

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended February 28, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 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 financial statements have not been reviewed by an auditor. The accompanying unaudited 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**BENJAMIN HILL MINING CORP.**  
**(FORMERLY MOJAVE GOLD CORP.)**  
Condensed Consolidated Interim Statements of Financial Position  
Unaudited – Prepared by Management  
(Expressed in Canadian dollars)

	Note	February 28, 2022	August 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,511,321	\$ 46,355
Sales tax receivable		10,654	9,774
Prepays and advances		<u>131,419</u>	<u>9,246</u>
<b>Total current assets</b>		<u>1,653,394</u>	<u>65,375</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	<u>5,237,158</u>	<u>3,270,166</u>
<b>Total non-current assets</b>		<u>5,237,158</u>	<u>3,270,166</u>
<b>TOTAL ASSETS</b>		<u>\$ 6,890,552</u>	<u>\$ 3,335,541</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	\$ 364,283	\$ 503,861
Loans payable	6	-	1,085,624
Due to related parties	8	<u>5,250</u>	<u>16,220</u>
<b>Total current liabilities</b>		<u>369,533</u>	<u>1,605,705</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	7	11,233,858	6,154,570
Reserves	7	1,808,023	1,145,436
Deficit		<u>(6,520,862)</u>	<u>(5,570,170)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>6,521,019</u>	<u>1,729,836</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>\$ 6,890,552</u>	<u>\$ 3,335,541</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 12)

*“Cole McClay”*

Director

*“Greg Bronson”*

Director

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

**BENJAMIN HILL MINING CORP.**  
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Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	Note	Three months ended February 28, 2022	Three months ended February 28, 2021	Six months ended February 28, 2022	Six months ended February 28, 2021
<b>EXPENSES</b>					
Consulting	8	\$ 36,000	\$ 33,700	\$ 72,000	\$ 67,300
Foreign exchange		6,541	11,028	23,971	11,028
Interest expense	6	10,142	-	22,225	-
Office and administration		14,588	18,902	37,160	31,972
Professional fees (recovery)		(36,551)	59,746	30,251	68,704
Rent	8	-	10,500	9,000	21,000
Stock-based compensation	7	595,157	1,241,374	743,328	1,241,374
Transfer agent and filing fees		9,493	19,168	12,757	27,570
Write-down of exploration and evaluation assets	5	-	-	-	25,000
<b>Loss and comprehensive loss for the period</b>		\$ (635,370)	\$ (1,394,418)	\$ (950,692)	\$ (1,493,948)
<b>Basic and diluted loss per share</b>		\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.04)
<b>Weighted average number of shares outstanding - basic and diluted</b>		47,244,467	34,598,675	44,008,798	33,743,354

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

**BENJAMIN HILL MINING CORP.**  
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Condensed Consolidated Interim Statements of Cash Flows  
For the six months ended February 28, 2022 and 2021  
Unaudited – Prepared by Management  
(Expressed in Canadian dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (950,692)	\$ (1,493,948)
Item not involving cash:		
Stock-based compensation	743,328	1,241,374
Write-down of exploration and evaluation assets	-	25,000
Changes in non-cash working capital:		
Amounts receivable	(880)	(89,881)
Prepays and advances	(122,173)	(143,973)
Accounts payable and accrued liabilities	(99,284)	252,552
Due to/from related parties	(10,970)	38,947
Net cash used in operating activities	(440,671)	(169,929)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(1,090,496)	(225,314)
Net cash used in investing activities	(1,090,496)	(252,314)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Private placement	2,112,246	-
Share issuance costs	(55,020)	-
Advances from related party	-	502,762
Prepays and advances	-	(256,000)
Proceeds from loans payable	278,291	250,000
Exercise of warrants	634,616	213,462
Exercise of stock options	26,000	-
Net cash provided by financing activities	2,996,133	710,224
Change in cash	1,464,966	287,981
Cash, beginning	46,355	4,712
Cash, end	\$ 1,511,321	\$ 292,693

Non-cash investing and financing activities during the six months ended February 28, 2022:

- 2,253,629 shares were issued at a fair value of \$876,496 for an exploration and evaluation asset;
- Transferred a fair value of \$105,769 to share capital on the exercise of warrants.
- Transferred a fair value of \$19,161 to share capital on the exercise of stock options.
- 4,012,024 units were issued to settle debt of \$1,404,209.

Non-cash investing and financing activities during the six months ended February 28, 2021:

- 1,500,000 shares were issued at a fair value of \$690,000 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.

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

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

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Reserves	Deficit	Total
<b>Balance as at August 31, 2020</b>	32,831,093	\$ 4,301,040	\$ 390,009	\$ (3,081,175)	\$ 1,609,874
Exercise of warrants	1,423,077	213,462	-	-	213,462
Shares issued for exploration and evaluation assets	1,650,000	759,000	-	-	759,000
Stock-based compensation	-	-	1,241,374	-	1,241,374
Loss for the period	-	-	-	(1,493,948)	(1,493,948)
<b>Balance as at February 28, 2021</b>	35,904,170	\$ 5,273,502	\$ 1,631,383	\$ (4,575,123)	\$ 2,329,762
<b>Balance as at August 31, 2021</b>	38,560,166	\$ 6,154,570	\$ 1,145,436	\$ (5,570,170)	\$ 1,729,836
Private placements	6,034,989	2,112,246	-	-	2,112,246
Share issue costs	-	(99,209)	44,189	-	(55,020)
Exercise of warrants	4,230,770	634,616	-	-	634,616
Transfer to share capital on exercise of warrants	-	105,769	(105,769)	-	-
Exercise of stock options	104,000	26,000	-	-	26,000
Transfer to share capital on exercise of stock options	-	19,161	(19,161)	-	-
Shares issued for exploration and evaluation assets	2,253,629	876,496	-	-	876,496
Shares issued for debt settlement	4,012,024	1,404,209	-	-	1,404,209
Stock-based compensation	-	-	743,328	-	743,328
Loss for the period	-	-	-	(950,692)	(950,692)
<b>Balance as at February 28, 2022</b>	55,195,578	\$ 11,233,858	\$ 1,808,023	\$ (6,520,862)	\$ 6,521,019

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

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

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Months Ended February 28, 2022 and 2021  
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**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 condensed consolidated interim 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 February 28, 2022 the Company has not generated any revenues from operations, has a working capital deficiency of \$1,283,861 and accumulated deficit of \$6,520,862.

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 condensed consolidated interim 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 condensed consolidated interim 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 its mineral properties if travel restrictions are mandated by the Mexican government.

These condensed consolidated interim financial statements were authorized for issue on April 27, 2022 by the directors of the Company.

**2. BASIS OF PREPARATION**

These condensed consolidated interim financial statements have been prepared using accounting policies with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using the principles of International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim 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.

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**2. BASIS OF PREPARATION (CONTINUED)**

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with with International Financial Reporting Standards (“IFRS”) and, accordingly, should be read in conjunction with the Company’s annual financial statements for the year ended August 31, 2021.

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

The condensed consolidated interim 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 condensed consolidated interim 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.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended August 31, 2021.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended August 31, 2021.



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**5. EXPLORATION AND EVALUATION ASSETS**

	Sonora, Mexico	Kwedilima Cheetah, Tanzania	Panther1, Canada	Total
<b>Balance – August 31, 2020</b>	\$ 741,624	\$ -	\$ 709,500	\$ 1,451,124
Deferred costs during the year				
<b>Acquisition costs:</b>	1,300,417	-	-	1,300,417
<b>Exploration costs:</b>				
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)
<b>Balance – August 31, 2021</b>	3,270,166	-	-	3,270,166
Deferred costs during the period				
<b>Acquisition costs:</b>	1,004,524	-	-	1,004,524
<b>Exploration costs:</b>				
Claims, leases, land permitting (recovery)	(177,820)	-	-	(177,820)
Consulting fees	186,529	-	-	186,529
Field equipment and supplies	463,993	-	-	463,993
Geology (recovery)	(21,986)	-	-	(21,986)
Office, miscellaneous and travel	259,113	-	-	259,113
Rent	118,558	-	-	118,558
Taxes and other	134,081	-	-	134,081
	962,468	-	-	962,468
<b>Balance – February 28, 2022</b>	\$ 5,237,158	\$ -	\$ -	\$ 5,237,158

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**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 1<sup>st</sup> anniversary of the Execution Date (paid at the Canadian equivalent of \$64,124);
- US\$50,000 on the 18<sup>th</sup> month following the Execution Date (paid at the Canadian equivalent of \$63,904);
- US\$50,000 on the 2<sup>nd</sup> anniversary of the Execution Date;
- US\$50,000 on the 30<sup>th</sup> month following the Execution Date;
- US\$150,000 on the 3<sup>rd</sup> anniversary of the Execution Date;
- US\$150,000 on the 42<sup>nd</sup> month following the Execution Date;
- US\$200,000 on the 4<sup>th</sup> anniversary of the Execution Date;
- US\$500,000 on the 54<sup>th</sup> month following the Execution Date; and
- US\$2,700,000 on the 5<sup>th</sup> 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 6<sup>th</sup> month following the Effective Date (issued at a fair value of \$690,000);
- 2,000,000 common shares on the 1<sup>st</sup> anniversary of the Execution Date (issued at a fair value of \$770,000);
- 2,000,000 common shares on the 2<sup>nd</sup> anniversary of the Execution Date; and
- 3,000,000 common shares on the 3<sup>rd</sup> 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 (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 1<sup>st</sup> anniversary of the Execution Date of the Agreement (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 18<sup>th</sup> month following the Execution Date of the Agreement (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 2<sup>nd</sup> anniversary of the Execution Date of the Agreement;
- Cash payment of US\$150,000 or issuance of 51,724 common shares after the 3<sup>rd</sup> anniversary of the Execution Date of the Agreement;

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Notes to the Condensed Consolidated Interim Financial Statements

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**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 1<sup>st</sup> anniversary of the Execution Date of the Agreement (issued at a fair value of \$77,000);
- Issuance of 200,000 common shares after the 2<sup>nd</sup> anniversary of the Execution Date of the Agreement; and
- Issuance of 300,000 common shares after the 3<sup>rd</sup> 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 Minerale 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 1<sup>st</sup> anniversary of the execution date (not paid);
- Cash payment of US\$50,000 plus VAT on the 2<sup>nd</sup> anniversary of the execution date;
- Cash payment of US\$50,000 plus VAT on the 3<sup>rd</sup> anniversary of the execution date;
- Cash payment of US\$75,000 plus VAT on the 4<sup>th</sup> anniversary of the execution date; and
- Cash payment of US\$3,175,000 plus VAT on the 5<sup>th</sup> 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 1<sup>st</sup> 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.

During the period ended February 28, 2022, the Company issued 1,906 common shares at a fair value of \$1,048 in related to the finder's fee agreement with Spirit.

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 February 28, 2022 and to date.

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**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. During the period ended February 28, 2022, the Company accrued \$12,329 (year ended August 31, 2021 - \$6,781) of interest payable which was included in accounts payable and accrued liabilities. During the period ended February 28, 2022, the Company settled the full amount of \$250,000 and accrued interest of \$12,329 in a debt settlement agreement (Note 7).

During the year ended August 31, 2021, the Company received a loan from a third party for \$220,000 and during the period ended February 28, 2022 received a loan from the same third party for \$132,000. The loan is interest bearing at 6% per annum, due on demand and has no specific terms of repayment. During the period ended February 28, 2022, the Company accrued \$7,965 (year ended August 31, 2021 - \$1,362) of interest payable which was included in accounts payable and accrued liabilities. During the period ended February 28, 2022, the Company settled the full amount of \$352,000 and accrued interest of \$7,965 in a debt settlement agreement (Note 7).

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 was interest bearing at 6% per annum, unsecured, due on demand and has no specific terms of repayment. During the period ended February 28, 2022, the Company accrued US \$11,202 (CDN \$14,282) (year ended August 31, 2021 - US \$3,337 (CDN \$4,208)) of interest payable which was included in accounts payable and accrued liabilities. During the period ended February 28, 2022, the Company settled the full amount in a debt settlement agreement (Note 7).

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. During the period ended February 28, 2022, the Company settled the full amount of \$409,948 in a debt settlement agreement (Note 7).

During the period ended February 28, 2022, the Company issued a promissory note to a third party for US \$116,000 (CDN \$146,290), which bears interest at 6% per annum. During the period ended February 28, 2022, the Company settled the full amount in a debt settlement agreement (Note 7).

**7. CAPITAL STOCK**

Authorized – unlimited common and preferred shares without par value

Issued and outstanding:

Share capital transactions during the period ended February 28, 2022 were as follows:

- Issued 104,000 common shares from the exercise of stock options at \$0.25 per option for gross proceeds of \$26,000. A value of \$19,161 was transferred from reserves on exercise.
- 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 at \$0.35 per unit. 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 for a period of two years.
- Closed a private placement consisting of 6,034,989 units at a price of \$0.35 per unit for proceeds of \$2,112,246. Each unit consists of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.50 per share for two years. Cash finder's fees were paid of \$55,020 and finder's warrants of 157,200 were issued under the same terms with a fair value of \$44,189.
- 4,230,770 warrants and broker's warrants were exercised for proceeds of \$634,616. A value of \$105,769 was transferred from reserves on exercise.

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Notes to the Condensed Consolidated Interim Financial Statements

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**7. CAPITAL STOCK (CONTINUED)**

- 2,000,000 shares were issued at a fair value of \$770,000 for an exploration and evaluation asset (Note 5).
- 200,000 shares were issued at a fair value of \$77,000 as a finder's fee for an exploration and evaluation asset (Note 5).
- 53,629 shares were issued at a fair value of \$29,496 as finder's fees for an exploration and evaluation asset (Note 5).

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.

**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 February 28, 2022 and the changes during the period are presented below:

	Number of Options	Weighted Average Exercise Price
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
Granted	1,955,000	0.44
Exercised	(104,000)	0.25
Expired/cancelled	(100,000)	0.43
Balance – February 28, 2022	4,999,210	\$ 0.50

Number of Options	Exercise Price (\$)	Expiry Date
500,000	0.44	February 25, 2024
444,210	0.25	July 22, 2025
2,700,000	0.59	February 25, 2026
375,000	0.43	October 25, 2026
980,000	0.44	February 25, 2027
4,999,210		

The weighted average life of outstanding stock options is 3.99 years (year ended August 31, 2021 – 4.39 years).

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**7. CAPITAL STOCK (CONTINUED)**

**Stock based compensation**

During the period ended February 28, 2022, the Company granted 1,955,000 stock options (year ended August 31, 2021 – 2,700,000) at a weighted average exercise price of \$0.44 per share (year ended August 31, 2021 – \$0.59 per share). The total stock-based compensation recognized on stock options granted during the period ended February 28, 2022 was \$743,328 (year ended August 31, 2021 - \$1,241,374).

The weighted average fair value of each stock option granted during the period ended February 28, 2022 was \$0.38 (year ended August 31, 2021 - \$0.46), calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

	Period ended <u>February 28, 2022</u>	Year ended <u>August 31, 2021</u>
Risk-free interest rate	1.47%	0.93%
Expected life of option	4.23 years	2.5 years
Expected dividend yield	0%	0%
Expected stock price volatility	141.82%	110.54%

**Share purchase warrants**

A summary of the Company's outstanding share purchase warrants as at February 28, 2022 and the changes during the period are presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
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
Issued	5,180,707	0.50
Exercised	(4,230,770)	0.15
Outstanding – February 28, 2022	5,424,480	\$ 0.48

<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
243,773	0.15	December 4, 2022
2,006,012	0.50	December 23, 2023
3,174,695	0.50	January 27, 2024
5,424,480		

The weighted average life of outstanding warrants is 1.83 years (year ended August 31, 2021 – 1.26 years).

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**7. CAPITAL STOCK (CONTINUED)**

During the period ended February 28, 2022, the Company issued 157,200 broker's warrants (year ended August 31, 2021 – nil) at an exercise price of \$0.50 per share (year ended August 31, 2021 – \$nil per share). The fair value of the warrants was \$44,189, calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Period ended <u>February 28, 2022</u>	Year ended <u>August 31, 2021</u>
Risk-free interest rate	1.27%	-
Expected life of warrants	2 years	-
Expected dividend yield	0%	-
Expected stock price volatility	150%	-

**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**

During the period ended February 28, 2022, the Company incurred \$42,000 (2021 - \$nil) in consulting fees from a company controlled by a director of the Company. As at February 28, 2022, \$nil (August 31, 2021 - \$10,970) was owing to this company.

During the period ended February 28, 2022, the Company incurred \$30,000 (2021 - \$30,800) in consulting fees from a company controlled by a director of the Company. As at February 28, 2022, \$5,250 (August 31, 2021 - \$5,250) was owing to this company.

During the period ended February 28, 2022, the Company incurred \$nil (2021 - \$31,500) in consulting fees from a company controlled by a former director of the Company.

During the period ended February 28, 2022, the Company incurred \$nil (2021 - \$21,000) in rent to a company controlled by a former director of the Company.

During the period ended February 28, 2022, the Company granted stock options to key management valued at \$392,568 (2021 - \$919,536).

**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.

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**10. FINANCIAL INSTRUMENTS AND RISKS**

*Fair Value*

The Company's financial instruments consist of cash, amounts receivable, accounts payable, loans payable and due to 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 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.

*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.



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**10. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**

*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:

	<b>February 28, 2022</b>	<b>August 31, 2021</b>
Cash	\$ 260,117	\$ 20,919
Accounts payable	(360,869)	(351,571)
	(100,752)	(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.

**12. SUBSEQUENT EVENTS**

Subsequent to February 28, 2022, the Company:

- a) Entered in an investor relations agreement with Pacificquest Communications Corp. for a term of one year. In connection with the agreement, the Company granted 200,000 stock options exercisable at \$0.50 per share having a term of 3 years and subject to vesting of 25% of the options each calendar quarter over a one-year period.
- b) Granted 100,000 stock options to consultants exercisable at \$0.50 per common share having a term of 3 years and subject to vesting of 25% of the options each calendar quarter over a one-year period.