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# **MONTEREY MINERALS INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Three and Nine Months Ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

**(UNAUDITED)**

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### **Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of Monterey Minerals Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2020 have not been reviewed by the Company's auditors.

# Monterey Minerals Inc.

Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)

As at	September 30, 2020	December 31, 2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 597,594	\$ 70,799
Loan receivable (note 4)	10,018	10,018
Prepaid expenses and deposits	21,704	28,577
Other receivable (note 11)	25,000	-
Government remittance recoverable	55,283	58,057
Marketable securities (note 11)	334,075	-
<b>Total current assets</b>	<b>1,043,674</b>	<b>167,451</b>
Right-of-use asset (note 5)	28,564	41,418
Mineral property interest (notes 6 and 11)	-	-
<b>Total Assets</b>	<b>\$ 1,072,238</b>	<b>\$ 208,869</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 152,909	\$ 68,581
Lease liability (note 7)	21,622	17,038
Loans payable (note 12)	84,863	80,641
<b>Total current liabilities</b>	<b>259,394</b>	<b>166,260</b>
Non-Current liabilities		
Lease liability (note 7)	11,613	28,953
<b>Total Liabilities</b>	<b>271,007</b>	<b>195,213</b>
<b>Shareholders' Equity</b>		
Share capital (note 8(a))	9,108,716	3,535,097
Reserves (notes 8 (b) and (c))	1,182,135	357,980
Accumulated other comprehensive income	4,362	-
Accumulated deficit	(9,493,982)	(3,879,421)
<b>Total shareholders' equity</b>	<b>801,231</b>	<b>13,656</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,072,238</b>	<b>\$ 208,869</b>

Nature of operations and going concern (notes 1 and 2)  
Commitments (note 15)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

Director: James Macintosh

# Monterey Minerals Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>Expenses</b>				
Mineral acquisition and exploration (note 11)	\$ 4,655,524	\$ 116,856	\$ 4,661,285	\$ 2,451,913
Investor relations and communication	110,974	244,471	205,518	244,471
Share-based payments (note 8(b))	127,725	69,675	138,645	133,200
Consulting (note 14)	408,862	32,800	490,924	96,300
Transfer agent and filing fees	11,169	16,847	24,165	76,386
General and administration	55,047	7,634	88,938	55,649
Depreciation of right of use asset (note 5)	4,285	-	12,854	-
Salaries and wages	22,344	-	22,344	-
Travel	3,467	130	4,132	9,651
<b>Net loss before below item</b>	<b>(5,399,397)</b>	<b>(488,413)</b>	<b>(5,648,805)</b>	<b>(3,067,570)</b>
Unrealized gain on marketable securities (note 11)	23,863	-	23,863	-
Other income	8	-	10,381	-
<b>Total net loss for the period</b>	<b>\$ (5,375,526)</b>	<b>\$ (488,413)</b>	<b>\$ (5,614,561)</b>	<b>\$ (3,067,570)</b>
Other comprehensive (income) loss:				
Foreign currency translation adjustment	4,362	-	4,362	-
<b>Total comprehensive loss for the period</b>	<b>\$ (5,371,164)</b>	<b>\$ (488,413)</b>	<b>\$ (5,610,199)</b>	<b>\$ (3,067,570)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.05)</b>	<b>\$ (0.01)</b>	<b>\$ (0.07)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of shares outstanding</b>	<b>118,941,439</b>	<b>49,391,560</b>	<b>80,271,182</b>	<b>35,393,204</b>

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

# Monterey Minerals Inc.

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

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Reserves	Other Comprehensive Income	Accumulated Deficit	Total
	Number	Amount				
Balance, December 31, 2018	20,353,056	\$ 1,001,107	\$ 58,500	\$ -	\$ (705,525)	\$ 354,082
Issuance of common shares for property	37,793,600	2,619,680	-	-	-	5,687,250
Issuance of common shares - flow through	2,000,000	100,000	-	-	-	100,000
Share issuance costs	-	(185,690)	-	-	-	(185,690)
Stock-based payment (note 8)	-	-	133,200	-	-	133,200
Share warrants (note 8)	-	-	166,280	-	-	166,280
Net loss for the period	-	-	-	-	(3,067,570)	(3,067,570)
Balance, September 30, 2019	60,146,656	\$ 3,535,097	\$ 357,980	\$ -	\$ (3,773,095)	\$ 119,982
Balance, December 31, 2019	60,146,656	\$ 3,535,097	\$ 357,980	\$ -	\$ (3,879,421)	\$ 13,656
Shares issued for acquisition (note 8)	59,000,000	4,676,250	-	-	-	4,676,250
Shares issued in private placements	32,590,000	1,629,500	-	-	-	1,629,500
Share issuance costs in private placements	-	(46,621)	-	-	-	(46,621)
Fair value of warrants and broker warrants issued in private placements	-	(685,510)	685,510	-	-	-
Stock-based payment (note 8)	-	-	138,645	-	-	138,645
Comprehensive income (loss) for the period	-	-	-	4,362	(5,614,561)	(5,610,199)
Balance, September 30, 2020	151,736,656	\$ 9,108,716	\$ 1,182,135	\$ 4,362	\$ (9,493,982)	\$ 801,231

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

# Monterey Minerals Inc.

## Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian Dollars) (Unaudited)

<b>Nine Months Ended September 30,</b>	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Net loss for the period	\$ (5,614,561)	\$ (3,067,570)
Items not affecting cash:		
Foreign exchange	12,889	-
Share-based payments	138,645	133,200
Accretion of lease liability	377	-
Depreciation of right-of-use asset	12,854	-
Exploration expenses recognized on asset acquisition (note 6)	4,637,791	2,120,000
Unrealized gain on marketable securities	(23,863)	-
Changes in non-cash operating working capital:		
Prepaid expenses and deposits	26,869	(8,009)
Government remittances recoverable	2,774	(64,607)
Other receivable	(25,000)	-
Marketable securities	(318,878)	-
Repayment of lease liabilities	(13,133)	-
Accounts payable and accrued liabilities	74,665	67,462
<b>Cash (used in) operating activities</b>	<b>(1,088,571)</b>	<b>(819,524)</b>
<b>Investing Activities</b>		
Loan receivable	-	21,000
Cash obtained upon acquisition of Greater Arc	28,126	-
<b>Cash (used in) provided by investing activities</b>	<b>28,126</b>	<b>21,000</b>
<b>Financing Activities</b>		
New shares issued, net of share issuance costs	1,582,879	580,271
Loan payable	-	75,834
<b>Cash provided by financing activities</b>	<b>1,582,879</b>	<b>656,105</b>
<b>Change in cash during the period</b>	<b>522,434</b>	<b>(142,419)</b>
<b>Impact of foreign exchange rate on cash</b>	<b>4,361</b>	<b>-</b>
<b>Cash, beginning of the period</b>	<b>70,799</b>	<b>328,685</b>
<b>Cash, end of the period</b>	<b>\$ 597,594</b>	<b>\$ 186,266</b>

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

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## 1. Nature of operations

Monterey Minerals Inc. (the "Company") was incorporated on May 9, 2014 under the laws of British Columbia, Canada. Its head office is located at 777 Hornby Street, Suite 600, Vancouver, BC V6Z 1S4, Canada. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol MREY.

On June 26, 2018, Monterey Minerals Inc. ("Former Monterey") and Landsdown completed a share exchange public listing transaction pursuant to a Share Exchange Agreement (the "SEA"). This resulted in the former Landsdown shareholders acquiring control of the Company, after which the Company effected a change in directors, management and business.

Under the terms of the SEA, Former Monterey acquired all of the issued and outstanding common shares of Landsdown based on a 1:1 share exchange ratio. Based on the distribution of shareholdings on completion of the SEA, Landsdown is deemed to be the continuing entity for financial reporting purposes. The transaction constituted a reverse acquisition.

Prior to the SEA, on October 19, 2016, Former Monterey incorporated four wholly owned subsidiaries: 1093681 BC Ltd., 1093682 BC Ltd., 1093683 BC Ltd., and Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) ("Subcos") setup for proposed arrangement transactions. Former Monterey set the share distribution record date of a plan of an arrangement at close of business on April 18, 2018 whereby each Subcos would issue 1,010,549 common shares to shareholders of the Company. Blue Aqua Holdings Ltd. was spun out effective June 12, 2018 with the remaining Subcos spun out on August 28, 2018.

During the year ended December 31, 2019, the Company acquired one mineral property interest located in Canada and three mineral property interests located in Australia (note 11).

On February 28, 2020, the Company issued 625,000 common shares to Greater Arc Resources Limited ("GAR Ltd.") in accordance with the letter of intent ("LOI") with GAR Ltd. to purchase its wholly owned subsidiary Greater Arc Pty Ltd. ("Greater Arc") which owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines ("Alicia Project"). On April 1, 2020, the Company issued 312,500 additional common share as per the LOI. On May 22, 2020, the Company signed a definitive agreement (the "DFA") with GAR Ltd. to purchase Greater Arc. On August 13, 2020, the Company closed the acquisition of Greater Arc for 54 million common shares of the Company. In connection with this transaction, the Company also paid a finders' fee of 5 million common shares.

## 2. Going concern

These unaudited condensed interim consolidated financial statements have been prepared by management 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 for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern, and, therefore be required to realized its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in these unaudited condensed interim consolidated financial statements. Such adjustments could be material.

At September 30, 2020, the Company had not yet achieved profitable operations and had accumulated losses of \$9,493,982 (December 31, 2019 - \$3,879,421). For the three and nine months ended Septetmber 30, 2020, the Company had a net loss of \$5,375,526 and \$5,614,561, respectively (three and nine months ended September 30, 2019 - net loss of \$488,413 and \$3,067,570, respectively). The Company expects to incur further losses in the development of its business, all of which raise material uncertainties which casts significant doubt about the Company's ability to continue as a going concern.

# Monterey Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

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### 2. Going concern (continued)

A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due; all of which are uncertain.

### 3. Significant accounting policies

#### (a) Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company’s annual consolidated financial statements for the year ended December 31, 2019 other than below. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 30, 2020.

#### (b) New standards adopted

Amendments to IAS 1 - Presentation of financial statements (“IAS 1”) and IAS 8 - Accounting policies, changes in accounting estimates and errors (“IAS 8”)

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency.

The Company adopted the amendments to IAS 1 effective January 1, 2020, which did not have a material impact on the Company’s unaudited condensed interim consolidated financial statements.

### 4. Loan receivable

The Company has one loan receivable as at September 30, 2020 with principal outstanding of , which is unsecured, non-interest bearing and is due on demand.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

## 5. Right-of-use Assets

Office lease	September 30, 2020	December 31, 2019
Balance, beginning of the period	\$ 41,418	\$ -
Addition	-	58,489
Depreciation	(12,854)	(17,071)
Balance, end of the period	\$ 28,564	\$ 41,418

Right of use assets consist of leased office space which are amortized over the the life of the lease of 48 months.

## 6. Acquisition of Greater Arc Pty Ltd.

On August 13, 2020, the Company closed the acquisition of Greater Arc Pty Ltd. ("Greater Arc") which owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines ("Alicia Project") for 54 million common shares of the Company including the 625,000 common shares and 312,500 common shares issued on February 28, 2020 and April 1, 2020, respectively. In connection with this transaction, the Company also paid a finders' fee of 5 million common shares.

Greater Arc was determined not to meet the definition of a business as per IFRS 3 as the majority of the fair value of Greater Arc was concentrated in its mineral property interest in Alicia Project. Accordingly, the acquisition was treated as an asset acquisition.

Details of the allocation of the estimated fair value of identifiable assets acquired and purchase consideration are as follows:

Consideration - 625,000 shares at \$0.04	\$ 25,000
Consideration - 312,500 shares at \$0.02	6,250
Consideration - 58,062,500 shares at \$0.08	4,645,000
<b>Total consideration</b>	<b>\$ 4,676,250</b>

### Identifiable assets acquired

Cash	\$ 28,126
Prepaid expenses	19,996
Accounts payable and accrued liabilities	(9,663)
<b>Net assets acquired</b>	<b>38,459</b>
Mineral acquisition and exploration	4,637,791
<b>Total</b>	<b>4,676,250</b>



# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

## 7. Lease Liabilities

Office lease	September 30, 2020	December 31, 2019
Balance, beginning of the period	\$ 45,991	\$ -
Additions	-	58,489
Interest	377	592
Lease payments	(13,133)	(13,090)
Balance, end of the period	\$ 33,235	\$ 45,991
<b>Allocated as:</b>		
Current	\$ 21,622	\$ 17,038
Long-term	11,613	28,953
	\$ 33,235	\$ 45,991

The monthly payment amount for the lease is \$1,459.

## 8. Share capital and reserve

(a) Authorized – Unlimited Common shares without par value:

Issued and Outstanding as at September 30, 2020: 151,736,656 (December 31, 2019 - 60,145,656).

(i) On February 28, 2020, the Company issued 625,000 common shares to GAR Ltd. in accordance with the LOI with GAR Ltd. to purchase its wholly owned subsidiary Greater Arc Pty Ltd. which owns the Alicia Project. On April 1, 2020, the Company issued 312,500 additional common share as per the LOI and on May 22, 2020, the Company signed a definitive agreement with GAR Ltd.

(ii) On July 9, 2020, the Company closed the first tranche of the private placement offering announced on July 7, 2020. As part of the first tranche, the Company issued 23,690,000 units for gross proceeds of \$1,184,500 (the "Financing").

On July 28, 2020, the Company closed the final tranche of the non-brokered private placement offering. As part of the final closing, the Company issued 8,900,000 units for gross proceeds of \$445,000. This Financing resulted in the Company receiving total gross proceeds of \$1,629,500.

The Financing consisted of Units which consisted of one (1) common share and one (1) non-transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional common share at a price of \$0.10 for a period of twenty-four (24) months from date of the issue.

The Company paid finders' fees consisting of 8% cash and 8% non-transferable warrants in connection with the financing totalling \$39,400 and 788,000 non-transferable warrants. The Company incurred other share issuance costs of \$7,221.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2020 and 2019  
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(Unaudited)

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## 8. Share capital and reserve (continued)

(a) Authorized – Unlimited Common shares without par value (continued):

The fair value of the 32,590,000 warrants were estimated at \$ 669,400 using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.27% - 0.28%; expected life – 2 years; expected volatility – 164.46% - 165.14%; and expected dividends – Nil. \$19,580 share issuance costs were allocated to the warrants issued.

The fair value of the 788,000 broker warrants was estimated at \$35,690 using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.27%; expected life – 2 years; expected volatility – 164.46%; and expected dividends – Nil.

On August 13, 2020, the Company closed the acquisition of Greater Arc with issuance of 53,062,500 common shares of the Company. In connection with this transaction, the Company also paid a finders' fee of 5 million common shares.

During the nine-month period ended September 30, 2019, the Company completed a private placement of 11,993,600 common shares at a price of \$0.05 per common share for total proceeds of \$599,680. The proceeds were raised by offering non flow-through and flow-through units where each unit consisted of one common share priced at \$0.05 per unit and one quarter (1/4) share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share which is not a flow-through share at a price of \$0.10 expiring after 18 months.

During the nine-month period ended September 30, 2019, the Company issued 27,800,000 common shares, 9,800,000 in connection with the purchase agreement with Ridge Street Investment Pty Ltd., 7,000,000 common shares in connection with the purchase agreement with CTTR Mining Tenements Pty Ltd. and 11,000,000 common shares in connection with the purchase agreement with Golden River Resources Pty Ltd. (Note 11).

(b) Stock options

On September 3, 2020, the Company granted 750,000 share purchase options which have an exercise price of \$0.10 per option and expire on September 3, 2025. Share-based payments of \$36,225 have recorded in connection with the issuance of these options. The 750,000 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 0.40%; expected life - 5 years; expected volatility – 100%; forfeiture rate - Nil and expected dividends - Nil.

On August 10, 2020, the Company granted 1,500,000 share purchase options which have an exercise price of \$0.10 per option and expire on August 10, 2025. Share-based payments of \$91,500 have recorded in connection with the issuance of these options. The 1,500,000 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 0.40%; expected life - 5 years; expected volatility – 100%; forfeiture rate - Nil and expected dividends - Nil.

On February 19, 2020, the Company granted 300,000 share purchase options which have an exercise price of \$0.10 per option and expire on February 19, 2025. Share-based payments of \$10,920 have recorded in connection with the issuance of these options. The 300,000 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 1.40%; expected life - 5 years; expected volatility – 100%; forfeiture rate - Nil and expected dividends - Nil.

On August 29, 2019, the Company granted 750,000 share purchase options which have an exercise price of \$0.10 per option and expire on August 29, 2024. Share-based payments of \$69,675 have recorded in connection with the issuance of these options. The 750,000 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 1.18%; expected life - 5 years; expected volatility – 204.93%; forfeiture rate - Nil and expected dividends - Nil.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
 Three and Nine Months Ended September 30, 2020 and 2019  
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## 8. Share capital and reserve (continued)

### (b) Stock options (continued)

On February 28, 2019, the Company granted 875,000 share purchase options which have an exercise price of \$0.12 per option and expire on February 28, 2024. Share-based payments of \$63,525 have been recorded in connection with the issuance of these options. The 875,000 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 2.18%; expected life - 5 years; expected volatility - 100.00%; forfeiture rate - Nil and expected dividends - Nil.

The Company granted 1,300,000 options on August 15, 2018 which have an exercise price of \$0.15 per option and expire on August 15, 2023. Share-based payments of \$58,500 have been recorded in connection with the issuance of these options. The 1,300,000 options were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate - 2.18%; expected life - 5 years; expected volatility - 100.00%; forfeiture rate - Nil and expected dividends - Nil.

The movement in the Company's share options for the periods ended September 30, 2020 and 2019 are as follows:

	Number of stock options outstanding	Weighted average exercise price
Balance, December 31, 2018	1,300,000	\$ 0.15
Granted	1,625,000	0.11
Balance, September 30, 2019	2,925,000	\$ 0.13
Balance, December 31, 2019	2,925,000	\$ 0.21
Granted	2,550,000	0.10
Balance, September 30, 2020	5,475,000	\$ 0.12

As at September 30, 2020, the Company has outstanding share purchase options enabling holders to acquire common shares of the Company as follows:

Grant date	Options outstanding	Options vested	Weighted average remaining life (years)	Exercise price (\$)	Expiry date
August 15, 2018	1,300,000	1,300,000	2.87	0.15	August 15, 2023
February 28, 2019	875,000	875,000	3.41	0.12	February 28, 2024
August 29, 2019	750,000	750,000	3.92	0.10	August 29, 2024
February 19, 2020	300,000	300,000	4.39	0.10	February 19, 2025
August 10, 2020	1,500,000	1,500,000	4.86	0.10	August 10, 2025
September 3, 2020	750,000	750,000	4.93	0.10	September 3, 2025
	3,225,000	3,225,000	4.01	0.12	

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2020 and 2019  
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## 8. Share capital (continued)

(c) Share purchase warrants

A summary of the Company's share purchase warrants for the periods ended September 30, 2020 are as follows:

<b>Grant date</b>	<b>Options outstanding</b>	<b>Exercise price (\$)</b>	<b>Expiry date</b>
August 21, 2019	2,536,900	0.10	February 21, 2021
September 5, 2019	461,500	0.10	March 5, 2021
July 9, 2020	23,690,000	0.10	July 9, 2022
July 28, 2020	8,900,000	0.10	July 28, 2022
July 28, 2020	788,000	0.10	July 28, 2022
	<b>36,376,400</b>		

The share purchase warrants granted on August 21, 2019 were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 1.40%; expected life – 1.5 years; expected volatility – 172.8%; forfeiture rate – Nil and expected dividends – Nil. The fair value of these warrants was estimated at \$127,606.

The share purchase warrants issued on September 5, 2019 were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 1.45%; expected life – 1.5 years; expected volatility – 204.93%; forfeiture rate – Nil and expected dividends – Nil. The fair value of these warrants was estimated at \$38,674.

The share purchase warrants issued on July 9, 2020 were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.28%; expected life – 2 years; expected volatility – 165.14%; and expected dividends – Nil.

The share purchase warrants issued on July 28, 2020 were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.27%; expected life – 2 years; expected volatility – 164.46%; and expected dividends – Nil.

The share purchase broker warrants issued on July 28, 2020 were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.27%; expected life – 2 years; expected volatility – 164.46%; and expected dividends – Nil.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
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(Unaudited)

## 9. Capital disclosure

The Company defines its capital as as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the period ended September 30, 2020. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

## 10. Financial Instruments and Risk Exposures and Management

The three levels of the fair value hierarchy are:

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

Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs that are not based on observable market data.

The Company enters into financial instruments to finance its operations in the normal course of business. The fair values of cash and cash equivalents, loan receivable, accounts payable and loan payable and lease liability approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at September 30, 2020 as follows:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash	\$ 597,594	\$ -	\$ -	\$ 597,594
Marketable securities	\$ 334,075	\$ -	\$ -	\$ 334,075

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity price risk). Risk management is carried out by the Company's management team, with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance on overall risk management.

### Credit risk

Credit risk is the risk of loss associates with a counterparty's inability to fulfil its payment obligations. The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with a Schedule A financial institution, which from time to time may exceed federally insured limits. The Company is further exposed to credit risk through its loan's receivable. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2020 and 2019  
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## 10. Financial Instruments and Risk Exposures and Management (continued)

### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at September 30, 2020, the Company had working capital of \$784,280 (December 31, 2019 - working capital of \$1,191).

### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rate risk, foreign exchange rate risk and commodity price risk.

### Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

### Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and substantially all expenditures are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

### Commodity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals.

The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

### Accounts payable and accrued liabilities:

<b>As at</b>	<b>September 30, December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accounts payable	\$ 118,262	\$ 54,511
Accrued liabilities	34,647	14,070
	\$ 152,909	\$ 68,581

The Company's trade and other payables are subject to standard trade terms of 30 – 60 days.

# Monterey Minerals Inc.

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## 11. Mineral property interests

### Cobalt Mountain property

On February 17, 2019, the Company acquired a 100% interest in the Cobalt Mountain property located in Canada. As per the option agreement, the Company made cash payments of \$60,000 and issued 1,800,000 common shares to the vendors.

### Properties in Australia

On February 28, 2019, the Company purchased 100% of Ridge Street Investments Pty Ltd. which owns two prospective tenements on the eastern flank of the Pilbara Basin. As consideration, the Company issued 8,000,000 common shares to the vendors and assumed loans of AUD \$65,000. The total acquisition consideration was recorded as 'Mineral acquisition and exploration' in the statement of comprehensive loss.

On April 1, 2019, the Company purchased 100% of CTTR Mining Tenements Pty Ltd which owns seven tenements encompassing 525 square kilometers in the Pilbara region of Western Australia. As consideration, the Company issued 7,000,000 common shares to the vendors and assumed loans of AUD \$55,000. The total acquisition consideration was recorded as 'Mineral acquisition and exploration' in the statement of comprehensive loss.

On June 5, 2019, the Company purchased 100% of Golden River Resources Pty Ltd which owns six tenements encompassing 323 square kilometers in the Pilbara region of Western Australia. As consideration, the Company issued 11,000,000 common shares to the vendors and assumed loans of AUD \$69,816. The total acquisition consideration was recorded as 'Mineral acquisition and exploration' in the statement of comprehensive loss.

The purchase of the three Australian entities does not constitute a business combination, as the their mineral exploration project does not meet the definition of a business under IFRS 3 - Business Combinations. As a result, the acquisition of these entities has been accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed are recorded at fair value. The exploration projects are grassroots exploration which was the basis for asset acquisition accounting rather than a business combination.

On September 29, 2020 the Company signed a purchase and sale agreement to sell four of its southern tenements (the "Tenements") within the Company's portfolio of Pilbara gold properties in Australia. New Age Exploration Limited ("New Age") acquired the Tenements for 25 million shares of New Age. The divested Tenements are E47/3886, E47/3887, E47/3891 and E45/5180 and represent 307 square kilometres ("sq. km."). The Company recorded the 25 million New Age shares as marketable securities valued at \$318,878 on the date of the sale which was recorded as a reduction of mineral acquisition and exploration during the three and nine months ended September 30, 2020. The marketable securities of New Age shares was carried at \$334,075 as at September 30, 2020. During the three and nine months ended September 30, 2020, the Company recorded an unrealized gain on the marketable securities of \$23,863.

In addition, New Age entered into an option and asset sale agreement to acquire a further four tenements comprising 538 sq.km. from Monterey for total consideration of 75 million New Age shares and 37.5 million unlisted New Age options with an exercise price of \$0.02, expiring 28 September 2023. NAE will have an exclusive right to exercise the option to acquire the four tenements (E47/3958, E45/5063, E45/5064 and E45/5065) on or before completion of a 45 day due diligence period. NAE was required to pay an option fee of \$25,000 which was received subsequent to September 30, 2020. The Company recorded the \$25,000 option fee as other receivable as at September 30, 2020 and a reduction of mineral acquisition and exploration during the three and nine months ended September 30, 2020.

# Monterey Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

### 11. Mineral property interests (continued)

#### Alicia Project

On August 13, 2020, the Company closed the acquisition of Greater Arc for 54 million common shares and paid a finders' fee of 5 million common shares of the Company. Greater Arc owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines.

The Alicia Project is situated within a Declared Mineral Reservation determined by the Mines and Geosciences Bureau (MGB) in 1995 and is on a granted Exploration Permit. The Project is accessible by sealed roads, is proximal to power and towns, is 10 km away from a port facility at Malangas, Philippines, and 60 km from an airport at Pagadian City, Philippines.

During the three and nine months ended September 30, 2020, the Company incurred mineral property acquisition costs and geological/exploration expenses of \$4,655,524 and \$4,661,285, respectively (three and nine months ended September 30, 2019 – \$116,856 and \$2,451,913, respectively) in relation to these agreements.

### 12. Loans payable

As at September 30, 2020, the Company had total loans payable of \$84,863 (\$84,816 AUD) (December 31, 2019 - \$80,641 (\$84,816 AUD)). These amounts owed are unsecured, non-interest bearing and due on demand.

### 13. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decisionmaker. The chief operating decisionmaker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the three and nine months ended September 30, 2020, the Company has two (three and nine months ended September 30, 2019 – one) operating segments.

The Company's reportable segments are based on the geographic region for the Company's operations and include Philippines and Canada.

The segmental report is as follows:

As at September 30, 2020	Philippines	Canada	Total
Current assets	\$ 283,366	\$ 760,308	\$ 1,043,674
Right-of-use asset	-	28,564	28,564
Total assets	\$ 283,366	\$ 1,861,110	\$ 1,072,238
Total liabilities	\$ 11,248	\$ 259,759	\$ 271,007
Net loss for the three months ended September 30, 2020	\$ (4,750,493)	\$ (625,033)	\$ (5,375,526)
Net loss for the nine months ended September 30, 2020	\$ (4,750,493)	\$ (864,068)	\$ (5,614,561)



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## 14. Related party transactions

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company define keys management personnel as its CEO, CFO and Board of Directors.

Related party transactions conducted in the normal course of operations are measured at the fair value and approved by the Board of Directors in strict adherence to conflict of interest law and regulations.

The Company incurred the following charges with related parties for the periods ended September 30, 2020 and 2019:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Consulting - President and CEO	\$ 15,000	\$ 22,500	\$ 45,000	\$ 67,500
Accounting - Cronin Services (controlled by a former director)	-	1,603	-	20,250
Exploration - Cronin Capital (controlled by a former director)	-	-	-	147,904
Consulting - CFO	10,500	-	38,500	-
Stock-based compensation	48,800	-	59,720	-
	\$ 74,300	\$ 24,103	\$ 143,220	\$ 235,654

As at September 30, 2020, included in accounts payable and accrued liabilities is \$28,648 (December 31, 2019 - \$16,339) due to companies controlled by directors of the Company.

## 15. Commitments

Pursuant to the terms of the flow-through share agreements, the Company needs to comply with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). As at September 30, 2020, the Company's committed to incurring approximately \$25,400 in qualifying exploration expenditures in Canada by December 31, 2020.

## 16. Subsequent events

- (i) Subsequent to September 30, 2020, the Company received \$25,000 for the sale of Tenements.
- (ii) Subsequent to September 30, 2020, the Company issued 88,105 common shares in settlement of debt of \$5,727.