

Consolidated Financial Statements of

**Mich Resources Ltd.**

Years ended November 30, 2021 and 2020  
(Expressed in Canadian dollars)

## Independent Auditor's Report

To the Shareholders of Mich Resources Ltd.

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Mich Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2021 and 2020, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company is dependent on obtaining additional financing through equity financing or obtaining joint venture or property sale agreements for one or more properties. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is James Roxburgh.

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada  
March 29, 2022

# Mich Resources Ltd.

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	November 30, 2021	November 30, 2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,709,288	\$ 46,200
Amounts receivable	16,715	5,849
	<b>1,726,003</b>	<b>52,049</b>
Deferred transaction costs (Note 11)	480,220	-
<b>Total assets</b>	<b>\$ 2,206,223</b>	<b>\$ 52,049</b>
<b>Liabilities</b>		
<b>Current</b>		
Amounts payable and accrued liabilities	\$ 121,878	\$ 19,033
<b>Total liabilities</b>	<b>121,878</b>	<b>19,033</b>
<b>Shareholders' equity</b>		
Share capital (Note 5)	2,774,387	577,646
Equity reserve (Note 5)	362,482	351,948
Deficit	(1,052,524)	(896,578)
<b>Total shareholders' equity</b>	<b>2,084,345</b>	<b>33,016</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,206,223</b>	<b>\$ 52,049</b>

Nature of operations and going concern (Note 1)

Subsequent events (Notes 5(c) and 12)

Approved by the Board of Directors and authorized for issue on March 29, 2022:

\_\_\_\_\_  
"Mark Brown" Director

\_\_\_\_\_  
"Thomas O'Neill" Director

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

# Mich Resources Ltd.

## Consolidated Statements of Net Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Years ended	
	November 30, 2021	November 30, 2020
<b>Expenses</b>		
Consulting and management	\$ 102,500	\$ 90,000
Office and administration	13,469	13,841
Professional services	11,055	42,251
Regulatory and filing	22,461	30,213
Share-based compensation (Note 5(e) and 6)	10,534	317,114
	<b>(160,019)</b>	<b>(493,419)</b>
<b>Other items</b>		
Foreign exchange loss	(546)	-
Interest income	4,619	120
Loss on impairment of exploration and evaluation assets (Note 4)	-	(151,146)
	<b>4,073</b>	<b>(151,026)</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (155,946)</b>	<b>\$ (644,445)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>	<b>37,842,690</b>	<b>33,394,947</b>

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

# Mich Resources Ltd.

## Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital				Total shareholders' equity
	Shares issued	Amount	Equity reserve	Deficit	
<b>Balance, November 30, 2019</b>	33,293,002	\$ 482,909	\$ 72,571	\$ (252,133)	\$ 303,347
Exercise of options	650,000	89,737	(37,737)	-	52,000
Exercise of warrants	50,000	5,000	-	-	5,000
Share-based compensation	-	-	317,114	-	317,114
Net loss and comprehensive loss	-	-	-	(644,445)	(644,445)
<b>Balance, November 30, 2020</b>	33,993,002	577,646	351,948	(896,578)	33,016
Private placement	8,875,600	2,218,900	-	-	2,218,900
Share issuance costs	-	(32,959)	-	-	(32,959)
Exercise of warrants	108,000	10,800	-	-	10,800
Share-based compensation	-	-	10,534	-	10,534
Net loss and comprehensive loss	-	-	-	(155,946)	(155,946)
<b>Balance, November 30, 2021</b>	<b>42,976,602</b>	<b>\$ 2,774,387</b>	<b>\$ 362,482</b>	<b>\$ (1,052,524)</b>	<b>\$ 2,084,345</b>

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

**Mich Resources Ltd.**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)

	Years ended	
	November 30, 2021	November 30, 2020
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	\$ (155,946)	\$ (644,445)
Items not affecting cash:		
Share-based compensation	10,534	317,114
Impairment of exploration and evaluation assets	-	151,146
Changes in non-cash working capital items:		
Amounts receivable	(10,866)	4,484
Amounts payable and accrued liabilities	(9,716)	(907)
Due to related party	-	(4,562)
	<b>(165,994)</b>	<b>(177,170)</b>
<b>Investing activities</b>		
Deferred transaction costs	(367,659)	-
	<b>(367,659)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from issuance of shares	2,218,900	-
Share issuance costs	(32,959)	-
Exercise of warrants	10,800	5,000
Exercise of options	-	52,000
	<b>2,196,741</b>	<b>57,000</b>
<b>Change in cash</b>	<b>1,663,088</b>	<b>(120,170)</b>
<b>Cash, beginning of the year</b>	<b>46,200</b>	<b>166,370</b>
<b>Cash, end of the year</b>	<b>\$ 1,709,288</b>	<b>\$ 46,200</b>
<b>Non-cash investing and financing activities</b>		
Deferred transaction costs included in trade and other payables	\$ 112,561	\$ -

No cash was paid for interest or taxes during the years ended November 30, 2021 and 2020.

# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

November 30, 2021  
(Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Mich Resources Ltd. (the “Company”) is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, BC, V7Y 1C3. The Company’s common shares are listed on the Canadian Securities Exchange (“CSE”) under the trading symbol “MICH” effective June 19, 2019.

The Company is principally engaged in the acquisition and exploration of mineral properties.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, 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. The ability of the Company to continue as a going concern is dependent on obtaining additional financing through equity financing or obtaining joint venture or property sale agreements for one or more properties.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Adverse financial market conditions and volatility could increase the uncertainty of the Company’s ability to continue as a going concern given the need to both manage expenditures and to raise additional funds. The Company will continue to search for new or alternate sources of financing. Accordingly, these material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

As at November 30, 2021, the Company had working capital of \$1,604,125 (November 30, 2020: working capital of \$33,016). The Company recorded a loss of \$155,946 during the year ended November 30, 2021, and had an accumulated deficit of \$1,052,524 as at November 30, 2021.

In November 2021, the Company entered into agreements with each of Pembroke Copper Corp. and Minera Andina de Exploraciones SAA related to the acquisition of the Pecoy copper exploration project, located in Peru (the “Transaction”) (see Note 11).

### 2. BASIS OF PRESENTATION

#### (a) *Statement of compliance*

These consolidated financial statements as at and for the year ended November 30, 2021, including comparatives, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

#### (b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.



# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

November 30, 2021

(Expressed in Canadian dollars)

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### 2. BASIS OF PRESENTATION (Continued)

#### (c) *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, being 1328566 B.C. Ltd. (British Columbia). 1328566 B.C. Ltd. was incorporated under the BCBCA on October 15, 2021 for the purpose of the Transaction (see Note 11).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

#### (d) *Significant accounting judgments and estimates*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

#### Critical Judgment

The preparation of these financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 1.

#### Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our financial statements include:

#### *Going concern assumption*

Going Concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

#### *Fair value of stock options and warrants*

Determining the fair value of warrants and stock options requires judgements related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

November 30, 2021

(Expressed in Canadian dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Cash*

Cash includes deposits held with banks that are available on demand.

#### (b) *Exploration and evaluation assets*

Exploration and evaluation expenditures are capitalized to a property once the legal right to explore a property has been acquired, and future economic benefits are more likely than not to be realized. These include the costs of acquiring, maintaining its interest in, and exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold, or considered impaired in value. Costs incurred before the Company has obtained the legal right to explore, as well as indirect administrative costs, are expensed as incurred.

At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

#### (c) *Loss per share*

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period. For this purpose, it is assumed that proceeds upon the exercise of share options and warrants are used to purchase common shares at the average market price during the period. Share options and warrants outstanding as at November 30, 2021 are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

#### (d) *Share-based payments*

The Company's share option plan allows Company employees, directors, officers, consultants and charitable organizations to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity reserve.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

November 30, 2021

(Expressed in Canadian dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) *Warrants*

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

#### (f) *Share capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units and finder's units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued to be the more easily measurable component and the common shares are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

#### (g) *Income taxes*

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

November 30, 2021

(Expressed in Canadian dollars)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) *Financial instruments*

Financial assets are classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets which consist primarily of cash and amounts receivable (excluding sales tax) are classified at amortized cost.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. These financial liabilities are recognized initially at fair value and subsequently are measured at amortized costs using the effective interest method, when materially different from the initial amount. Fair value is determined based on the present value of future cash flows, discounted at the market rate of interest.

The Company's financial liabilities which consist primarily of amounts payable and accrued liabilities are classified as and measured at amortized cost. Refer to Note 7 for further disclosures.

#### (i) *Significant new accounting policies*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. There are no new standards which the Company reasonably expects are applicable to the Company and will significantly impact the Company.

### 4. EXPLORATION AND EVALUATION ASSETS

Following is a summary of exploration and evaluation assets at November 30, 2021:

<b>Balance at November 30, 2019</b>	<b>\$</b>	<b>151,146</b>
Impairment of property		(151,146)
<b>Balance at November 30, 2020 and 2021</b>	<b>\$</b>	<b>-</b>

#### Rude Creek Gold Property (the "Property")

On November 16, 2018, the Company entered into an option agreement with a private entity, later amended on January 17, 2019, whereby the Company could earn a 70% interest in the Property by issuing an aggregate of 7,900,000 common shares, making cash payments totaling \$2,500,001, and carrying out exploration and development work of \$4,120,000.

During the year ended November 30, 2020, the Company did not fulfill the cash payment and share issuance due on January 15, 2020, and let the option lapse. The Company impaired all capitalized exploration and evaluation costs related to the Property, resulting in a loss of \$151,146 in the statement of net loss and comprehensive loss.

# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

November 30, 2021

(Expressed in Canadian dollars)

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### 5. SHARE CAPITAL

#### (a) Authorized

Unlimited number of common shares without par value.

#### (b) Issued and fully paid

During the year ended November 30, 2021, pursuant to a non-brokered private placement, the Company issued 8,875,600 common shares at a price of \$0.25 per common share for gross proceeds of \$2,218,900. Share issuance costs of \$32,959 were incurred in relation to this non-brokered private placement.

During the year ended November 30, 2021, 108,000 common shares were issued pursuant to the exercise of warrants for proceeds of \$10,800.

#### During the year ended November 30, 2020:

In December 2019, the Company split its issued and outstanding share capital on the basis of two new common shares for each one outstanding common share. All common share and per common share amounts in these financial statements have been retroactively restated to reflect the stock split.

During the year ended November 30, 2020, 50,000 common shares were issued pursuant to the exercise of warrants for proceeds of \$5,000.

During the year ended November 30, 2020, 650,000 common shares were issued pursuant to the exercise of options for proceeds of \$52,000.

#### (c) Escrow shares

As at November 30, 2021, 600,000 shares were in escrow. Subsequent to November 30, 2021, 300,000 shares were released from escrow.

#### (d) Warrants

Following is a summary of changes in warrants outstanding:

	Warrants outstanding	Weighted average exercise price
Balance, November 30, 2019	314,000	\$ 0.10
Exercised	(50,000)	0.10
Balance, November 30, 2020	264,000	0.10
Exercised	(108,000)	0.10
Expired	(156,000)	0.10
Balance, November 30, 2021	-	\$ -

# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

November 30, 2021

(Expressed in Canadian dollars)

### 5. SHARE CAPITAL (Continued)

#### (e) Options

The Company has established a rolling Share Option Plan (the "Plan"). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than ten years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any three-month period. All other options vest at the discretion of the Board of Directors.

During the year ended November 30, 2021, 50,000 share options were granted to a director and officer of the Company, vesting immediately, and exercisable at \$0.27 per common share until March 31, 2031. Using the Black-Scholes valuation model, the grant date fair value was \$10,534, or \$0.21 per option.

The following weighted average assumptions were used for the valuation of the share options:

	2021
Risk-free interest rate	1.39%
Expected life (years)	10 years
Annualized volatility	75.00%
Dividend rate	0.00%

#### During the year ended November 30, 2020:

During the year ended November 30, 2020, 1,525,000 share options were granted to directors, officers, and consultants of the Company, vesting immediately, and exercisable at \$0.27 per common share until October 27, 2030. Using the Black-Scholes valuation model, the grant date fair value was \$317,114, or \$0.21 per option.

The following weighted average assumptions were used for the valuation of the share options:

	2020
Risk-free interest rate	0.50%
Expected life (years)	10 years
Annualized volatility	75.00%
Dividend rate	0.00%

Following is a summary of changes in options outstanding:

	Options Outstanding	Weighted average exercise price
Balance, November 30, 2019	1,250,000	\$ 0.08
Granted	1,525,000	0.27
Exercised	(650,000)	0.08
Balance, November 30, 2020	2,125,000	0.22
Granted	50,000	0.27
Balance, November 30, 2021	2,175,000	\$ 0.22

**Mich Resources Ltd.**  
Notes to the Consolidated Financial Statements  
November 30, 2021  
(Expressed in Canadian dollars)

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**5. SHARE CAPITAL (Continued)**

**(e) Options (Continued)**

The following table summarizes information about the options outstanding and exercisable at November 30, 2021:

Outstanding and exercisable	Exercise price	Expiry date
100,000	\$ 0.08	June 30, 2022*
50,000	\$ 0.27	June 30, 2022*
500,000	\$ 0.08	November 21, 2029
1,475,000	\$ 0.27	October 27, 2030
50,000	\$ 0.27	March 31, 2031
<u>2,175,000</u>		

\* During the year ended November 30, 2021, the Company approved an amendment to the expiry date of 100,000 options with an exercise price of \$0.08 from November 21, 2029, to June 30, 2022, and 50,000 options with an exercise price of \$0.27 from October 27, 2030, to June 30, 2022.

**6. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the year ended November 30, 2021, key management personnel compensation included share-based compensation of \$10,534 (2020: \$72,780) (see Note 5(e)).

**7. FINANCIAL INSTRUMENTS**

***Financial Risk Management and Fair Value Measurement***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable (excluding sales tax) and amounts payable and accrued liabilities. Cash, amounts receivable and amounts payable and accrued liabilities are held at carrying value which approximates fair value due to the short-term nature of these instruments.

***Financial Instrument Risk Exposure***

The Company is exposed in varying degrees to a variety of financial instrument related risks.

*Credit Risk*

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash and amounts receivable. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash.

# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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### 7. FINANCIAL INSTRUMENTS (Continued)

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. At November 30, 2021, the Company had working capital of \$1,604,125 (Note 1).

#### Market Risk

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

##### a) *Interest Rate Risk*

The Company is nominally exposed to interest rate risk. The Company's cash earns interest at variable rates. The Company's future earned interest is exposed to short-term rate fluctuations. Interest rate exposure is considered to be insignificant.

##### b) *Foreign Currency Risk*

The Company is not exposed to currency risk as all transactions are denominated in Canadian dollars.

##### c) *Price Risk*

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

#### **Fair value**

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

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

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

The Company's financial instruments are classified and subsequently measured as follows:

<b>Account</b>	<b>Classification</b>
Cash	Amortized cost
Amounts receivable (excluding sales tax)	Amortized cost
Amounts payable and accrued liabilities	Amortized cost



# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

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### 8. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There was no change in the Company's management of capital policies during the year ended November 30, 2021.

### 9. COVID-19 UNCERTAINTY

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

### 10. INCOME TAX

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income taxes due to the following:

	2021	2020
Loss before income taxes	\$ (155,946)	\$ (644,445)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(42,100)	(174,000)
Increase (decrease) due to:		
Permanent differences	2,831	85,621
Valuation allowance	48,168	88,379
Share issue cost	(8,899)	-
Income tax recovery	\$ -	\$ -

# Mich Resources Ltd.

## Notes to the Consolidated Financial Statements

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### 10. INCOME TAX (Continued)

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2021	2020
Deferred income tax assets:		
Exploration and evaluation assets	\$ 40,809	\$ 40,809
Share issue costs	12,539	8,328
Non-capital loss carryforwards	145,141	101,184
	\$ 198,489	\$ 150,321

### 11. REVERSE TAKEOVER TRANSACTION

On November 5, 2021, the Company and its wholly-owned subsidiary, 1328566 BC Ltd., entered into an Amalgamation Agreement with Pembroke Copper Corp. ("Pembroke"), whereby Pembroke and 1328566 BC Ltd. will amalgamate to form a wholly-owned subsidiary of the Company. Per the terms of the Amalgamation Agreement, the Company will pay to Pembroke total cash payments in the aggregate of USD \$903,111 and issue 98,010,000 common shares to the former shareholders of Pembroke. Pembroke holds a 76% interest in Pecoy Sociedad Minera SAC ("Pecoy Sociedad"), which holds an interest in the Pecoy Property, located in Peru (see also Note 12).

The Amalgamation Agreement will constitute a reverse take-over of the Company for accounting purposes.

As provided for in the Amalgamation Agreement, the Company will issue 6,400,000 common shares to UMS Projects Limited Partnership in consideration for its services in connection with the Transaction. The Company will also issue an aggregate of 2,600,000 common shares to Fiore Management & Advisory Corp. and Winchester Securities Corp for corporate administration success fees.

At the same time, the Company will seek approval for the listing of the Company's shares on the TSX Venture Exchange (the "Exchange") and a concurrent voluntary delisting of the Company's shares on the CSE.

Completion of the Amalgamation Agreement is subject to a number of conditions, including but not limited to: (i) the approval of all regulatory bodies having jurisdiction in connection with the transaction (including Exchange approval); (ii) completion of a subscription receipt financing for minimum aggregate proceeds of \$15,000,000; and (iii) approval of the shareholders of Pembroke, and if required, the Company's shareholders. There can be no assurance that the transaction will be completed as proposed or at all.

Upon completion of the Amalgamation Agreement, the resulting issuer will continue to carry on the business of the exploration and development of the Pecoy Property.

Also on November 5, 2021, the Company entered into a Stock Purchase Agreement with Minera Andina de Exploraciones SAA ("Minandex"), pursuant to which the Company will purchase Minandex's 99.8% interest in SMRL Rosita No. 1 de Arequita ("SMRL Rosita"). Per the terms of the Stock Purchase Agreement, the Company will pay to Minandex USD \$1,200,000 in cash and issue 22,990,000 common shares. SMRL Rosita holds an interest in the Arirahua Project and Real Property. The Company will furthermore pay US\$168,394 (plus applicable Peru VAT) to Minandex within five business days of closing of the Transaction.

As at November 30, 2021, \$480,220 of expenditures relating to the transactions has been recorded as deferred transaction costs on the statement of financial position (November 30, 2020: \$nil).

# **Mich Resources Ltd.**

## **Notes to the Consolidated Financial Statements**

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### **12. SUBSEQUENT EVENT**

On January 1, 2022, the Company entered into a Share Purchase Agreement to acquire the remaining 24% interest in Pecoy Sociedad. As consideration for the interest in Pecoy Sociedad, the Company will pay USD \$2,500,000 in cash and issue 11,220,000 common shares.