploration and evaluation assets	3,167,241		884,974		-		-		884,974
Exercise of warrants	1,278,375		229,706		-		-		229,706
Transfer to share capital on exercise of warrants	-		14,360		(14,360)		-		-
Exercise of options	2,716,731		353,175		-		-		353,175
Transfer to share capital on exercise of options	-		223,611		(223,611)		-		-
Stock based compensation	-		-		433,103		-		433,103
Loss for the year	-		-		-		(1,988,356)		(1,988,356)
Balance as at August 31, 2020	32,831,093	$	4,301,040	$	390,009	$	(3,081,175)	$	1,609,874
Exercise of warrants	2,739,073		410,861		-		-		410,861
Transfer to share capital on exercise of warrants	-		68,477		(68,477)		-		-
Shares issued for exploration and evaluation assets	2,650,000		1,209,000		-		-		1,209,000
Exercise of stock options	340,000		85,000		-		-		85,000
Transfer to share capital on exercise of options	-		80,192		(80,192)		-		-
Stock based compensation	-		-		904,096		-		904,096
Loss for the year	-		-		-		(2,488,995)		(2,488,995)
Balance as at August 31, 2021	38,560,166	$	6,154,570	$	1,145,436	$	(5,570,170)	$	1,729,836

See note 7

1. NATURE AND CONTINUANCE OF OPERATIONS

Benjamin Hill Mining Corp. (formerly Mojave Gold Corp.) (the "Company") was incorporated on August 21, 2014 under the Business Corporations Act of British Columbia. The head office of the Company is 1050 - 12471 Horseshoe Way, Richmond, BC, V7A 4X6. The registered and records office is Suite 1400, 1125 Howe Street, Vancouver, British Columbia, V6Z 2K8. The common shares of the Company are listed on the Canadian Securities Exchange ("CSE") and trades under the symbol "BNN".

The Company is in the business of the exploration and development of natural resource properties in Canada and Mexico.

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 discharge its liabilities in the normal course of business. As at August 31, 2021 the Company has not generated any revenues from operations, has a working capital deficiency of $1,540,330 and accumulated deficit of $5,570,170.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management assesses that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

If the going concern assumption is not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the classifications used could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. The Company may not be able to access it's mineral properties if travel restrictions are mandated by the Mexican government.

These consolidated financial statements were authorized for issue on December 29, 2021 by the directors of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared using accounting policies with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in these financial statements are based on the IFRS issued and effective as of August 31, 2021.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. The Company's subsidiary is Mojave Gold SA De CV, which was incorporated in Mexico on October 14, 2020. A subsidiary is any entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity; is exposed to variable returns in connection with its interest in the entity; and a linkage exists between this power and exposure to variable returns. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.

These consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

2. BASIS OF PREPARATION (CONTINUED)

The consolidated financial statements are presented in Canadian Dollars, which is also the Company and its subsidiary's functional currency, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

a) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the existence of indicators of impairment of the Company's exploration and evaluation assets;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiary.

b) Significant estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of both the parent company and its subsidiary. The Company's subsidiary is domiciled in Mexico and, when required, utilizes a mix of currencies in local transactions. As the subsidiary does not generate its own cash inflows and is exclusively financed by the parent company in Canadian dollars, management has determined that its functional currency is also the Canadian dollar.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Foreign Currency Translation (continued)

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss in the statement of comprehensive loss.

b) Cash

Cash includes cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

c) Exploration and Evaluation Assets

The Company's exploration and evaluation assets consist of mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration and evaluation stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditures in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Exploration and evaluation expenditures also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Where the Company has entered into option agreements to acquire interests in mineral properties that require periodic share issuances, amounts un-issued are not recorded as liabilities since they are issuable entirely at the Company's option. Option payments are recorded as mineral property costs when the payments are made and share issuances are recorded as mineral property costs using the fair market value of the Company's common shares at the date of the issuance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Exploration and Evaluation Assets (continued)

All capitalized exploration and evaluation expenditure is assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The following circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditures on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

d) Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any 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 in the profit or loss for the period. 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.

When 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.

e) Financial Instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

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.

(ii) Measurement

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.

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

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(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 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 loss and comprehensive 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

g) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Stock based compensation

The Company may grant stock options to buy common shares of the Company to directors, officers, employees and consultants. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Stock based compensation (continued)

The fair value of the options is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

i) Earnings (Loss) Per Share

The Company presents basic and diluted earnings/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 earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

New standards, interpretations and amendments not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Sonora, Mexico	Kwedilima Cheetah, Tanzania	Mkuvia & Fakawi Tanzania	Panther1, Canada	Total
Balance – August 31, 2019	$ -	$ 526,245	$ -	$ 342,500	$ 868,745
Deferred costs during the year					
Acquisition costs:	741,624	-	100,000	360,000	1,201,624
Exploration costs:					
Assays, staking and mapping	-	-	150,000	-	150,000
Consulting fees	-	11,451	105,949	-	117,400
Field equipment and supplies	-	-	225,874	-	225,874
Field work	-	73,235	-	-	73,235
Travel and accommodation	-	12,632	10,330	7,000	29,962
	-	97,318	492,153	7,000	596,471
Write-down	-	(623,563)	(592,153)	-	(1,215,716)
Balance – August 31, 2020	741,624	-	-	709,500	1,451,124
Deferred costs during the year					
Acquisition costs:	1,300,417	-	-	-	1,300,417
Exploration costs:					
Claims, leases, land permitting	251,069	-	-	-	251,069
Consulting fees	61,100	10,000	-	-	71,100
Field equipment and supplies	208,066	15,000	-	-	223,066
Geology	379,848	-	-	-	379,848
Office, miscellaneous and travel	6,887	-	-	-	6,887
Rent	210,594	-	-	-	210,594
Taxes and other	110,561	-	-	-	110,561
	1,228,125	25,000	-	-	1,253,125
Write-down	-	(25,000)	-	(709,500)	(734,500)
Balance – August 31, 2021	$ 3,270,166	$ -	$ -	$ -	$ 3,270,166

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Sonora Gold Property, Mexico

On August 4, 2020 and amended February 1, 2021, the Company signed an option agreement (the "Agreement") with Minerales de Tarachi S de RL de CV for an option for the Company to earn a 100% interest in the Sonora gold mineral concessions in the mining district of Benjamin Hill in Sonora, Mexico.

The Option may be exercised by making eleven cash payments, every six months, totaling US$4,000,000 within five years of the execution of the Agreement (the "Execution Date" or August 4, 2020) as follows:

- US$50,000 on the Execution Date (paid at the Canadian equivalent of $66,650);
- US$50,000 on or before March 10, 2021 (paid at the Canadian equivalent of $64,175);
- US$50,000 on the 1st anniversary of the Execution Date (not paid);
- US$50,000 on the 18th month following the Execution Date;
- US$50,000 on the 2nd anniversary of the Execution Date;
- US$50,000 on the 30th month following the Execution Date;
- US$150,000 on the 3rd anniversary of the Execution Date;
- US$150,000 on the 42nd month following the Execution Date;
- US$200,000 on the 4th anniversary of the Execution Date;
- US$500,000 on the 54th month following the Execution Date; and
- US$2,700,000 on the 5th anniversary of the Execution Date.

The Company shall also issue to the optionor 10,000,000 common shares of the Company as follows:

- 1,500,000 common shares 2 business days following the date of filing of the Agreement with the CSE (the "Effective Date" or August 7, 2020) (issued at a fair value of $607,500);
- 1,500,000 common shares on the 6th month following the Effective Date (issued at a fair value of $690,000);
- 2,000,000 common shares on the 1st anniversary of the Execution Date (issued subsequent to August 31, 2021);
- 2,000,000 common shares on the 2nd anniversary of the Execution Date; and
- 3,000,000 common shares on the 3rd anniversary of the Execution Date.

The Optionor retains a 3.0% net smelter royalty pursuant to the Agreement, of which 1.0% may be purchased by the Company for US$1,000,000, reducing the Optionor's interest to 2.0%.

In connection with the Agreement, the Company has entered into a finder's fee agreement with Spirit Exploration Corp. ("Spirit") in consideration for services in introducing the Company to the Optionor, pursuant to which Spirit shall receive consideration in the form of shares at the rate of 10% of the cash and option payments payable under the Option Agreement during the first 3 years of the term of the Agreement as follows:

Cash payments:

- Cash payment of US$5,000 or issuance of 17,241 common shares after the execution of the Agreement (issued 17,241 common shares at a fair value of $6,724);
- Cash payment of US$5,000 or issuance of 17,241 common shares on or before March 10, 2021 (not paid);
- Cash payment of US$5,000 or issuance of 17,241 common shares after the 1st anniversary of the Execution Date of the Agreement (not paid);
- Cash payment of US$5,000 or issuance of 17,241 common shares after the 18th month following the Execution Date of the Agreement;
- Cash payment of US$5,000 or issuance of 17,241 common shares after the 2nd anniversary of the Execution Date of the Agreement;
- Cash payment of US$150,000 or issuance of 51,724 common shares after the 3rd anniversary of the Execution Date of the Agreement;

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Share payments:

- Issuance of 150,000 common shares after the Effective Date of the Agreement (issued at a fair value of $60,750);
- Issuance of 150,000 common shares after the 6th month following the Effective Date of the Agreement (issued at a fair value of $69,000);
- Issuance of 200,000 common shares after the 1st anniversary of the Execution Date of the Agreement (issued subsequent to August 31, 2021 at a fair value of $30,000);
- Issuance of 200,000 common shares after the 2nd anniversary of the Execution Date of the Agreement; and
- Issuance of 300,000 common shares after the 3rd anniversary of the Execution Date of the Agreement.

In the event that the payments outlined are not paid, Spirit has agreed that no finder's fee shall be payable thereon by the Company.

On March 2, 2021, the Company entered into an option agreement with Minerales De Tarachi S de RL De CV to earn a 100% interest in the Benjamin Hill mineral concession in Sonora, Mexico.

The Option may be exercised by making six cash payments, totaling US$3,400,000 within five years of the execution of the Agreement (the "Execution Date" or March 2, 2021) as follows:

Cash payments:

- Cash payment of US$20,000 plus value added tax (VAT) 30 days after the date of execution of the agreement (paid at the Canadian equivalent of $27,242);
- Cash payment of US$30,000 plus VAT on the 1st anniversary of the execution date (paid subsequent to August 31, 2021);
- Cash payment of US$50,000 plus VAT on the 2nd anniversary of the execution date;
- Cash payment of US$50,000 plus VAT on the 3rd anniversary of the execution date;
- Cash payment of US$75,000 plus VAT on the 4th anniversary of the execution date; and
- Cash payment of US$3,175,000 plus VAT on the 5th anniversary of the execution date.

Share payments:

- Issuance of 1,000,000 common shares on the effective date of the Agreement, which shall be two business days following the date of filing of the Agreement with the CSE (issued at a fair value of $450,000);
- Issuance of 1,000,000 common shares on the 1st anniversary of the Execution Date.

The Optionor retains a 3% net smelter royalty pursuant to the agreement, of which 1% may be purchased by the Company for US$1,000,000, reducing the Optionor's interest to 2%.

In connection with the agreement, the Company has entered into a finder's fee agreement with Spirit Exploration Corp. ("Spirit") in consideration for services in introducing the Company to the Optionor, pursuant to which Spirit shall receive consideration paid half in cash and half in shares at the rate of 8% of the cash under the option agreement during the term of the agreement. In the event that the payments stipulated in the agreements are not paid, Spirit has agreed that no finder's fee shall be payable thereon by the Company. To date, no payments have been made to Spirit under this agreement.

Certain payments and share issuances due under the above referenced agreements have not been made; however, no notice of default has been given by the Optionors as at August 31, 2021 and to date.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Kwedilima Cheetah Property, Tanzania

The Company entered into a sub-option agreement with AFGF Holdings (Tanzania) Ltd. ("AFGF") and True Zone Resources Inc. ("True Zone") dated September 26, 2014. AFGF is a private company existing under the laws of Tanzania. AFGF represented and warranted that it had acquired a 100% legal and beneficial interest in a prospecting licenses 6903/2011 & 6905/2011 located in the Handeni Kilindi Regional district of Tanzania. The prospecting licenses were issued February 28, 2011 and transferred in June 2011 to AFGF and grants rights for a period of 48 months to carry on prospecting operations.

The sub-option agreement lapsed and was replaced by an option agreement (the "Option Agreement") between the Company and AFGF dated for reference September 30, 2016. The property that is the subject of the Option Agreement is located on prospecting license 11043/2016 in the Handeni Region, United Republic of Tanzania (the "Property"). The key terms of the Option Agreement are:

The Company can acquire an 80% undivided interest in and to the Property (the "Option") free and clear of all charges, encumbrances and claims in consideration for:

(i) cash payment of $25,000 to AFGF (paid);
(ii) issuance of 500,000 common shares of the Company to AFGF on or before September 26, 2017 (issued);
(iii) incur $75,000 in exploration expenses on or before September 26, 2016 (incurred); and
(iv) an additional $75,000 in exploration expenses on or before December 31, 2016 (incurred).

Pursuant to the Option Agreement, AFGF further granted the Company an option to purchase up to an additional 20% interest in the Property (the "Second Option") upon exercise of the Option by the Company to earn an 80% interest in the Property.

The Second Option may be fully exercised to attain a further 20% legal and beneficial interest in the Property (for an aggregate of up to 100% legal and beneficial interest in the Property) for a 3 year period from the execution of the Option Agreement in consideration for further payments of:

(i) $1,000,000 for each additional 5% interest in the Property for up to $4,000,000; or
(ii) $3,000,000 for an additional 15% interest in the Property whereby the Company may at its sole discretion, pay a further $1,000,000 for a 3% net smelter return (the "Royalty"). The Company is entitled to repurchase up to 2% of the Royalty thereby reducing the Royalty to as low as 2% or 1% net smelter return as the case may be, which may be exercisable at any time, upon the Company giving AFGF notice of exercise together with $1,000,000 for each 1% net smelter return for an aggregate of up to $2,000,000.

During the year ended August 31, 2018, the Company exercised the option granted by the Option Agreement pursuant to an option exercise agreement among the Company, AFGF and its staking agent, Jafari Yassim Sebabili ("Sebabili") (the "Option Exercise Agreement"). The key terms of the Option Exercise Agreement are that the Company will exercise the first option to earn an 80% interest in the Tanzania property and upon such exercise shall be deemed to have earned an additional 20% interest in the Tanzania property for a total 100% legal and beneficial interest. The prospecting license which comprises the Tanzania property (the "PL") is held by Sebabili on behalf of AFGF and was in the process of being transferred to AFGF. Under the Option Exercise Agreement, Sebabili will withdraw the application to transfer the registration in the PL to AFGF and immediately register the Company as the 100% legal and beneficial owner of the PL. Until such registration occurs, Sebabili will hold the 100% legal and beneficial interest in the PL in trust for the Company.

During the year ended August 31, 2020, the Company abandoned its properties in Tanzania and wrote-down $623,563 on its Kwedilima Cheetah Property. A further $25,000 was written off during the year ended August 31, 2021.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Mkuvia & Fakawi Property, Tanzania

During the year ended August 31, 2020, the Company entered into option agreements with the Mkuvia and Fakawi properties. Mkuvia is a placer gold property in Southern Tanzania and Fukawi is a lode gold property in the Handeni area of East central Tanzania.

The Company may exercise the option to acquire an 80% net profit interest in the Mkuvia property free and clear of all charges, encumbrances and claims in consideration for:

i. cash payment of US$5,000 within 30 days of the effective date of this agreement (paid).

The Company can earn a 100% legal and beneficial interest in the licenses on the Fakawi Property, free and clear of all charges and encumbrances, on the following option terms:

ii. cash payment of US$75,000 upon execution of the option agreement (paid);
iii. incur exploration expenditures of US$75,000 to within 6 months of the effective date of the option agreement (incurred);
iv. issuance of 1,000,000 common shares to the optionor on or before October 15, 2019 (not issued);
v. initiate a US$250,000 development and mining program within 6 months of the effective date of the option agreement;
vi. cash payment of US$100,000 within one year of the effective date of the option agreement; and
vii. issuance of 1,000,000 common shares within one year of the effective date of the option agreement.

During the year ended August 31, 2020, the Company abandoned its properties in Tanzania and wrote-down $592,153 on its Mkuvia & Fakawi Property.

Panther1 Property, Canada

On November 2018, the Company signed an option agreement to acquire an 80% interest in Panther1 Property, a vanadium property located on Vancouver Island, British Columbia. Under the terms of the agreement, the Company will make cash payments of $100,000 to the optionor, issue 2,500,000 common shares to the optionor, and incur $225,000 in exploration expenditures by December 31, 2019 as follows:

- Cash payment of $50,000 to the optionor within five business days upon execution of this Agreement (paid);
- Issuance of 1,000,000 common shares of the optionee to the optionor within five business days upon execution of this Agreement (issued at a fair value of $190,000);
- Incur $75,000 in exploration expenses on or before December 31, 2018 (incurred);
- Payment of $50,000 to the optionor by May 15, 2019 (paid);
- Issuance of 1,500,000 common shares of the optionee to the optionor on or before October 31, 2019 (issued at a fair value of $210,000); and
- Incur $150,000 in exploration expenses on or before December 31, 2019 (paid in lieu of incurring expenditures and classified as acquisition cost).

During the year ended August 31, 2021, the Company abandoned its properties in Vancouver Island, British Columbia and wrote-down $709,500 on its Panther 1 Property.

6. LOANS PAYABLE

During the year ended August 31, 2021, the Company received a loan from a third party for $250,000. The loan is interest bearing at 6% per annum, due on demand and has no specific terms of repayment. As at August 31, 2021, the Company accrued $6,781 of interest payable which is included in accounts payable and accrued liabilities.

During the year ended August 31, 2021, the Company received a loan from a third party for $220,000. The loan is interest bearing at 6% per annum, due on demand and has no specific terms of repayment. As at August 31, 2021, the Company accrued $1,362 of interest payable which is included in accounts payable and accrued liabilities.

During the year ended August 31, 2021, the Company issued a promissory note to a third party for US $162,400 (CDN $205,676). The loan is interest bearing at 6% per annum, unsecured, due on demand and has no specific terms of repayment. During the year ended August 31, 2021, the Company accrued US $3,337 (CDN $4,208) of interest payable which is included in accounts payable and accrued liabilities.

During the year ended August 31, 2021, the Company received a loan from a third party for $409,948. The loan does not bear interest, is due on demand and has no specific terms of repayment.

7. CAPITAL STOCK

Authorized – unlimited common and preferred shares without par value

Issued and outstanding:

Share capital transactions during the year ended August 31, 2021 were as follows:

- 2,739,073 warrants and broker's warrants were exercised for proceeds of $410,861. A value of $68,477 was transferred from reserves on exercise.
- 2,500,000 shares were issued at a fair value of $1,140,000 for an exploration and evaluation asset (Note 5).
- 150,000 shares were issued at a fair value of $69,000 as a finder's fee for an exploration and evaluation asset (Note 5).
- 340,000 stock options were exercised for proceeds of $85,000. A value of $80,192 was transferred from reserves on exercise.

Share capital transactions during the year ended August 31, 2020 were as follows:

- 1,500,000 shares were issued at a fair value of $210,000 for an exploration and evaluation asset.
- 1,500,000 shares were issued at a fair value of $607,500 for an exploration and evaluation asset.
- 167,241 shares were issued at a fair value of $67,474 in connection with a finder's fee agreement for an exploration and evaluation asset.
- Closed a private placement at $0.13 per unit from the sale of 7,713,616 units for gross proceeds of $1,002,770. Each unit comprises of one common share and one share purchase warrant, where each warrant may be exercised to purchase a further common share at a price of $0.15 for a period of two years. A value of $192,840 was allocated to the warrants using the residual method and was recorded in reserves. Insiders purchased 1,615,385 units in this private placement.
- 2,716,731 stock options were exercised for gross proceeds of $353,175. A value of $223,611 was transferred from reserves to share capital on exercise.
- 1,278,375 warrants and broker's warrants were exercised for proceeds of $229,706, of which $1,975 was receivable at August 31, 2020. A value of $14,360 was transferred from reserves on exercise of agent's warrants.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (CONTINUED)

Stock options

The Company's plan allows the directors to grant stock options to directors, officers, employees and consultants to purchase up to a total of 10% of the issued and outstanding common shares. No stock option granted under the plan is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

A summary of the Company's outstanding share purchase options as at August 31, 2021 and the changes during the year are presented below:

	Number of Options	Weighted Average Exercise Price
Balance – August 31, 2019	-	$ -
Granted	3,604,941	0.16
Exercised	(2,716,731)	0.13
Balance – August 31, 2020	888,210	0.25
Granted	2,700,000	0.59
Exercised	(340,000)	0.25
Balance – August 31, 2021	3,248,210	$ 0.53

Number of Options	Exercise Price ($)	Expiry Date
548,210	0.25	July 22, 2025
2,700,000	0.59	February 25, 2026
3,248,210		

The weighted average share price on date of exercise of stock options during the year ended August 31, 2021 was $0.40 (2020 - $0.23)

Stock based compensation

During the year ended August 31, 2021, the Company granted 2,700,000 stock options (2020 – 3,604,941) at a weighted average exercise price of $0.59 per share (year ended August 31, 2020 – $0.16 per share). The total stock based compensation recognized on stock options granted during the year ended August 31, 2021 was $904,096 (2020 - $433,103).

The weighted average fair value of each stock option granted during the year ended August 31, 2021 was $0.33 (2020 - $0.12), calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

	2021	2020
Risk-free interest rate	0.93%	1.10%
Expected life of option	2.5 years	2.5 years
Expected dividend yield	0%	0%
Expected stock price volatility	110.54%	150.00%

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (CONTINUED)

Share purchase warrants

A summary of the Company's outstanding share purchase warrants as at August 31, 2021 and the changes during the year are presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding – August 31, 2019	1,272,625	$ 0.20
Granted	7,713,616	0.15
Exercised	(1,278,375)	0.18
Expired	(486,000)	0.20
Outstanding – August 31, 2020	7,221,866	0.15
Exercised	(2,739,073)	0.15
Expired	(8,250)	0.15
Outstanding – August 31, 2021	4,474,543	$ 0.15

Number of Warrants	Exercise Price ($)	Expiry Date
4,474,543	0.15	December 4, 2021
4,474,543		

The weighted average life of outstanding warrants is 0.26 years (August 31, 2020 – 1.26 years).

Reserves

Reserves relate to share-based payment reserve, which represent the fair value of stock options or warrants until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

8. RELATED PARTY TRANSACTIONS

As at August 31, 2021, there is $275,589 due from a former director of the Company (2020 – due from a former director of the Company - $133,471). These amounts are non-interest bearing and have no specified terms of repayment. During the year ended August 31, 2021, the Company recorded an allowance of $275,589 (2020 - $Nil) on amounts owing from the former director.

As at August 31, 2021, there is $55,204 (2020 - $55,204) due from a company with former common directors with the Company. These amounts are non-interest bearing and have no specified terms of repayment. During the year ended August 31, 2021, the Company recorded an allowance of $55,204 (2020 - $Nil) on amounts owing from the company with former common directors.

During the year ended August 31, 2021, the Company incurred $42,000 (2020 - $Nil) in consulting fees from a company controlled by a director of the Company. As at August 31, 2021, $10,970 (2020 - $Nil) was owing to this company.

During the year ended August 31, 2021, the Company incurred $60,000 (2020 - $Nil) in consulting fees from a company controlled by a director of the Company. As at August 31, 2021, $5,250 (2020 - $Nil) was owing to this company.

During the year ended August 31, 2021, the Company incurred $38,500 (2020 - $105,000) in consulting fees from a company controlled by a former director of the Company.

8. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2021, the Company incurred $3,500 (2020 - $42,000) in rent to a company controlled by a former director of the Company.

During the year ended August 31, 2021, the Company granted stock options to key management valued at $719,928 (2020 - $424,872).

9. MANAGEMENT OF CAPITAL

The Company defines its capital as all components of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to managing capital during the period.

10. FINANCIAL INSTRUMENTS AND RISKS

Fair Value

The Company's financial instruments consist of cash, amounts receivable, accounts payable, loans payable and due to / from related parties. The fair value of all financial instruments approximate their carrying values. Cash is classified as fair value through profit and loss and amounts receivable is classified at amortized cost. Accounts payable, due to / from related parties and loans payable are classified as amortized cost.

The Company's financial instrument is exposed to a number of risks that are summarized below:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due or can do so only at excessive cost. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities.

The Company's approach to managing liquidity is to ensure that it will always have sufficient cash to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions. The Company manages its liquidity risk by continuously monitoring cash flow requirements relating to its anticipated exploration and evaluation activities as well as general overhead requirements. Liquidity risk is assessed as high.

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances and amounts due from former director. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

10. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in non-interest bearing bank account, management considers the interest rate risk to be minimal. The interest rates on loans payable are at fixed rates. The Company is not exposed to interest rate fluctuations.

Commodity Price Risk

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals or in the share prices of junior mineral exploration companies in general, could have a negative impact on the Company's ability to raise additional capital. Sensitivity to commodity price risk is remote since the Company has not established any reserves or production.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's Mexican subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Mexican Pesos and United States Dollars while its functional currency is the Canadian Dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Mexican pesos:

	August 31, 2021	August 31, 2020
Cash	$ 20,919	$ -
Accounts payable	(351,571)	-
	(330,652)	$ -

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets.

The location of the Company's exploration and evaluation assets are disclosed in note 5.

(Expressed in Canadian Dollars)

12. INCOME TAX

A reconciliation of the expected income recovery to the actual income tax recovery is as follows:

	2021	2020
Loss for the year	$ (2,488,995)	$ (1,988,356)
Statutory tax rate	27%	27%
Expected income tax recovery	(675,304)	(536,856)
Other	531,735	445,181
Change in valuation allowance and other	143,569	91,675
Deferred income tax recovery	**$ -**	**$ -**

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2021	2020
Loss carry-forwards	$ 1,872,613	$ 1,326,503
Share issuance costs	26,903	53,805
	$ 1,899,516	**$** 1,380,308

The tax pools relating to these deductible temporary differences expire as follows:

	Loss carry-forwards
2034	$ 6
2035	129,179
2036	135,618
2037	135,302
2038	237,770
2039	322,189
2040	366,440
2041	546,110
	$ 1,872,613

13. SUBSEQUENT EVENTS

a) Subsequent to August 31, 2021, 1,153,846 warrants were exercised at a price of $0.15 per warrant for gross proceeds of $173,077 and 3,320,697 warrants expired unexercised on December 4, 2021.
b) On October 11, 2021, the Company issued 2,000,000 shares to Minerales de Tarachi S de RL de CV and 200,000 shares to Spirit in connection with the Sonora Gold property option agreement and related finders fee agreement (Note 5).

13. SUBSEQUENT EVENTS (CONTINUED)

c) On November 4, 2021, the Company paid US $34,800 (US $30,000 plus US $4,800 VAT) to Minerales de Tarachi S de RL de CV, in connection with the Benjamin Hill mineral concession option agreement (Note 5).
d) In December 2021, 104,000 stock options were exercised at $0.25 per option for gross proceeds of $26,000.
e) In December 2021, the Company received $700,000 in proceeds for a private placement financing that has not yet been closed.
f) Subsequent to August 31, 2021, the Company received additional loans from Spirit totaling $132,000, which bears interest at 6% per annum.
g) On October 26, 2021, the Company received a US $116,000 loan from a non-arms length party, which bears interest at 6% per annum.
h) On October 25, 2021, the Company granted 475,000 stock options with an exercise price of $0.43 per common share, exercisable for 5 years from date of grant.
i) In December 2021, the Company entered into debt settlement agreements to settle a total of $1,404,209 in debt for the issuance of 4,012,024 units of the Company. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable at $0.50 per common share.