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# **MONTEREY MINERALS INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Three Months Ended March 31, 2021**

**(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 months ended March 31, 2021 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	March 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 34,795	\$ 320,550
Loan receivable (note 5)	10,018	10,018
Prepaid expenses and deposits	12,037	27,718
Government remittance recoverable	65,301	60,010
Marketable securities (note 6)	30,152	66,386
<b>Total current assets</b>	<b>152,303</b>	<b>484,682</b>
Right-of-use asset (note 7)	19,994	24,279
Mineral property interest (notes and 12)	-	-
<b>Total Assets</b>	<b>\$ 172,297</b>	<b>\$ 508,961</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	\$ 96,999	\$ 241,029
Lease liability (note 8)	21,743	21,682
Loans payable (note 13)	135,346	87,758
<b>Total current liabilities</b>	<b>254,088</b>	<b>350,469</b>
Non-Current liabilities		
Lease liability (note 8)	2,913	7,271
<b>Total Liabilities</b>	<b>257,001</b>	<b>357,740</b>
<b>Shareholders' Equity</b>		
Share capital (note 9(a))	8,305,778	8,305,778
Reserves (notes 9 (b) and (c))	2,003,134	2,003,134
Accumulated other comprehensive loss	(3,332)	(2,725)
Accumulated deficit	(10,390,284)	(10,154,966)
<b>Total shareholders' equity</b>	<b>(84,704)</b>	<b>151,221</b>
<b>Total Liabilities and Equity</b>	<b>\$ 172,297</b>	<b>\$ 508,961</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 Months Ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

Three months ended March 31,	2021	2020
<b>Expenses</b>		
Mineral acquisition and exploration (note 12)	\$ 40,392	\$ 2,970
Investor relations and communication	3,500	45,880
Share-based payments (note 9(b))	-	10,920
Consulting (note 14)	33,000	38,000
Transfer agent and filing fees	3,630	4,266
General and administration	25,156	12,285
Depreciation of right of use asset (note 7)	4,285	4,285
Salaries and wages	-	-
Travel	-	-
<b>Net loss before below items</b>	<b>(109,963)</b>	<b>(118,606)</b>
Unrealized gain on marketable securities (note 12)	15,350	-
Loss on disposition of marketable securities (note 4)	(7,744)	-
Other income	-	10,373
<b>Net loss of continuing operations for the period</b>	<b>(102,357)</b>	<b>(108,233)</b>
<b>Net loss of discontinued operation for the period</b>	<b>(132,961)</b>	<b>-</b>
<b>Total net loss for the period</b>	<b>\$ (235,318)</b>	<b>\$ (108,233)</b>
Other comprehensive loss:		
Foreign currency translation adjustment	(607)	-
<b>Total comprehensive loss for the period</b>	<b>\$ (235,925)</b>	<b>\$ (108,233)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>	<b>152,252,690</b>	<b>60,368,878</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, 2019	60,146,656	\$ 3,535,097	\$ 357,980	\$ -	\$ (3,879,421)	\$ 13,656
Shares issued for acquisition (note 9)	625,000	25,000	-	-	-	25,000
Stock-based payment (note 9)	-	-	10,920	-	-	10,920
Net loss for the period	-	-	-	-	(108,233)	(108,233)
Balance, March 31, 2020	60,771,656	\$ 3,560,097	\$ 368,900	\$ -	\$ (3,987,654)	\$ (58,657)
Balance, December 31, 2020	152,252,690	\$ 8,305,778	\$ 2,003,134	\$ (2,725)	\$ (10,154,966)	\$ 151,221
Comprehensive income (loss) for the period	-	-	-	(607)	(235,318)	(235,925)
Balance, March 31, 2021	152,252,690	\$ 8,305,778	\$ 2,003,134	\$ (3,332)	\$ (10,390,284)	\$ (84,704)

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)

Three months ended March 31,	2021	2020
<b>Operating Activities</b>		
Net loss for the period	\$ (235,318)	\$ (108,233)
Items not affecting cash:		
Foreign exchange	(1,845)	5,055
Share-based payments	-	10,920
Loss on disposition of marketable securities	7,744	-
Accretion of lease liability	81	141
Depreciation of right-of-use asset	4,285	4,285
Unrealized gain on marketable securities	(15,350)	-
Interest accrual on loan	214	-
Changes in non-cash operating working capital:		
Prepaid expenses and deposits	15,681	17,538
Government remittances recoverable	(5,291)	(9,997)
Repayment of lease liabilities	(4,378)	(4,378)
Accounts payable and accrued liabilities	(144,030)	49,007
<b>Cash (used in) operating activities</b>	<b>(378,207)</b>	<b>(35,662)</b>
<b>Investing Activities</b>		
Cash obtained upon acquisition of Greater Arc	-	-
Proceeds from disposition of marketable securities	43,059	-
<b>Cash provided by investing activities</b>	<b>43,059</b>	<b>-</b>
<b>Financing Activities</b>		
Proceeds from loans payable	50,000	-
<b>Cash provided by financing activities</b>	<b>50,000</b>	<b>-</b>
<b>Change in cash during the period</b>	<b>(285,148)</b>	<b>(35,662)</b>
<b>Impact of foreign exchange rate on cash</b>	<b>(607)</b>	<b>-</b>
<b>Cash, beginning of the period</b>	<b>320,550</b>	<b>70,799</b>
<b>Cash, end of the period</b>	<b>\$ 34,795</b>	<b>\$ 35,137</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 Months Ended March 31, 2021  
(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 12).

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 (note 7). During the three months ended March 31, 2021, the Company disposed of Inner Arc Pty Ltd. the subsidiary that owns the Alicia Project.

The COVID-19 pandemic has not resulted in any material impact on operations and the Company currently does not expect it will impact its 2021 exploration activities. Preventative measures are in place to ensure the well-being of employees and contractors and no risks were noted at the end of the reporting period. Management continues to monitor the situation at the site and corporate office to identify any issues that may affect operational or financial reporting activities.

## 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.

# Monterey Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three Months Ended March 31, 2021 (Expressed in Canadian Dollars) (Unaudited)

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### 2. Going concern (continued)

At March 31, 2021, the Company had not yet achieved profitable operations and had accumulated losses of \$10,390,284 (December 31, 2020 - \$10,154,966). For the three months ended March 31, 2021, the Company had a net loss of \$235,318 (three months ended March 31, 2020 - net loss of \$108,233). 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.

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, 2020 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, 2021 could result in restatement of these unaudited condensed interim consolidated financial statements.

#### (b) New standards not yet adopted and interpretations issued but not yet effective

#### Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

## 4. Discontinued operation

During the three months ended March 31, 2021, the Company disposed of Inner Arc Pty Ltd. ("Inner Arc") for consideration of \$nil.

Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the unaudited condensed interim consolidated financial statements of the Company have been reclassified to reflect discontinued operation of Inner Arc. Accordingly, net loss of discontinued operation have been segregated in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

The following tables present summarized financial information related to discontinued operations in Inner Arc:

<b>Three months ended March 31,</b>	<b>2021</b>	<b>2020</b>
Mineral acquisition and exploration (note 12)	\$ 60,048	\$ -
Travel	18,802	-
General and administration	26,651	-
Salaries and wages	1,154	-
<b>Net loss before below item</b>	<b>(106,655)</b>	<b>-</b>
Loss on disposition of Inner Arc	(26,306)	-
<b>Net loss of discontinued operation for the period</b>	<b>\$ 132,961</b>	<b>\$ -</b>

Statements of cash flows of the discontinued operation for the periods ended March 31, 2021 and 2020:

<b>Three months ended March 31,</b>	<b>2021</b>	<b>2020</b>
Net cash flows (used in) operating activities for discontinued operation	\$ (244,511)	\$ -
Net cash flows provided by financing activities for discontinued operation	128,527	-
Impact of foreign exchange rate on csh	(9,423)	-
Cash and cash equivalents, beginning of the period for discontinued operation	125,407	-
<b>Cash and cash equivalents, end of the period for discontinued operation</b>	<b>\$ -</b>	<b>\$ -</b>

## 5. Loan receivable

The Company has one loan receivable as at December 31, 2020 with principal outstanding of \$10,018, which is unsecured, non-interest bearing and is due on demand.



# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

## 6. Marketable securities

At December 31, 2019	\$	-
Addition (1)		282,240
Disposal		(206,035)
Revaluation to fair market value		(12,483)
Impact of foreign exchange		2,664
Balance, December 31, 2020	\$	66,386
Disposal		(50,803)
Revaluation to fair market value		15,350
Impact of foreign exchange		(781)
Balance, March 31, 2021	\$	30,152

(1) This amount represents the fair value of the shares received from New Age (as defined in note 12) for the sale of the Company's portfolio of Pilbara gold properties in Australia and was offset against the mineral acquisition and exploration in the consolidated statements of loss and comprehensive loss.

## 7. Right-of-use Assets

Office lease	December 31, 2020	December 31, 2020
Balance, beginning of the period	\$ 24,279	\$ 41,418
Addition	-	-
Depreciation	(4,285)	(17,139)
Balance, end of the period	\$ 19,994	\$ 24,279

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

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

## 8. Lease Liabilities

Office lease	March 31, 2021	December 31, 2020
Balance, beginning of the period	\$ 28,953	\$ 45,991
Additions	-	-
Interest	81	473
Lease payments	(4,378)	(17,511)
Balance, end of the period	\$ 24,656	\$ 28,953
<b>Allocated as:</b>		
Current	\$ 21,743	\$ 21,682
Long-term	2,913	7,271
	\$ 24,656	\$ 28,953

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

## 9. Share capital and reserve

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

Issued and Outstanding as at March 31, 2021: 152,252,690 (December 31, 2020 - 152,252,690).

(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-transferrable 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 Months Ended March 31, 2021  
(Expressed in Canadian Dollars)  
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## 9. 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 \$ 1,470,942 using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.26%; expected life – 2 years; expected volatility – 162.87%; and expected dividends – Nil.

The fair value of the 788,000 broker warrants was estimated at \$35,566 using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.26%; expected life – 2 years; expected volatility – 162.87%; 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.

On December 31, 2020, the Company issued 516,034 common shares to a consultant for providing exploration consulting services.

(b) Stock options

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 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 \$91,000 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 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.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
 Three Months Ended March 31, 2021  
 (Expressed in Canadian Dollars)  
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## 9. Share capital and reserve (continued)

### (b) Stock options (continued)

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 been 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.

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 movement in the Company's share options for the periods ended March 31, 2021 and 2020 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, December 31, 2019	2,925,000	\$ 0.21
Granted	300,000	0.10
Balance, March 31, 2020	3,225,000	\$ 0.13
Balance, December 31, 2020 and March 31, 2021	5,475,000	\$ 0.11

As at March 31, 2021, 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	2.38	0.15	August 15, 2023
February 28, 2019	875,000	875,000	2.92	0.12	February 28, 2024
August 29, 2019	750,000	750,000	3.42	0.10	August 29, 2024
February 19, 2020	300,000	300,000	3.89	0.10	February 19, 2025
August 10, 2020	1,500,000	1,500,000	4.36	0.10	August 10, 2025
September 3, 2020	750,000	750,000	4.43	0.10	September 3, 2025
	5,475,000	5,475,000	3.51	0.11	

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

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## 9. Share capital (continued)

(c) Share purchase warrants

A summary of the Company's share purchase warrants for the periods ended March 31, 2021 and 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
	<hr/>		
	36,376,400		

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.

## 10. 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 year ended December 31, 2020. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

## 11. 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 March 31, 2021 as follows:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash	\$ 34,795	\$ -	\$ -	\$ 34,795
Marketable securities	\$ 30,152	\$ -	\$ -	\$ 30,152

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.

### 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 March 31, 2021, the Company had working capital deficiency of \$101,785 (December 31, 2020 - working capital of \$134,213).

# Monterey Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2021  
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## 11. Financial Instruments and Risk Exposures and Management (continued)

### Market Risk

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

#### Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks on marketable securities.

The Company's sensitivity analysis suggests that a 10% increase or decrease of the share price of New Age Exploration Limited would have resulted in an approximate \$7,900 increase or decrease in the Company's loss and comprehensive loss.

#### 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

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at March 31, 2021 are as follows:

<u>Cost</u>	<u>Australian dollar \$</u>	<u>US dollar \$</u>	<u>C\$ equivalent</u>
Cash	-	1,319	1,658
Marketable securities	31,500	-	30,152
Accounts payable and accrued liabilities	(1,270)	(17,428)	(23,100)
Loans payable	(89,230)	-	(85,132)

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$7,600 decrease or increase in the Company's loss and comprehensive loss.

As at March 31, 2021, US dollar amounts have been translated at a rate of C\$1.2575 per US dollar and Australian dollar amounts have been translated at C\$0.9572 per Australian dollar.

# Monterey Minerals Inc.

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## 11. Financial Instruments and Risk Exposures and Management (continued)

### 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:

<u>As at</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	\$ 83,374	\$ 208,257
Accrued liabilities	13,625	32,772
	<u>\$ 96,999</u>	<u>\$ 241,029</u>

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

## 12. 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.



# Monterey Minerals Inc.

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## 12. Mineral property interests (continued)

### Properties in Australia (continued)

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 Company recorded the 25 million New Age shares as marketable securities valued at \$282,240 on the date of the sale which was recorded as a reduction of mineral acquisition and exploration during the year ended December 31, 2020.

In addition, the Company entered into an option and asset sale agreement to option a further four tenements comprising 538 sq.km. to New Age 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. New Age will have an exclusive right to exercise the option to acquire the four tenements on or before completion of a 45 day due diligence period. New Age paid an option fee of \$140,000 which was recorded as a reduction of mineral acquisition and exploration during the year ended December 31, 2020.

### 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.

During the three months ended March 31, 2021, the Company sold Inner Arc that owns the Alicia Project for \$nil consideration.

## 13. Loans payable

As at March 31, 2021, the Company had loans payable of \$85,132 (\$89,230 AUD) (December 31, 2019 - \$87,758 (\$89,230 AUD)). These amounts owed are unsecured, non-interest bearing and due on demand.

As at March 31, 2021, the Company also had a loan payable of \$50,000 which is due on demand and is subject to an interest rate of 6% per annum. During the three months ended March 31, 2021, the Company accrued an interest expense of \$214.

# Monterey Minerals Inc.

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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 March 31, 2021 and 2020:

Three months ended March 31,	2021	2020
Consulting - President and CEO	\$ 15,000	\$ 15,000
Consulting - CFO	10,500	10,500
Stock-based compensation	-	10,920
	<u>\$ 25,500</u>	<u>\$ 36,420</u>

As at March 31, 2021, included in accounts payable and accrued liabilities is \$17,000 (December 31, 2020 - \$nil) 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 March 31, 2021, the Company is committed to incurring approximately \$28,200 in qualifying exploration expenditures in Canada by December 31, 2021.

## 16. Subsequent event

Subsequent to March 31, 2021, the Company issued 946,883 shares to a consultant for consulting services provided.