

**MAKARA MINING CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE  
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the nine months ended September 30, 2020 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

**MAKARA MINING CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
As at September 30, 2020 and December 31, 2019  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
Current		
Cash	\$ 219,844	\$ 338,997
Amount receivable	30,485	1,239
Prepaid expenses (Note 7)	7,254	-
	<u>257,583</u>	<u>340,236</u>
Exploration and evaluation assets (Note 5)	374,101	40,000
	<u>\$ 631,684</u>	<u>\$ 380,236</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 11,141	\$ 14,567
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	5,220,451	419,925
Commitment to issue shares	950	-
Contributed surplus	65,500	-
Deficit	(4,666,357)	(54,256)
	<u>620,544</u>	<u>365,669</u>
	<u>\$ 631,685</u>	<u>\$ 380,236</u>

Going concern (Note 2)  
Commitments (Notes 5 and 6)  
Subsequent events (Note 6)

APPROVED ON BEHALF OF THE BOARD:

"Andrew H. von Kursell" Director  
Andrew H. von Kursell

"Grant Hendrickson" Director  
Grant Hendrickson

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS

**MAKARA MINING CORP.****CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and nine months ended September 30, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	<b>For the three months ended September 30, 2020</b>	<b>For the nine months ended September 30, 2020</b>
Administrative expenses		
Advertising and promotion	\$ 10,296	\$ 14,043
Consulting fees (Note 7)	2,303,489	3,551,738
Filing fees	3,607	29,012
General exploration costs	622,392	797,392
Office and general	2,552	6,756
Rent	-	1,483
Professional fees	26,331	132,235
Shareholder information	13,041	18,484
Transfer agent	2,656	6,098
Travel	34,860	34,860
Website	-	20,000
Net loss and comprehensive loss for the period	\$ (3,019,224)	\$ (4,612,101)
Basic and diluted loss per share	\$ (0.11)	\$ (0.23)
Weighted average number of common shares outstanding	28,184,961	20,328,055

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS

**MAKARA MINING CORP.****CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Special Warrants	Commitment to issue Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, September 17, 2019	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Incorporator share returned to treasury	(1)	-	-	-	-	-	-
Share issuances							
Private placement (Note 6)	1,000,000	20,000	-	-	-	-	20,000
Private placement (Note 6)	9,999,633	199,993	-	-	-	-	199,993
Private placement (Note 6)	3,998,640	199,932	-	-	-	-	199,932
Net loss for the period	-	-	-	-	-	(54,256)	(54,256)
Balance, December 31, 2019	14,998,273	\$ 419,925	\$ -	\$ -	\$ -	\$ (54,256)	\$ 365,669
Balance, December 31, 2019	14,998,273	\$ 419,925	\$ -	\$ -	\$ -	\$ (54,256)	\$ 365,669
Special warrants subscription received	-	-	209,841	-	-	-	209,841
Conversion of special warrants	2,098,413	209,841	(209,841)	-	-	-	-
Share issuances							
Private placement (Note 6)	6,814,332	1,703,583	-	-	-	-	1,703,583
Exercise of warrants	10,101,385	2,842,462	-	-	-	-	2,842,462
Share issue cost - cash	-	(34,860)	-	-	-	-	(34,860)
Agent's warrants issued	-	(65,500)	-	-	65,500	-	-
Shares issued pursuant to option agreements (Note 6)	125,000	145,000	-	-	-	-	145,000
Subscription received	-	-	-	950	-	-	950
Net loss for the period	-	-	-	-	-	(4,612,101)	(4,612,101)
Balance, September 30, 2020	34,137,403	\$ 5,220,451	\$ -	\$ 950	\$ 65,500	\$ (4,666,357)	\$ 620,544

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS

**MAKARA MINING CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
For the three and nine months ended September 30, 2020  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	<b>For the three months ended September 30, 2020</b>	<b>For the nine months ended September 30, 2020</b>
<b>Operating Activities</b>		
Net loss for the period	\$ (3,019,224)	\$ (4,612,101)
Changes in non-cash working capital items related to operations:		
Amount receivable	(21,340)	(29,247)
Prepaid expenses and deposits	(5,000)	(7,254)
Accounts payable and accrued liabilities	(7,502)	(3,427)
Cash used in operating activities	(3,053,066)	(4,652,029)
<b>Investing Activity</b>		
Mineral property acquisition	(139,101)	(189,101)
Cash used in investing activity	(139,101)	(189,101)
<b>Financing Activities</b>		
Shares issued for cash	2,600,496	4,755,887
Share issue cost	-	(34,860)
Commitment to issue shares	550	950
Cash provided by financing activities	2,601,046	4,721,977
Change in cash during the period	(591,121)	(119,153)
Cash, beginning of period	810,965	338,997
Cash, end of the period	\$ 219,844	\$ 219,844
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
<b>Non-cash Transaction</b>		
Exploration and evaluation asset	\$ 145,000	\$ 145,000
Share capital	\$ 145,000	\$ 145,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS

## **MAKARA MINING CORP.**

Notes to the Condensed Interim Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### **1. CORPORATE INFORMATION**

The Company is a mineral property exploration company whose common shares trade on the Canadian Securities Exchange (“CSE”). On April 28, 2020, the Company received a receipt from the British Columbia Securities Commission for its long -form prospectus dated April 27, 2020 and commenced trading on the CSE on May 4, 2020 under the trading symbol “MAKA”.

The Company was incorporated on September 17, 2019 in British Columbia. The head office of the Company is located at 409 Granville Street, Suite 1000, Vancouver, British Columbia, Canada, V6C 1T2 and its registered and records office is located at 6th Floor, 905 West Pender Street, Vancouver, British Columbia, Canada, V6C 1L6.

### **2. BASIS OF PREPARATION**

#### **(a) Statement of Compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

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

#### **(b) Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### **(c) Going Concern**

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At September 30, 2020, the Company has not achieved profitable operations, has accumulated losses of \$4,666,357 since inception and expects to incur further losses in the development of its business.

## **MAKARA MINING CORP.**

Notes to the Condensed Interim Financial Statements

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### **2. BASIS OF PREPARATION – (cont'd)**

#### **(c) Going Concern – (cont'd)**

There was a global pandemic outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements as at December 31, 2019.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

The effect of a change in an accounting estimate is recognized prospectively by including it in net loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

#### **Critical judgments in applying accounting policies**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:



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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – (cont'd)****Exploration and Evaluation Asset and Impairment**

The application of the Company's accounting policy for exploration and evaluation assets and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

**Going Concern**

The assessment of the Company's ability to continue as a going concern requires significant judgement. See Note 2(c).

**Title to Mineral Property Interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title or interest therein. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

**5. EXPLORATION AND EVALUATION ASSETS**

	Kenora Gold Property	Rude Creek Property	Idaho Property	Davis and Paradise Property	Total
Acquisition cost					
Balance, December 31, 2019	\$ 40,000	\$ -	\$ -	\$ -	40,000
Shares issued	-	-	38,000	107,000	145,000
Paid in cash	-	50,000	5,000	98,101	153,101
Staking	-	36,000	-	-	36,000
Balance, September 30, 2020	\$ 40,000	\$ 86,000	\$ 43,000	\$ 205,101	\$ 374,101

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Notes to the Condensed Interim Financial Statements

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### **5. EXPLORATION AND EVALUATION ASSETS – (cont'd)**

#### Kenora Gold Property

By a mineral property option agreement dated November 24, 2019, the Company may acquire up to a 100% interest in the Kenora Gold Property. This property consists of 40 mineral tenures and is located in the Kenora Mining Region, Ontario. As consideration, the Company will pay cash of \$110,000, issue 700,000 common shares of the Company and incur \$360,000 in exploration expenditures as follows:

- a) Cash payment of \$40,000 within seven days of signing of the Agreement (paid);
- b) Incur a minimum of \$110,000 in exploration expenditures within the first year from the agreement date (November 24, 2020);
- c) Cash payment of \$30,000 and issuance of 300,000 common shares of the Company on the first anniversary of the listing of the Company on the CSE (May 4, 2021); and
- d) Cash payment of \$40,000, issuance of 400,000 common shares of the Company and incur a minimum of \$250,000 in exploration expenditures on or before the second anniversary date of the agreement (November 24, 2021).

Should the Company acquire 100% of the property, the optionor will retain a 1% net smelter returns royalty, one half of which may be purchased by the Company for \$500,000. The property is also subject to an aggregate of 4.5% in net smelter returns royalties in favour of previous owners of the property.

#### Rude Creek Property

By a mineral property option agreement dated May 11, 2020, the Company may acquire up to a 70% interest in the Rude Creek Property. This property consists of 14 mineral tenures covering 4,157 hectares in the Whitehorse Mining District in the Yukon Territory. As consideration, the Company will pay cash of \$125,000, issue 3,750,000 common shares of the Company and fund aggregate expenditures of \$3,175,000 as follows:

- a) Cash payment of \$50,000 on the effective date (paid);
- b) Complete a going public transaction and fund expenditures on the property of at least \$175,000 (paid) on or before September 30, 2020;
- c) Cash payment of \$25,000 and issue 1,000,000 common shares on or before March 1, 2021;
- d) Fund expenditures on the property of at least \$500,000 on or before September 30, 2021;
- e) Cash payment of \$25,000 and issue 1,250,000 common shares on or before March 1, 2022;
- f) Fund expenditures on the property of at least \$1,000,000 on or before September 30, 2022;
- g) Cash payment of \$25,000 and issue 1,500,000 common shares on or before March 1, 2023; and
- h) Fund expenditures on the property of \$1,500,000 on or before September 30, 2023.

Should the Company acquire 70% of the property, the optionor will retain a 3% net smelter returns royalty, 1% of which may be purchased by the Company for \$2,000,000.

On September 21, 2020, the Company staked an additional 128 claims (Win Claims) which is contiguous with the southern boundary to the Rude Creek Property for a total of \$36,000.

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### **5. EXPLORATION AND EVALUATION ASSETS – (cont'd)**

#### Idaho Property

By a property option agreement dated August 19, 2020, the Company may earn a 100% interest in the Idaho property. The property consists of 58 mineral tenures located in the Whitehorse Mining District in the Yukon Territory. As consideration, the Company will pay of \$150,000, issue 750,000 common shares of the Company and incur aggregate expenditures of \$2,000,000 as follows:

- a) Cash payment of \$5,000 (paid) and issuance of 25,000 common shares (issued) of the Company upon execution of this agreement;
- b) Incur \$50,000 in exploration expenditures on or before December 1, 2020;
- c) Cash payment of \$10,000 and issuance of 50,000 common shares of the Company on or before May 1, 2021;
- d) Incur an additional \$100,000 in exploration expenditures on or before December 1, 2021;
- e) Cash payment of \$20,000 and issuance of 100,000 common shares of the Company on or before May 1, 2022;
- f) Incur an additional \$150,000 in exploration expenditures on or before December 1, 2022;
- g) Cash payment of \$25,000 and issuance of 250,000 common shares of the Company on or before May 1, 2023;
- h) Incur an additional \$500,000 in exploration expenditures on or before December 1, 2023;
- i) Cash payment of \$90,000 and issuance of 325,000 common shares of the Company on or before May 1, 2024; and
- j) Incur an additional \$1,200,000 in exploration expenditures on or before December 1, 2024.

Should the Company acquire 100% of the property, the optionor will retain a 2% net smelter returns royalty, 1% of which may be purchased by the Company for \$1,000,000.

#### Davis and Paradise Property

By an option agreement dated September 10, 2020, the Company may earn a 60% interest in the Davis and Paradise Valley claim blocks located in Nye county, Nevada from Almadex Minerals Ltd. The property encompasses 900 hectares consisting of two contiguous parcels of land comprising of 34 Davis claims and 79 Paradise Valley claims. As consideration, the Company will pay of US\$25,000 and reimbursement of annual claim fees, issue 3,500,000 common shares of the Company and incur aggregate expenditures of US\$3,500,000 as follows:

- a) Pay to the Optionor US\$25,000 (paid) on the effective date and satisfy all underlying obligations, including payment of annual claim fees due in September 2020 (paid) and issue 100,000 common shares of the Company on the effective date (issued);
- b) Issuance of 400,000 common shares of the Company on or before the 1<sup>st</sup> anniversary date;
- c) Issuance of 500,000 common shares of the Company on or before the 2<sup>nd</sup> anniversary date;
- d) Issuance of 500,000 common shares of the Company on or before the 3<sup>rd</sup> anniversary date;
- e) Issuance of 500,000 common shares of the Company on or before the 4<sup>th</sup> anniversary date;
- f) Issuance of 1,500,000 common shares of the Company on or before the 5<sup>th</sup> anniversary date.

Incur exploration expenditures of not less than an aggregate of US\$250,000 in exploration expenditures on or before the 1<sup>st</sup> anniversary date and must incur not less than an aggregate US\$250,000 in exploration expenditures on or before each successive anniversary date and not less than an aggregate US\$3,500,000 in exploration expenditures on or before the 5<sup>th</sup> anniversary date.

## **MAKARA MINING CORP.**

Notes to the Condensed Interim Financial Statements

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### **6. SHARE CAPITAL**

#### **(a) Authorized**

Unlimited common shares with no par value.

#### **(b) Issued**

During the nine months ended September 30, 2020:

On May 4, 2020, 2,098,413 Special Warrants were converted into 2,098,413 units. Each unit will be comprised of one common share of the Company and one warrant, exercisable into one common share of the Company at an exercise price of \$0.20 expiring on May 3, 2022.

On May 22, 2020, the Company completed a non-brokered private placement of 6,814,332 units at a price of \$0.25 per unit for total proceeds of \$1,703,583. Each unit consist of one common share and one share purchase warrant. Each share purchase warrant is exercisable at \$0.50 per share expiring three years from the date of issuance. In connection with the private placement the Company paid a cash finder's fee \$34,860 and issued 139,440 finders' warrants exercisable at \$0.50 for a period of three years from the date of issuance. These finder's warrants were fair valued at \$65,500 using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.29%; dividend yield of 0%; volatility of 100% and expected life of three years and a stock price of \$0.70.

On September 4, 2020, pursuant to the terms of the August 19, 2020 property option agreement, the Company issued 25,000 common shares fair valued at \$38,000.

On September 22, 2020, pursuant to the terms of the September 10, 2020 property option agreement with Almedex, the Company issued 100,000 common shares fair valued at \$107,000.

During the nine months ended September 30, 2020, the Company issued an aggregate of 10,101,385 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$2,842,363.

**MAKARA MINING CORP.**

Notes to the Condensed Interim Financial Statements

September 30, 2020

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(Unaudited – Prepared by Management)

**6. SHARE CAPITAL – (cont'd)****(b) Issued – (cont'd)**

During the period ended December 31, 2019:

On September 17, 2019, the Company issued 1 common share for total proceeds of \$0.10, which was returned to treasury on October 4, 2019.

On October 4, 2019, the Company issued 1,000,000 common shares at \$0.005 per share for total proceeds of \$5,000 and recognized a share-based payment of \$0.015 per share for a total of \$15,000. The 1,000,000 common shares will be held in escrow for two years from the date the Company's shares commence trading on the CSE (May 4, 2020).

On November 21, 2019, the Company issued 9,999,633 common shares at \$0.02 per share for total proceeds of \$199,993.

On December 12, 2019, the Company issued 3,998,640 units at \$0.05 per unit for total proceeds of \$199,932. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.10 per share expiring two years from the date the Company's shares commence trading on the CSE (May 4, 2020).

**(c) Share Purchase Warrants**

The changes in Share purchase warrants were as follows:

	September 30, 2020	Weighted Average Exercise Price	December 31, 2019	Weighted Average Exercise Price
Balance, beginning of period	3,998,640	\$0.10	-	\$0.00
Issued	8,912,745	\$0.43	3,998,640	\$0.10
Exercised	(10,101,385)	\$0.28	-	-
Balance, end of period	2,810,000	\$0.49	3,998,640	\$0.10

As at September 30, 2020, the Company had 2,810,000 share purchase warrants outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
71,000	\$0.20	May 3, 2022
2,739,000	\$0.50	May 22, 2023
2,810,000		

Subsequent to September 30, 2020, 891,500 share purchase warrants were exercised for total proceeds of \$443,200.

**MAKARA MINING CORP.**

Notes to the Condensed Interim Financial Statements

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**6. SHARE CAPITAL – (cont'd)****(d) Finder's Warrants**

	<b>June 30, 2020</b>	<b>Weighted Average Exercise Price</b>	<b>December 31, 2019</b>	<b>Weighted Average Exercise Price</b>
Balance, beginning of period	-	-	-	-
Issued	139,440	\$0.50	-	-
Balance, end of period	139,440	\$0.50	-	-

As at September 30, 2020, the Company had 139,440 Finder's warrants outstanding expiring on May 22, 2023.

Subsequent to September 30, 2020, these finder's warrants have been exercised for total proceeds of \$69,720.

**(e) Escrow Shares**

Pursuant to the subscription agreements pursuant to which such shares were issued by the Company, the 1,000,000 common shares issued on October 4, 2019 will be held in escrow for two years from the date the Company's shares commence trading on the CSE. In addition, pursuant to an escrow agreement to be entered into between the Company and the holders of such shares, such shares will be placed into escrow to be released as to 10% on the Listing Date with the remaining 90% to be released in equal tranches at six-month intervals over the 36 months following the Listing Date. On May 4, 2020, 100,000 common shares were released from escrow with the next release on November 4, 2020.

**(f) Special Warrants**

On February 7, 2020, the Company issued an aggregate of 2,098,413 Special Warrants at a price of \$0.10 per Special Warrant and received gross proceeds of \$209,841. Each Special Warrant entitles the holder to acquire, without further payment, one unit. Each unit will be comprised of one common share of the Company and one warrant, exercisable into one common share of the Company at an exercise price of \$0.20 for two years from the date the Company's shares commence trading on the CSE. Each Special Warrant will automatically convert at 5:00 p.m. (Vancouver time) on the date that is the earlier of: (a) the third business day after the date on which a receipt for a final prospectus to qualify for distribution the units is received by the Company from the British Columbia Securities Commission; and (b) one year from the issuance date. On May 4, 2020, these Special Warrants were converted to 2,098,413 units.

## MAKARA MINING CORP.

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### 7. RELATED PARTY TRANSACTIONS AND BALANCES

The following expenses were incurred with key management personnel of the Company. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

		<b>For the three months ended September 30, 2020</b>	<b>For the nine months ended September 30, 2020</b>
Consulting fees	Andrew H. von Kursell, CFO and Director	\$ 6,000	\$ 18,000
	Grant Hendrickson, CEO and Director	9,000	12,000
	John Arthur Fiddick, Director	3,000	14,000
	Hugh Maddin, Director	1,500	1,500
	Peter Espig, Former Director	-	10,000
		<b>\$ 19,500</b>	<b>\$ 55,500</b>

On November 1, 2019, the Company entered into a consulting agreement with Andrew von Kursell for consulting services for a period of one year at a monthly rate of \$2,000 per month which shall automatically be renewed on the same terms and conditions from month to month until terminated.

Included in prepaid expenses is \$7,254 (December 31, 2019 - \$Nil) paid to directors of the Company for advances on expenses.

### 8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of resource properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject to. Capital of the Company comprises of cash and cash equivalents and shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the period.

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### **9. FINANCIAL INSTRUMENTS AND RISKS**

The company is exposed through its operations to the following financial risks:

- Liquidity risk
- Market risk
- Credit risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them unless otherwise stated in the note.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections.

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at September 30, 2020 the Company had a working capital of \$246,442.

#### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### **Interest rate risk**

The Company is not exposed to significant interest rate risk.



## **MAKARA MINING CORP.**

Notes to the Condensed Interim Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### **9. FINANCIAL INSTRUMENTS AND RISKS – (cont'd)**

#### **Price risk**

The Company is exposed to price risk with respect to commodity and 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### **Credit Risk**

Financial instruments that potentially expose the Company to credit risk is cash and cash equivalents. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts.

#### **Fair Values**

The Company's financial instruments include cash and accounts payable and accrued liabilities. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of these financial instruments, the absence of secondary market and the significant cost of obtaining external appraisals. The fair value of these financial instruments approximates their carrying value under the effective interest method.

#### **Fair Value Hierarchy**

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### **10. SUBSEQUENT EVENTS**

On October 27, 2020, the Company granted 510,000 stock options to directors and officers of the Company and to a consultant exercisable at \$0.93 per share expiring on October 27, 2025.