

*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in British Columbia, Alberta, Saskatchewan and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons authorized to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “U.S. Securities Act”) and may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state laws or an exemption from such registration is available. See “Plan of Distribution” below.*



## PRELIMINARY PROSPECTUS

**INITIAL PUBLIC OFFERING**

**March 10, 2020**

### PRISMO METALS INC.

#### OFFERING

<u>Type of Securities</u>	<u>Number of Securities</u>	<u>Price per Security</u>
<b>Common Shares</b>	<b>2,400,000</b>	<b>\$0.125</b>

This prospectus (the “**Prospectus**”) qualifies for distribution (the “**Offering**”) by Prismo Metals Inc. (the “**Company**”) in the provinces of British Columbia, Alberta, Saskatchewan and Ontario of 2,400,000 common shares (each, a “**Common Share**”, and collectively, the “**Common Shares**”) of the Company at a price of \$0.125 (the “**Offering Price**”) per Common Share to raise aggregate gross proceeds of \$300,000.

The Common Shares are being offered pursuant to an agency agreement (the “**Agency Agreement**”) dated <@>, 20<@> between the Company and Haywood Securities Inc. (the “**Agent**”).

	<b>Price to the Public</b>	<b>Agent’s Commission<sup>(1)</sup></b>	<b>Net Proceeds<sup>(2)(3)</sup></b>
<b>Per Common Share</b>	<b>\$0.125</b>	<b>\$22,500</b>	<b>\$277,500</b>

*Notes:*

- (1) Pursuant to the terms and conditions of the Agency Agreement, the Company has agreed to pay the Agent upon closing of the Offering (the “**Closing**”) a cash commission equal to 7.5% of the gross proceeds of the Offering (the “**Agent’s Fee**”). In addition, the Agent will also receive options (the “**Agent’s Options**”) to purchase that number of common shares equal to

7.5% of the number of Common Shares sold hereunder at a price of \$0.125 per Common Share for a period of 24 months from the Closing of this Offering. The Company has further agreed to pay the Agent a corporate finance fee (the “**Corporate Finance Fee**”) of \$25,000, of which \$20,000 shall be payable in cash and \$5,000 in Common Shares of the Company (the “**Corporate Finance Fee Shares**”). Each Corporate Finance Fee Share will have a deemed price equal to the Offering Price. This Prospectus also qualifies for distribution the grant of the Agent’s Options and all securities issuable upon the exercise thereof and the Corporate Finance Fee Shares. The Company has also agreed to pay the Agent’s expenses in connection with the Offering, including legal fees and disbursements and the Agent’s reasonable out-of-pocket expenses for which the Company has paid a \$10,000 retainer (the “**Agent’s Expenses**”). See “Plan of Distribution”.

- (2) Before deducting the balance of the expenses of the Company and the Agent’s Expenses relating to the Offering estimated at \$90,000, which will be paid from the proceeds of the Offering. See “Use of Proceeds”.
- (3) The Company has granted to the Agent an over-allotment option (the “**Over-Allotment Option**”) exercisable, in whole or in part in the sole discretion of the Agent, up to 48 hours prior to Closing, to sell additional Common Shares equal to 15% of the Common Shares issued pursuant to this Offering. If the Over-Allotment Option is exercised by the Agent, the Company will issue up to 360,000 additional Common Shares for a purchase price equal to the Offering Price. This table excludes any Common Shares issuable upon exercise of the Over-Allotment Option. See "Plan of Distribution" below. A purchaser who acquires Common Shares forming part of the Agent's over-allocation position acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

### **ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS**

Jorge Rafael Gallardo-Romero, Craig Gibson, and Maria Guadalupe Yeomans Otero, directors of the Company, each of whom is signing the certificate of the Company attached to this Prospectus under Part 5 of National Instrument 41-101 - General Prospectus Requirements, reside outside of Canada and each has appointed the Company as his agent for service of process in Canada. The individuals, named below, have appointed the following agent for service of process:

<b>Name of Person</b>	<b>Name and Address of Agent</b>
Jorge Rafael Gallardo-Romero	Prismo Metals Inc., 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2
Craig Gibson	Prismo Metals Inc., 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2
Maria Guadalupe Yeomans Otero	Prismo Metals Inc., 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

**There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. The securities offered hereunder must be considered highly speculative due to the nature of the Company’s business. See “Risk Factors” below.**

As at the date of this prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of

Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

An investment in the Common Shares is speculative and is subject to a number of risks that should be considered by a prospective purchaser. An investment in a natural resource issuer involves a significant degree of risk. The degree of risk increases substantially where the issuer's properties are in the mineral exploration stage as opposed to the development stage, as in the present instance. Prospective purchasers should carefully consider the risk factors described under "Risk Factors" before purchasing the Shares.

The Company intends to apply to list its Common Shares on the Canadian Securities Exchange (the "CSE"). Listing will be subject to the Company fulfilling all of the requirements of the CSE.

The following table sets out the maximum number of securities issuable to the Agent:

	<b>Number of Securities</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option <sup>(1)</sup>	360,000	Up to 48 hours prior to closing	\$0.125
Agent's Options <sup>(2)</sup>	180,000	Up to 24 months from Closing Date	\$0.125
Corporate Finance Fee Shares <sup>(2)(3)</sup>	40,000	Upon Closing	\$0.125
<b>Total Securities Issuable to Agent</b>	<b>580,000</b>		

Notes:

(1) These securities are qualified for distribution by this Prospectus. See "Plan of Distribution" below.

(2) These securities are qualified compensation securities ("Qualified Compensation Securities") within the meaning of National Instrument 41-101 – General Prospectus Requirements ("NI 41-101") and are qualified for distribution by this Prospectus. See "Plan of Distribution" below.

(3) NI 41-101 imposes a restriction on the maximum number of securities which may be distributed under a prospectus to an Agent as compensation. Pursuant to NI 41-101, the aggregate Qualified Compensation Securities must not exceed 10% of the Common Shares offered pursuant to this Prospectus, which in the case of this Offering and the Over-Allotment Option is 276,000 securities. For the purpose of this Offering, any combination of the following totalling 247,000 securities are Qualified Compensation Securities and are qualified for distribution by this Prospectus: (i) up to 40,000 Corporate Finance Fee Shares; and (ii) up to a maximum of an aggregate 207,000 Agent's Options (assuming the exercise of the Over-Allotment Option). To the extent that the Agent is entitled to receive securities as compensation exceeding 10% of the Offering and the Over-Allotment Option, those securities exceeding the 10% threshold will not be Qualified Compensation Securities, will not be qualified for distribution under this Prospectus and will be subject to a hold period in accordance with applicable securities laws.

The Agent, as exclusive agent of the Company for the purposes of this Offering, offers the Common Shares for sale under this Prospectus at the Offering Price on a commercially reasonable efforts basis, in accordance with the Agency Agreement referred to under "Plan of Distribution" below and subject to the approval of certain legal matters on behalf of the Company by Fasken Martineau DuMoulin LLP and on behalf of the Agent by Getz Prince Wells LLP. No person is authorized to provide any information or to make any representation in connection with this offering other than as contained in this Prospectus.

Subscriptions will be received subject to rejection or allotment in whole or in part by the Company and the right is reserved to close the subscription books at any time without notice. It is expected that the

evidence of the Common Shares will be delivered in electronic book entry form through Computershare Investor Services Inc. (“**Computershare**”) or its nominee. Purchasers of the Common Shares will receive only a customer confirmation from the registered dealer that is a CDS participant from or through which the Common Shares were purchased.

**AGENT**

**HAYWOOD SECURITIES INC.**

Waterfront Centre  
200 Burrard Street, Suite 700  
Vancouver, British Columbia  
V6C 3L6  
Telephone: (604) 697-7100  
Facsimile: (604) 697-7499

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## FORWARD-LOOKING STATEMENTS

This Prospectus contains “forward-looking information” within the meaning of applicable securities legislation. Forward-looking information may include, but is not limited to, statements with respect to the future price of metals, historical estimates of mineralization, capital expenditures, success of exploration activities, permitting time lines, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage, the completion of regulatory approvals. In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking information in this Prospectus includes, among other things, proposed expenditures for exploration work on the Palos Verdes Property (as described herein), general and administrative expenses, expectations generally regarding completion of this Offering, the ability of the Company to raise further capital for corporate purposes, the utilization of the net proceeds of the Offering and treatment under applicable governmental regimes for permitting and approvals. See “Narrative Description of the Business - Recommendations”, “Use of Proceeds” and “Risk Factors” below.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner, to those disclosed in any other of the Company’s public filings and include the ultimate determination of mineral reserves, if any, the availability and final receipt of required approvals, licenses and permits, sufficient working capital to develop and operate any proposed mine, access to adequate services and supplies, economic conditions, commodity prices, foreign currency exchange rates, interest rates, access to capital and debt markets and associated costs of funds, availability of a qualified work force and the ultimate ability to mine, process and sell mineral products on economically favourable terms. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to, risks and uncertainties disclosed in this Prospectus. See “Risk Factors” below. The Company has no specific policies or procedures for updating forward-looking information. Forward-looking statements are based upon management’s beliefs, estimates and opinions on the date the statements are made and, other than as required by law, the Company does not intend, and undertakes no obligation, to update any forward-looking information to reflect, among other things, new information or future events.

Investors are cautioned against placing undue reliance on forward-looking statements.

## GLOSSARY OF TERMS

“**Agency Agreement**” means the Agency Agreement dated <@>, 20<@> between the Agent and the Company.

“**Agent**” means Haywood Securities Inc.

“**Agent’s Fee**” means the cash commission paid to the Agent equal to 7.5% of the gross proceeds in relation to this Offering.

“**Agent’s Options**” means the options granted to the Agent as compensation for its services in relation to this Offering entitling the Agent to purchase the number of Common Shares as is equal to 7.5% of the Common Shares issued under the Offering for a period of 24 months after the Closing Date at a price of \$0.125 per common share.



“**Author**” means Francisco Manuel Carranza Heredia, CPG, the author of the Technical Report.

“**Board of Directors**” or “**Board**” means the Company’s board of directors.

“**Cascabel**” means Minera Cascabel S.A. De C.V.

“**Cascabel Option Agreement**” means the option agreement effective October 11, 2019, made among the Company and Cascabel with respect to the Los Pavitos Property.

“**Closing**” means the closing of the Offering and the issuance by the Company of the Common Shares.

“**Closing Date**” means such day for Closing as determined by the Agent and as agreed to by the Company.

“**Common Shares**” means the common shares in the capital of the Company.

“**Company**” means Prismo Metals Inc.

“**Corporate Finance Fee**” means the fee to be paid by the Company to the Agent on the Closing Date in consideration of corporate finance and structuring services provided by the Agent.

“**Corporate Finance Fee Shares**” means the \$5,000 portion of the Corporate Finance Fee to be paid by the Company to the Agent as 40,000 Common Shares on the Closing Date in consideration of corporate finance and structuring services provided by the Agent.

“**Escrow Agent**” means Computershare Trust Company of Canada.

“**Exchange**” or “**CSE**” means the Canadian Securities Exchange.

“**Listing Date**” means the date the Common Shares commence trading on the Exchange.

“**Los Pavitos Property**” means the 100% interest in the Los Pavitos concession located in the State of Sonora, Mexico.

“**Offering**” has the meaning ascribed to it on the face page of this Prospectus.

“**Offering Price**” means \$0.125 per Common Share.

“**Over-Allotment Option**” means the Agent's option to solicit up to 360,000 additional Common Shares to raise additional gross proceeds of up to \$45,000 exercisable up to 48 hours prior to the Closing Date.

“**Palos Verdes Property**” means the 75% interest in one mineral concession located in the State of Sinaloa, Mexico.

“**ProDeMin**” means Prospeccion Y Desarrollo Minero Del Norte, S.A. de C.V.

“**ProDeMin Option Agreement**” means the option agreement effective May 7<sup>th</sup>, 2019, made among the Company and ProDeMin with respect to the Palos Verdes Property.

“**Stock Option Plan**” means a stock option plan of the Company providing for the granting of incentive stock options to the Company’s directors, officers, employees and consultants.

“**Subscriber**” means a subscriber for the Common Shares offered under this Offering.

“**Recommended Exploration Program**” means the recommended exploration program on the Palos Verdes Property described in the Technical Report.

“**Technical Report**” means the technical report dated October 4, 2019, entitled “Geology and Exploration of the Palos Verdes Property” authored by Francisco Manuel Carranza Heredia, CPG.

**“Transfer Agent”** means Computershare Investor Services Inc.

**“Warrants”** means warrants of the Company entitling the holder thereof to acquire one Common Share of the Company.

## MINING GLOSSARY OF TERMS

TERM	DESCRIPTION
%	Percent
<	Less than
>	More than
±	More or less
#N	UTM grid measurement in metres north of the equator
#E	UTM grid measurement in metres east of the central Meridian
Ag, As, Au, Bi, Co, Cu, Fe, Hg, K, Mo, Pb, Sb, Te, U, and Zn	Chemical symbols from the periodic group of elements. silver (Ag), arsenic (As), gold (Au), bismuth (Bi), cobalt (Co), copper (Cu), iron (Fe), mercury (Hg), potassium (K), molybdenum (Mo), lead (Pb), antimony (Sb), tellurium (Te), uranium (U) and zinc (Zn).
ALS Chemex	ALS Chemex, a division of ALS Global Ltd through Chemex De Mexico, S.A. De C.V., located in Mexico and Vancouver.
Alteration	Physical and chemical changes to the original composition of rocks due to the introduction of hydrothermal fluids, of ore forming solutions, to changes in the confining temperature and pressures or to any combination of these. The original rock composition is considered “altered” by these changes, and the product of change is considered an “alteration”. (From Hacettepe University online dictionary, after AGI)
Anomalous (anomaly)	a. A departure from the expected or normal. b. The difference between an observed value and the corresponding computed value (background value). c. A geological feature, esp. in the subsurface, distinguished by geological, geophysical, or geochemical means, which is different from the general surroundings and is often of potential economic value; e.g., a magnetic anomaly. (From Hacettepe University online dictionary, after AGI)
Background	A measured or calculated geochemical, geophysical, petrological or other threshold considered representative of an area. The “Normal” or “not anomalous”.
Body	Generally irregularly shaped mass of mineralized rock in the form of mantos or chimney consisting of massive sulfides or the oxidized equivalent
Breccia	Means fragmental rocks whose components are angular and, therefore, as distinguished from conglomerates as not water worn. May be sedimentary or formed by crushing or grinding along faults or by hydrothermal explosions.
CAD\$ and US\$	Canadian dollars, United States of America dollars, as applicable.
CRM, SGM	Consejo de Recursos Minerales (also Coremi). The former Mexican Geological Survey now renamed the Servicio Geológico Mexicana or “SGM”
CuOX	Oxide copper minerals
Diario Oficial	Official gazette of the Mexican Government

Epithermal	Said of a hydrothermal mineral deposit formed within about 1 km of the Earth's surface and in the temperature range of 50 to 200 degrees C, occurring mainly as veins. Also, said of that depositional environment.
FeOX	Iron oxide minerals
Fg, fg	Fine grained, referring to rock or mineral texture
g/t or Gm/Tonne	Grams per Tonne. Where a gramme (also gram) is a unit of measure equal to 1/1000 <sup>th</sup> of a kilogram. A Tonne is a metric Tonne having a unit weight of 1,000 kilograms.
GPS	An electronic device that records the data transmitted by the geographic positioning satellite system.
F13-A37	Mapping index system for Mexico, 1:50,000 scale maps; this designation is the Copala sheet.
Km, Kms	Kilometre, Kilometres
Ltd, Inc.	Limited, Incorporated
M, Ma & My, MT, Moz	million, million years, million tonnes, million ounces
Mineralization (mineralizing)	The presence of minerals of possible economic value – and also the process by which concentration of economic minerals occurs.
MnOX	Manganese oxide minerals
N, S, E, W, NW, etc.	North, south, east, west, northwest, northeast etc.
NAD27, NAD83	Ellipsoid projection models of the earth, North America Datum, from 1927 and 1983; NAD27 is commonly used in Mexico and was formerly required by the Federal Mines Department, and NAD83 is an update very similar to WGS84.
NI 43-101	National Instrument 43-101 <i>Standards of Disclosure for Mineral Properties</i>
No.	Number
oz., ppm, ppb, °C, mm, cm, m, Km, Km <sup>2</sup>	Units of measure: ounce, parts per million, parts per billion, degrees Celsius, millimetre, centimetre, metre, kilometre and square kilometres.
QAQC	A quality assurance and quality control program
S.A de C.V	Sociedad Anónima de Capital Variable, a corporation in Mexico
SEDAR	Canadian System for Electronic Document Analysis and Retrieval (SEDAR)
SGM	Servicio Geológico Mexicano, the Mexican Geological Survey, also formerly known as the Consejo de Recursos Minerales, CRM.
Target	A focus or loci for exploration.
UTM	Universal Transverse Mercator.
WGS84	An ellipsoid model of the earth, used for UTM coordinates.

## CONVERSIONS

The following table sets forth certain standard conversions from the Standard Imperial units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Grams	Ounce (troy)	0.032
Ounce (troy)	Grams	31.103
Tonnes (T)	Short tons (t)	1.102
Short tons (t)	Tonnes (T)	0.907
Grams per ton	Ounces (troy) per Tonne	0.290
Ounces (troy) per Tonne	Grams per ton	34.438

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.*

**The Company:** The Company was incorporated under the *Canada Business Corporations Act* (the “CBCA”) on October 17, 2018, as 11047612 Canada Inc. The Company filed Articles of Amendment on November 1, 2018, pursuant to which it changed its name to Prismo Metals Inc., and on December 3, 2019, pursuant to which it removed the restriction on the transfer of securities from its Articles.

The Company’s corporate and registered office is located at 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

**The Company’s Business:** The Company is engaged in the business of mineral exploration and the acquisition of mineral property assets in Mexico. Its objective is to locate and develop economic precious and base metal properties of merit.

Further to this objective, the Company entered into the ProDeMin Option Agreement, effective May 7, 2019, pursuant to which it is entitled to acquire a 75% interest in the Palos Verdes Property, which constitutes the material property of the Company.

Over the next 12 to 18 months, the Company intends to complete its Recommended Exploration Program on the Palos Verdes Property and its initial commitments thereon using the proceeds of its prior private placement financing and this Offering (see “Use of Proceeds” below).

See “Narrative Description of the Business” below.

**The Palos Verdes Property:** The Palos Verdes Property is located in the State of Sinaloa, Mexico, and consists of one mineral concession.

**Management, Directors and Officers:** Craig Gibson, President, Chief Executive Officer and Director  
Jorge Rafael Gallardo-Romero, Director

Jean-François Meilleur, Director

Salvador Miranda, Chief Financial Officer and Secretary

Maria Guadalupe Yeomans Otero, Director

See “Directors and Officers” below.

**The Offering:** The Company is offering 2,400,000 Common Shares for sale at a price of \$0.125 (per Common Share in the provinces of British Columbia, Alberta, Saskatchewan and Ontario).

This Prospectus also qualifies the distribution of up to 7.5% Agent’s Options.

See “Plan of Distribution” below.

**Use of Proceeds:** The net proceeds to the Company (excluding proceeds which may be received from the exercise of the Over-Allotment Option) from the sale of the Common Shares offered hereby will be \$267,500.

The total funds available to the Company at the Closing of the Offering, after deducting the balance of the estimated expenses of the Offering of \$90,000 (of which \$53,000 has already been paid), the Agent's Fee of \$22,500, the Corporate Finance Fee of \$20,000, and including estimated working capital as at January 31, 2020 of \$135,000, are estimated to be \$355,500.

<b>Expenses</b>	<b>Funds to be Used</b>
Payment of estimated cost of the Recommended Exploration Program on the Palos Verdes Property	\$120,000
Payments to be made in connection with the ProDeMin Option Agreement	\$65,520
Payments to be made in connection with the Cascabel Option Agreement	\$50,500
Administrative costs for 12 months	\$92,800
Unallocated working capital	\$26,680
<b>Total:</b>	<b>\$355,500</b>

**Summary of  
Financial  
Information:**

The following selected financial information is subject to the detailed information contained in the audited financial statements of the Company and notes thereto appearing elsewhere in this Prospectus. The selected financial information is derived from the audited financial statements for the period from incorporation on October 17, 2018, to December 31, 2018, and three and nine months ended September 30, 2019.

	<b>Period ended December 31, 2018 (audited)</b>	<b>Nine months ended September 30, 2019 (audited)</b>
Total Revenues	\$nil	\$nil
Professional and Consultant Fees	\$4,366	\$21,015
Other Expenses	\$nil	\$10,661
Net Loss and Comprehensive Loss	\$4,366	\$31,676
Common Shares	\$0.01	\$284,485
Total Assets	\$nil	\$479,894

Total Liabilities	\$4,366	\$17,702
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**Risk Factors:**

An investment in the Common Shares should be considered highly speculative and investors may incur a loss on their investment. The Company has no history of earnings and to date has not defined any commercial quantities of mineral reserves on the Palos Verdes Property. The Company has an option only to acquire an interest in the Palos Verdes Property and there is no guarantee that the Company's 100% interest, if earned, will be certain or that it cannot be challenged by claims of aboriginal or indigenous title, or unknown third parties claiming an interest in the Palos Verdes Property. The Company and its assets may also become subject to uninsurable risks. The Company's activities may require permits or licenses which may not be granted to the Company. The Company competes with other companies with greater financial resources and technical facilities. As the Company's operations are currently conducted principally in Mexico, its operations are exposed to various levels of political, economic and other risks and uncertainties which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets. The Company may be affected by political, economic, environmental and regulatory risks beyond its control. The Company is currently largely dependent on the performance of its directors and officers and there is no assurance the Company can retain their services. In recent years both metal prices and publicly traded securities prices have fluctuated widely. See "Risk Factors" below.

**Currency:**

Unless otherwise indicated, all currency amounts herein are stated in Canadian Dollars.



## THE COMPANY

### **Name and Incorporation**

The Company was incorporated under the CBCA on October 17, 2018, as 11047612 Canada Inc. The Company filed Articles of Amendment on November 1, 2018, pursuant to which it changed its name to Prismo Metals Inc. and on December 3, 2019, pursuant to which it removed the restriction on the transfer of securities from its Articles.

The Company's corporate and registered office is located at 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

### **Intercorporate Relationships**

The Company intends to incorporate a subsidiary in Mexico promptly following the completion of the Offering.

## GENERAL DEVELOPMENT OF THE BUSINESS

### **Business of the Company**

The Company is engaged in the business of mineral exploration and the acquisition of mineral property assets in Mexico. Its objective is to locate and develop economic precious and base metal properties of merit.

Further to this objective, the Company entered into the ProDeMin Option Agreement, effective May 7, 2019, pursuant to which it is entitled to acquire a 75% interest in the Palos Verdes Property, which constitutes the material property of the Company.

Over the next 12 to 18 months, the Company intends to complete its Recommended Exploration Program on the Palos Verdes Property and its initial commitments thereon using the proceeds of its prior private placement financing and this Offering (see "Use of Proceeds" below).

See "Narrative Description of the Business" below.

### **History**

Subsequent to its incorporation, the Company has completed private capital equity financing, raising aggregate gross proceeds of approximately \$319,793, as set out in "Prior Sales" below. These funds have been and are being used for the acquisition of the Palos Verdes Property and for general working capital and costs of this Offering. The Company intends to raise funds through the Offering to carry out the Recommended Exploration Program on the Palos Verdes Property, as set out in "Use of Proceeds" below.

### **Acquisition of Mineral Projects**

As of the date of this Prospectus, the Company has entered into the following property option agreements: (1) the ProDeMin Option whereby the Company was granted the option to acquire a 75% interest in the Palos Verdes Property; (2) and the Cascabel Option whereby the Company was granted the option to acquire a 100% interest in the Los Pavitos Property.

### ***The ProDeMin Option and the Palos Verdes Property***

On May 7, 2019, the Company entered into the ProDeMin Option with ProDeMin, pursuant to which it is entitled to acquire a 75% interest in the Palos Verdes Property. ProDeMin obtained ownership of its interest in the Property under two separate agreements, which are further described below. Craig Gibson, the President and CEO of the Company, controls and holds a 60% ownership interest in ProDeMin and is a director and officer of ProDeMin.

The first agreement provides for the acquisition of a 50% direct interest in the Palos Verdes Property by completing a minimum 400 meter drill program which was completed on or about May 21, 2019. ProDeMin has applied for registration of the Interest with the Public Mining Registry (Registro Publico de Minería), free and clear of all liens, charges and claims and no other payments, taxes or rentals are due in respect thereof.

The second agreement provides for the acquisition of an additional 25% interest in the Palos Verdes Property by making staged payments of US \$240,000 over a period of 48 months as of the date of signing of the second agreement (the “**Second Agreement**”) on May 7, 2019. The obligations of ProDeMin pursuant thereto have been assigned to the Company under the ProDeMin Option and are included in the conditions of the ProDeMin Option, as described below.

With respect to the ProDeMin Option, the Company, via a wholly owned subsidiary of the Company to be constituted under the laws of Mexico after the closing of this Offering, is entitled to acquire a 75% interest in the Palos Verdes Property in consideration for the fulfilment of certain conditions, namely:

- The payment to ProDeMin of an amount of US \$25,000 (completed);
- The issuance to ProDeMin of 2,000,000 units with a fair market value of \$0.05 per unit, with each unit being comprised of one Common Share and one common share purchase warrant of the Company. The common share purchase warrants may be exercised at a price of \$0.10 per share, expiring of the fifth anniversary of the date of issuance of such warrants (completed);
- The issuance of 500,000 Common Shares with a fair value of \$0.05 per share for a total of \$25,000 to ProDeMin as payment for work completed on a mineral property (completed);
- By making all outstanding payments under the Second Agreement;
- By incurring US \$1,500,000 in exploration expenditures over a five-year period, by paying an additional US \$46,823 to ProDeMin, and by issuing an additional 2,000,000 Common Shares to ProDeMin, as follows (in progress):
  - The payment to ProDeMin of an amount of US \$21,823 on the date of the Company’s closing of its first financing following the listing of its Common Shares on a recognized Canadian stock exchange;
  - Incurring a minimum of \$100,000 in exploration expenditures within the first two years of the date of the ProDeMin Option, and by paying all fees and duties required to maintain the mineral concessions in good standing;
  - The payment of US \$25,000 to ProDeMin and incurring a minimum of \$100,000 in exploration expenditures on the Palos Verdes Property for each of the third and fourth year following the date of the ProDeMin Option, and also paying during such period all fees and duties required to maintain the mineral concession in good standing; and
  - The issuance to ProDeMin, or as directed by ProDeMin, of 2,000,000 Common Shares and incurring a minimum of US \$500,000 in expenditures on the Palos Verdes Property in the fifth year following the date of the ProDeMin Option, and also paying during such period all fees and duties required to maintain the mineral concession in good standing.

Upon fulfilment of the above conditions by the Company, it shall hold, via a wholly owned subsidiary of the Company to be constituted under the laws of Mexico after the closing of this Offering, a 75% interest in the Palos Verdes Property. At the time of this Prospectus, the Company has not entered into an agreement to acquire the remaining 25% interest in the Palos Verdes Property and there can be no assurance that it will ever hold 100% of the Palos Verdes Property.

The ProDeMin Option may be terminated by the Company upon delivery of a 30-day notice to ProDeMin of its election not to fulfil any of the aforementioned conditions. Furthermore, in the event that the Company is in default of its obligations under the ProDeMin Option, ProDeMin may terminate it by giving notice to the Company of such default, and, if the Company has not cured or begun to cure such default within 30 days after delivery of such notice, the ProDeMin Option may thenceforth be terminated by ProDeMin.

The Company may not sell, transfer or otherwise dispose of its rights under the ProDeMin Option at any time during the term of the ProDeMin Option without the prior consent of ProDeMin which may not be unreasonably withheld.

### ***The Cascabel Option***

With respect to the Cascabel Option, the Company is entitled to acquire a 100% interest in the Los Pavitos Property in consideration for the fulfilment of certain conditions, namely:

- The issuance to Cascabel of 2,000,000 units with a fair market value of \$0.05 per unit, with each unit being comprised of one Common Share and one common share purchase warrant of the Company. The common share purchase warrants may be exercised at a price of \$0.10 per share, expiring of the fifth anniversary of the date of issuance of such warrants (completed);
- The payment to Cascabel of an amount of US \$10,710 in relation to taxes owed by Cascabel for the 2018 fiscal year (to be completed);
- The payment to the Mexican authorities of an amount of US \$27,489, as instructed by Cascabel, in relation to taxes owed for the 2019 fiscal year (to be completed);
- Incurring US \$1,500,000 in exploration expenditures over a five-year period, by paying an additional US \$500,000 to Cascabel, and by issuing an additional 2,000,000 Common Shares to Cascabel, as follows (in progress):
  - Incurring a minimum of US \$75,000 in exploration expenditures within the first two years of the date of the Cascabel Option and delivering a technical report to NI 43-101 standards;
  - Incurring a minimum of \$100,000 in exploration expenditures and paying an amount of US \$100,000 to Cascabel or each of the third and fourth year following the date of the Cascabel Option;
  - The issuance to Cascabel, or as directed by Cascabel, of 2,000,000 Common Shares, paying an amount of US \$300,000 to Cascabel, and incurring a minimum of \$500,000 in exploration expenditures in the fifth year following the date of the Cascabel Option;
- Performing sufficient assessment work to satisfy the applicable government work commitment costs on the Los Pavitos Property through the end of each tax period; and
- The maintenance of the Los Pavitos Property in good standing.

Jorge Rafael Gallardo-Romero and Maria Guadalupe Yeomans Otero, both being directors of the Company, are entitled to receive an amount of 20% and 5% of the consideration received by Cascabel under the Cascabel Option, respectively.

### **Trends**

As a junior mining company, the Company is highly susceptible to the cycles of the mineral resource sector and the financial markets as they relate to junior companies.

The Company's financial performance is dependent upon many external factors. Both prices and markets for precious metals are volatile, difficult to predict and subject to changes in domestic and international, political, social and economic environments. Circumstances and events beyond its control could materially affect the financial performance of the Company. Apart from this risk and the risk factors noted under the heading "Risk Factors", the Company is not aware of any other trends, commitments, events or uncertainties that are reasonably likely to have a material adverse effect on the Company's business, financial conditions or result of operations.

### **Intention Regarding Future Business of the Company**

The Company is currently engaged in the business of mineral exploration of the Palos Verdes Property which is located in Mexico. The Company has the option to acquire a 75% interest in and to the Palos Verdes Property. It is the current intention of the Company to explore and, if warranted, develop the aforementioned Palos Verdes Property. It is also the current intention of the Company to remain in the mineral exploration business. Should the Palos Verdes Property not be deemed viable, the Company currently expects that it will explore other opportunities to acquire interests in other mineral properties.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### **Overview**

The Company is engaged in the business of mineral exploration and the acquisition of mineral property assets in Mexico. Its objective is to locate and develop economic precious and base metal properties of merit.

Further to this objective, the Company entered into the ProDeMin Option Agreement, effective May 7, 2019, pursuant to which it is entitled to acquire a 75% interest in the Palos Verdes Property, which constitutes the material property of the Company.

Over the next 12 to 18 months, the Company intends to complete its Recommended Exploration Program on the Palos Verdes Property and its initial commitments thereon using the proceeds of its prior private placement financing and this Offering (see "Use of Proceeds" below).

### **Description and Location of the Palos Verdes Property**

#### **Current Technical Report**

An independent technical report dated October 4, 2019 entitled, "Geology and Exploration of the Palos Verdes Property" was prepared for the Company by Francisco Carranza, a Qualified Person under NI 43-101 (the Author). The Author was physically on the Palos Verdes Property for 1 day in 2019. The Technical Report has been filed with the Securities Commissions and is available for review on the SEDAR database [www.sedar.com](http://www.sedar.com).

#### **Project Description, Location**

### Location

The Palos Verdes Property is located in the southern part of the State of Sinaloa in northwestern Mexico, approximately 65 kilometers NE of Mazatlán, Sinaloa, in the Municipality of Concordia (Fig. 1). For the purposes of the Technical Report, the Palos Verdes Property or Property includes only the Palos Verdes concession that covers 22.7707 hectares (Fig. 2).

Figure 1 shows the location of the Palos Verdes Property in relation to geographic points in the state of Sinaloa, and Figure 2 shows the location of Company's mineral rights within the concessions in the area.



Figure 1. The Palos Verdes Property location in Sinaloa State, northwestern Mexico. The Palos Verdes Property is located in west central Sinaloa, about 50 km northeast of Mazatlán.

### Mineral Concessions and Agreements

A new Mining Law was passed by the Mexican Legislature in 1993 and opened the industry to increased exploration by foreign interest. Mineral concessions in Mexico can only be held by Mexican Nationals or Mexican incorporated companies, but there are virtually no restrictions on foreign ownership of such companies. To acquire a concession, a principal monument must be erected and located and an application submitted to the Federal Mining Directorate. The concession must subsequently be located by an official surveyor and the concessions are registered with the Public Registry of Mining when titled.

In the past, two types of concessions were in effect: Exploration and Exploitation. An Exploration concession can be valid for up to six years if work is performed on the ground, assessment reports are filed in May of each year, and taxes are paid in advance in January and July of each year. The tax amount and assessment is based on the area and age of the concession. An Exploration concession may be converted to an Exploitation concession prior to expiry. An Exploitation concession is valid for fifty years and can be renewed, and the taxes are higher. The types of concessions were changed with the Mining Law Reform in 1999, and now only one type of concession, Mining, is recognized, with a renewable 50-year term from the original title date as long as taxes are paid and assessments are filed; this 50-year

period was retroactive for concessions in good standing including the concession that comprises the Palos Verdes Property. Concessions titled prior to 1999 are still commonly referred to as Exploration or Exploitation.

The Mexican Constitution maintains a direct non-transferable ownership of the nation's mineral wealth (considered a national resource) that is governed under established Mining Law. The use and exploitation of such national resources is provided for through clear title to a mineral rights concession ("**lot**" or "**concession**") that is granted by the Federal Executive Branch for a fee and under prescribed conditions. Mining concessions are only granted to Mexican companies and nationals or Ejidos (agrarian communities, communes, and indigenous communities). Foreign companies can hold mining concessions through their 100% owned Mexican companies.

The main obligations to maintain title to a concession in good standing are performance of work expenditures, payment of mining fees and compliance with environmental laws. Mineral rights fees are paid bi-annually in January and July, and annual proof of exploration work expenditures is done via a work report filed by the end of May of the following year ("**assessment**" report or "**comprobación de obras**"). The amount of the mineral rights fees and the amount of expenditures required varies each year. It is calculated based on a per hectare rate that typically increases annually in line with annual inflation rates. The new rates are published each year in advance in the Official Gazette of the Mexican Federation ("**Diario Oficial**"). The Author has reviewed legal documentation provided by the Company, but has not performed an exhaustive legal investigation into the status of the concessions including legal filings, tax payments and assessment work filings for past years. The Author has relied upon legal documents provided by ProDeMin and the Company. The Author has no reason to believe that ownership and status are other than has been represented. Determination of secure mineral title and surface estate ownership is solely the responsibility of the Company.

The Mexican Senate approved Tax Reform changes in Mexico that became effective January 1, 2014 affect operating mining companies in Mexico. The changes include: the corporate income tax remaining at 30%; a new mining royalty fee of 7.5% on income before tax, depreciation and interest; an extraordinary governmental fee on precious metals, including gold and silver, of 0.5% of gross revenues; and, changes affecting the timing of various expense deduction for tax purposes. This implies an effective combined tax and royalty rate of 35.25% depending on how deductions will be applied. The new rates put Mexico in line with the primary mineral producing nations of the world. Should the tax reform changes remain in place as is, the Palos Verdes Property will be subjected to the new tax regime.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

### *Mineral Rights*

On May 7, 2019, the Company entered into an Option Agreement with ProDeMin. Pursuant to the terms of the ProDeMin Option, ProDeMin grants the Company an option to earn up to 75% of the rights to the Palos Verdes concession that makes up the Palos Verdes Property covering 22.7707 hectares and constitutes ProDeMin's interest acquired from private individuals (Table 1, Fig. 2). ProDeMin acquired 75% of the rights to the concession under two agreements. The First Agreement consisted of the right to acquire 50% of the rights to the Palos Verdes Property by completing a minimum 400 metre diamond drill program. The drill program was completed in May 2018, and each of the two the property owners assigned 25% of the concession to ProDeMin. This agreement has been registered with the Public Mining Registry and the 50% interest is shown in the online database of the Mining Directorate. Under the Second Agreement, ProDeMin has acquired an additional 25% interest in the Palos Verdes Property from one of the two original owners, Ernesto Guzman, by agreeing to make staged payments totalling 240,000

over a 42-month period. Application for the registration of the second agreement with the Public Mining Registry has been made, but final registry is pending.

Table 1. Mining Concessions of the Palos Verdes Property included in the joint venture

CLAIM	HECTARES	GRANTED	TITLE	EXPIRATION
Palos Verdes	22.7707	October 17, 1979	165453	October 17, 2029
<b>TOTAL</b>	<b>22.7707</b>			

Title to the concession is registered to ProDeMin (50%), Jose Manuel Gayon Aragon (25%) and Ernesto Guzman Ramirez (25%). Registration of the title to Mr. Guzman's 25% to ProDeMin is pending.



Figure 2. Palos Verdes Property.

The Palos Verdes Property consists of the Palos Verdes concession, shown in yellow, near the village of Santa Lucía. The concession is surrounded by other concessions controlled by third parties. The new and old highways between Mazatlán and Durango cross the Palos Verdes Property.

The terms of the ProDeMin Option are described above under the heading General Development of the Business.

Table 1 shows the relevant data including the expiry date of the mining concession forming the Palos Verdes Property.

### *Surface Exploration Rights*

Mining concession licenses in Mexico are separate from surface rights. Permission for surface access must be negotiated with the owners of the surface rights to the areas covered by the mining concessions, and commonly involve leasing of the surface rights. In Mexico surface rights are owned by private persons or ejidos (local communal organizations), and agreements for access must be made with the surface owners to do significant work. The surface rights that cover the Palos Verdes Property are controlled by the San Miguel Carrizal Ejido as shown in Figure 3. ProDeMin has a formal surface rights agreement covering the Palos Verdes Property that allows exploration work to be carried out for a period of three years, terminating on September 30, 2020. A new agreement will need to be made for further exploration work after that date.

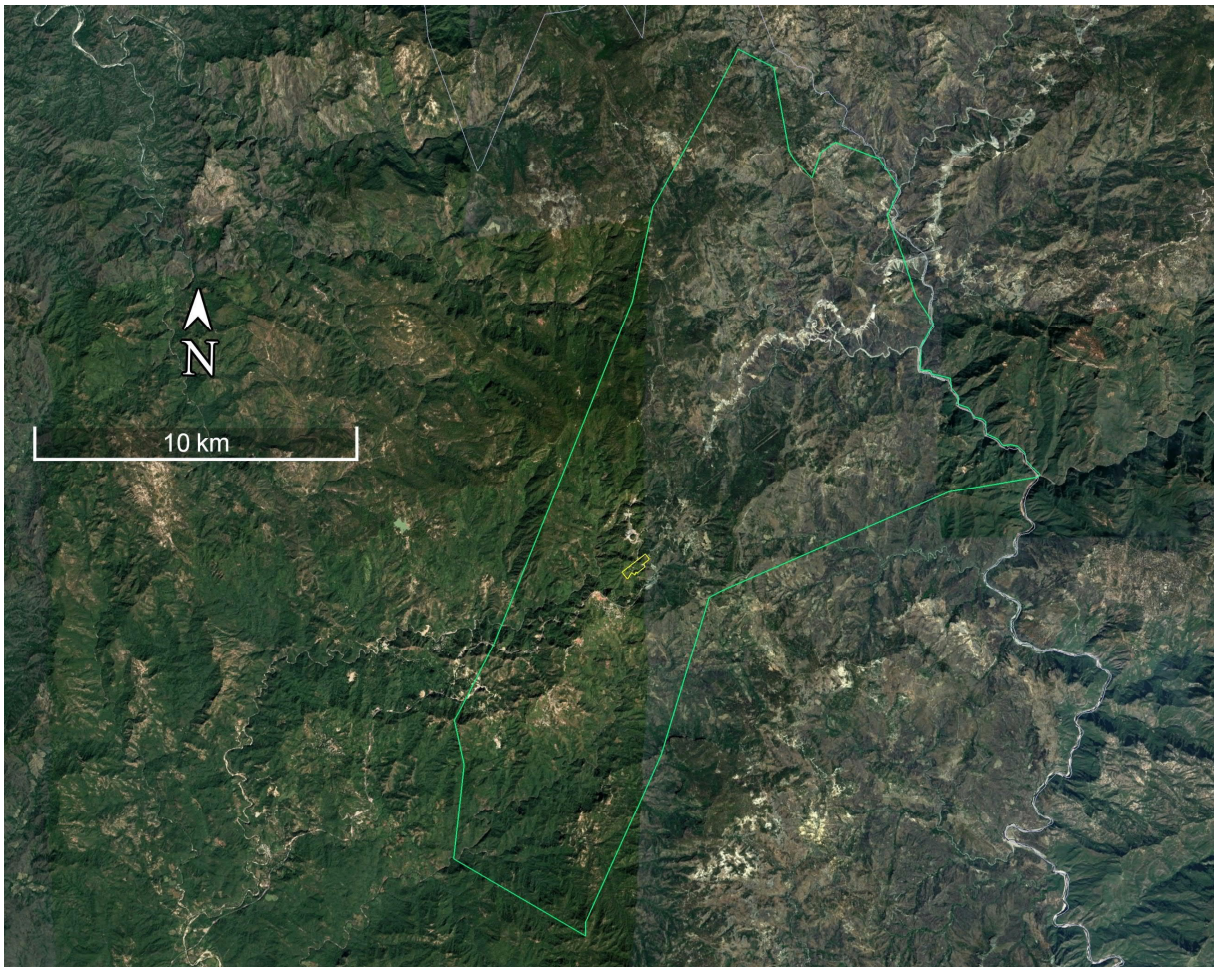


Figure 3. Surface rights for the Palos Verdes Property.  
The Palos Verdes concession, yellow lies completely within the San Miguel del Carrizal Ejido, green.



## Permits and other Considerations

All permissions and applications required for the exploitation and exploration process must be performed in accordance with the applicable Mexican Official Laws and Standards (*Normas Oficiales Mexicanas*). The Palos Verdes Property does not fall within any Natural Protected Area (*Area Natural Protegida*). Exploration work including drilling on existing roads but with no new road construction or other surface disturbance requires the filing of a Preventative Notice (*Informe Preventivo*) filed with the SEMARNAT the agency responsible for issuing environmental permits. Once filed, the agency has 20 calendar days to respond, issuing approval or a requirement for more information; the response is called a resolution (*resolutivo*) and details requirements and or limitations for the permit. If there is no response in the given time, the permit is taken as approved. With the approval of the Preventative Notice preventive and generally a letter of initiation of activities (*Aviso de Inicio de Actividades*) received and stamped by the government Authority work can begin. In the case of new surface disturbance such as road construction, studies that must be filed and approved include a Technical Study Justifying a Change of Soil Use (*Estudio Técnico Justificativo para Cambio de Uso de Suelos*) and an Environmental Impact Statement (*Manifiesto de Impacto Ambiental*) over the areas to be affected. The required permits and the stage when they are required are shown in Table 2.

ProDeMin applied for a permit to allow drilling by filing a Preventative Notice (*Informe Preventivo*) in January 2018, and received limited approval for two years on Feb 20, 2018, with a request for further information. Further information was provided in April 2018. Filing for an extension to the environmental permit will be necessary before February 2020. At the present time, and up until exploration activities have progressed further to require construction of new roads and/or drill pads, no other permits are required for exploration activities at the project. For road construction and drilling in the future, the permits that are generally required for exploration activities are those mentioned previously and shown in Table 2.

Table 2. Permitting Requirements for the Palos Verdes Property

Permit	Relevant to	Status
Letter of Initiation of exploration activities and Preventative Notice ( <i>Informe Preventivo</i> );	Early exploration/drilling	Valid permit in hand
The Permit for Change of Soil Use in Forested Area and Environmental Impact Statement issued by the State Delegations of Secretary of the Environment, Natural Resources and Fisheries (SEMARNAT)	Transitional, advanced exploration to development	Not necessary until surface area is to be disturbed

## Accessibility, Climate, Local Resources, Infrastructure and Physiography

### *Topography, Climate, Physiography*

The Palos Verdes Property is located in the Physiographic Province of the Sierra Madre Occidental as part of the Southern Canyons and Mesas sub province. The Palos Verdes Property is located on the western slope of the Sierra Madre Occidental near the transition to the Coastal Plain of Sinaloa State (Fig. 4). Topography is moderately abrupt with elevations of as much as 1500 meters above sea level rising from low elevations of about 1,250 meters in the southwestern part of the concession. Mountain peaks to the east rise to over 2,000 meters in elevation. The Company's activities are conducted primarily between about 1,250 and 1,300 metres elevation. The Palos Verdes Property is located in the Concordia Municipality and lies in a tributary of the Los Chirimollos valley that drains to the coastal plains and Pacific Ocean and is part of the Rio San Pablo and Rio Baluarte catchment basins.

The climate in the region is classified as arid to semi-tropical, and according to the National Meteorological Service, with an average annual temperature of 23.4 degrees Celsius with average highs in summer of 34 degrees Celsius and average lows in winter of 11 degrees Celsius, but temperatures can range from about 8 degrees Celsius to over 35 degrees Celsius. Precipitation averages 896 millimetres per year, and rainfall occurs mainly from late June to early October during a monsoonal tropical wet season that includes the influence of hurricanes mainly from the Pacific coast. Winters are relatively dry.

### *Vegetation*

Vegetation on the Palos Verdes Property is classified as dry to semi-humid deciduous tropical forest with both desert and jungle type plants (Fig. 5). Thorny plants and cacti dominating the vegetation during the dry season with abundant thorny bushes and small trees such as acacia in arroyos, with oak and pine forests at higher elevations in the surrounding region. The foliage becomes green and dense near water dams and streams and jungle-like during the rainy season. Surface land use is dominantly grazing for goats and cattle. Some timber is harvested from the surrounding region.

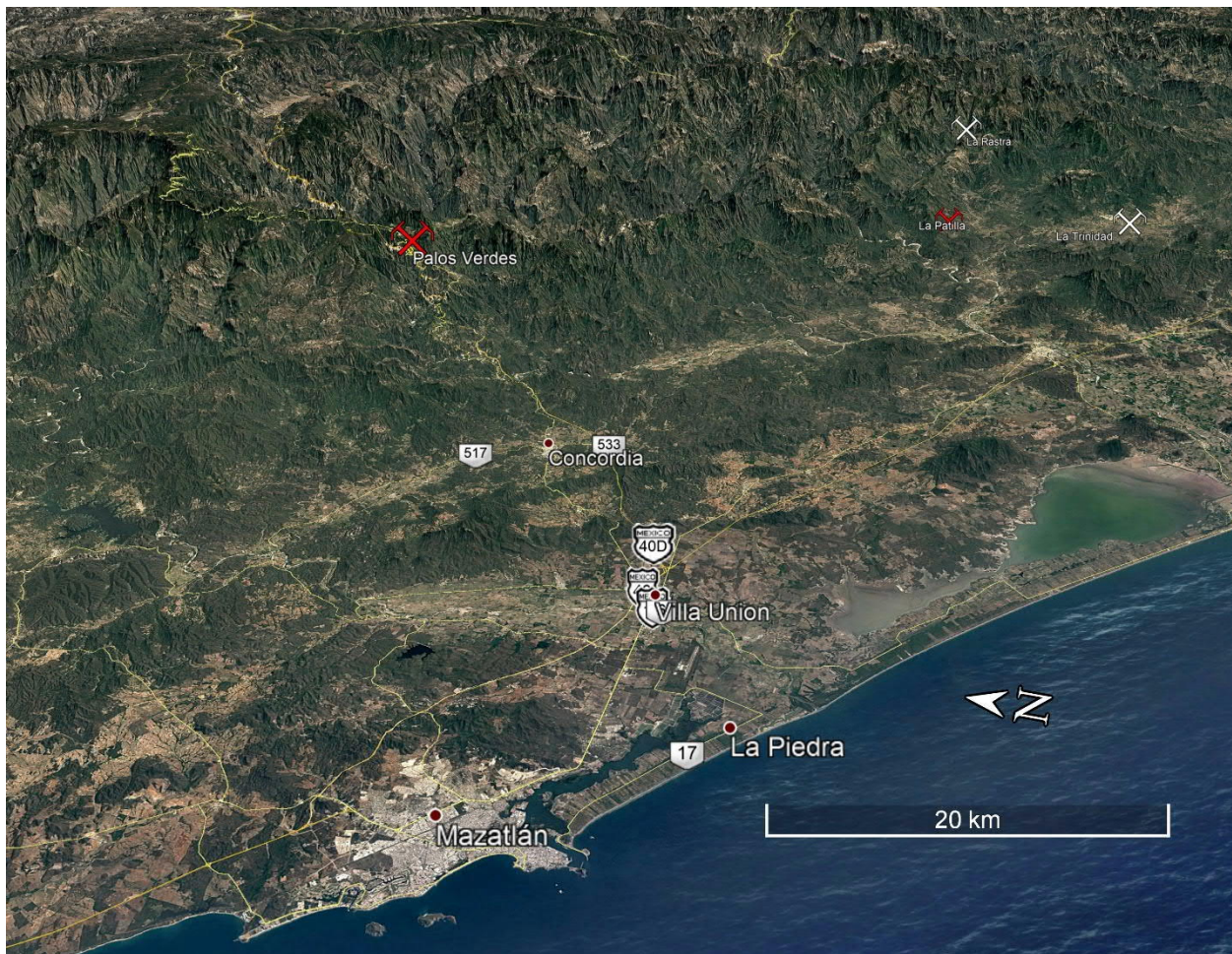


Figure 4. Aerial view of the Palos Verdes Property region. Oblique aerial view from Google Earth showing the region surrounding the Palos Verdes Property, shown in red. The Palos Verdes Property is located at the slopes of the Sierra Madre Occidental near the transition to the coastal plain. Some other mineral deposits in the Rosario district are shown in the upper right corner of the image. Mazatlán is located on the coast in the left foreground of the image.

### *Accessibility*

The village of Santa Lucia lies about 1 km southwest of the limits of the Palos Verdes Property with an estimated population of a few hundred (Fig. 2). Santa Lucia is on both the old highway (40) and new toll highway (40D) between Mazatlán to Durango, but the formal exit on the new highway is about 2 km to the northeast. The nearest major city is Mazatlán, an approximately 60 to 90-minute drive from the Palos Verdes Property, Figure 1. The nearest fuel station is located at Concordia on the old highway or at the new and old highway junction. The Palos Verdes Property is accessible by the old interstate highway 40 from Mazatlán to Durango, with a poor quality dirt road crossing the central part of the Palos Verdes concession and providing access to the small tunnel on the Palos Verdes Property. The Company has rented a small house as a field office and core storage area in Santa Lucia. Exploration activities can be carried out year round.

### *Local Resources and Infrastructure*

The Palos Verdes Property is about 65 kilometers northeast of the city Mazatlán, with the most significant infrastructure in the area, although Villa Union and Concordia have markets, service stations and lodging available. The population of the municipality is about 27,000, with large population centers mainly outside the municipality at Mazatlán, Villa Union and Rosario. A semi-skilled work force for a variety of technical personnel and mining staff and an unskilled work force are available in communities close to the Palos Verdes Property, and are probably sufficient to provide laborers throughout exploration stages. The nearest international airport is General Rafael Buelna International Airport (MZT) at Mazatlán, a tourist destination with multiple daily national and international flights located approximately 1.5 hours from the Palos Verdes Property.

The local economy consists of small-scale timber, livestock and tourism services, and the area is known as an important mining center with historic small-scale mining evident and several small mills in operation. All major supplies and services are available from Mazatlán, Villa Union or Concordia.

Power from the national grid is available at Santa Lucia, 1 km from the Palos Verdes Property. There is no local water system but water is available in streams near the Palos Verdes Property. This water is sufficient for the needs of a small drill program.



Figure 5. Panorama of the Palos Verdes Property.  
View of the Palos Verdes Property, looking southwest from the old highway  
in the northwestern portion of the concession.

## History

The early history of the Palos Verdes Property is not known. The Sinaloa region was inhabited by several Mesoamerican cultures during the pre-Hispanic period. The Mining Districts of Panuco, Copala and Santa Lucia were well-known natives before 1560 due to the high-grade Au-Ag veins and they exploited the richest portions of the veins. In 1565 Capt. Francisco de Ibarra, who founded Durango and Nombre de Dios as Nueva Vizcaya governor, founded the municipality named San Sebastian, now known as Concordia with the purpose to support the mining works of the Panuco-Copala Mining District. Mining activities have continued intermittently for 5 centuries to the present. Even during the Mexican Revolution mining activities remained with 7 mills operating in the region. After Mexican independence the State of Sinaloa was formed and Villa de San Sebastian was changed to Concordia in 1831.

Concerning the Santa Lucia mining area, where the Palos Verdes Property is located, the old workings are small compared with Panuco and Copala, with historic workings mainly as small digs and adits that were developed to extract Au and Ag ore.

Sinaloa State is perhaps better known by the general population for agriculture than for metal mining. The western part of the state at the edge of the Sierra Madre Occidental is the coastal plain where large-scale irrigation occurs with water provided from dams on the large rivers draining the mountains. Mining is important, however, and numerous important mineralized areas are known. The Panuco-Copala mining district is historically the most important silver producer in Sinaloa with abundant mines and prospects. Currently several small mines produce mineral for a few mills in operation in the region.

### *Exploration History*

Various companies as well as the previous owners of the Palos Verdes Property have performed limited exploration at the Palos Verdes Property, mainly sampling (Fig. 6, Table 3). ProDeMin has compiled a sample database with 61 samples taken by Oremex Silver, the Palos Verdes Property owners and others with values of as much as 4.15 g/t Au and 732.7 g/t Ag. Little or no data on sampling methodology and laboratory preparation and analytical procedures are available, nor are lab certificates for all of the samples. Therefore these data were not relied upon, and this sampling was used only as a general guide for further work. At some time in the past, reportedly near the end of the 1900s, a 70-meter-long tunnel was driven along the vein from near the bottom of the Palos Verdes arroyo. The owners of the concession leased the Palos Verdes Property to a small miner prior to the initial agreement with ProDeMin, but limited work was completed. Exploration carried out by ProDeMin is discussed below under the heading “**Exploration**”, as this was done recently under the supervision of a Qualified Person and supporting documents are available.

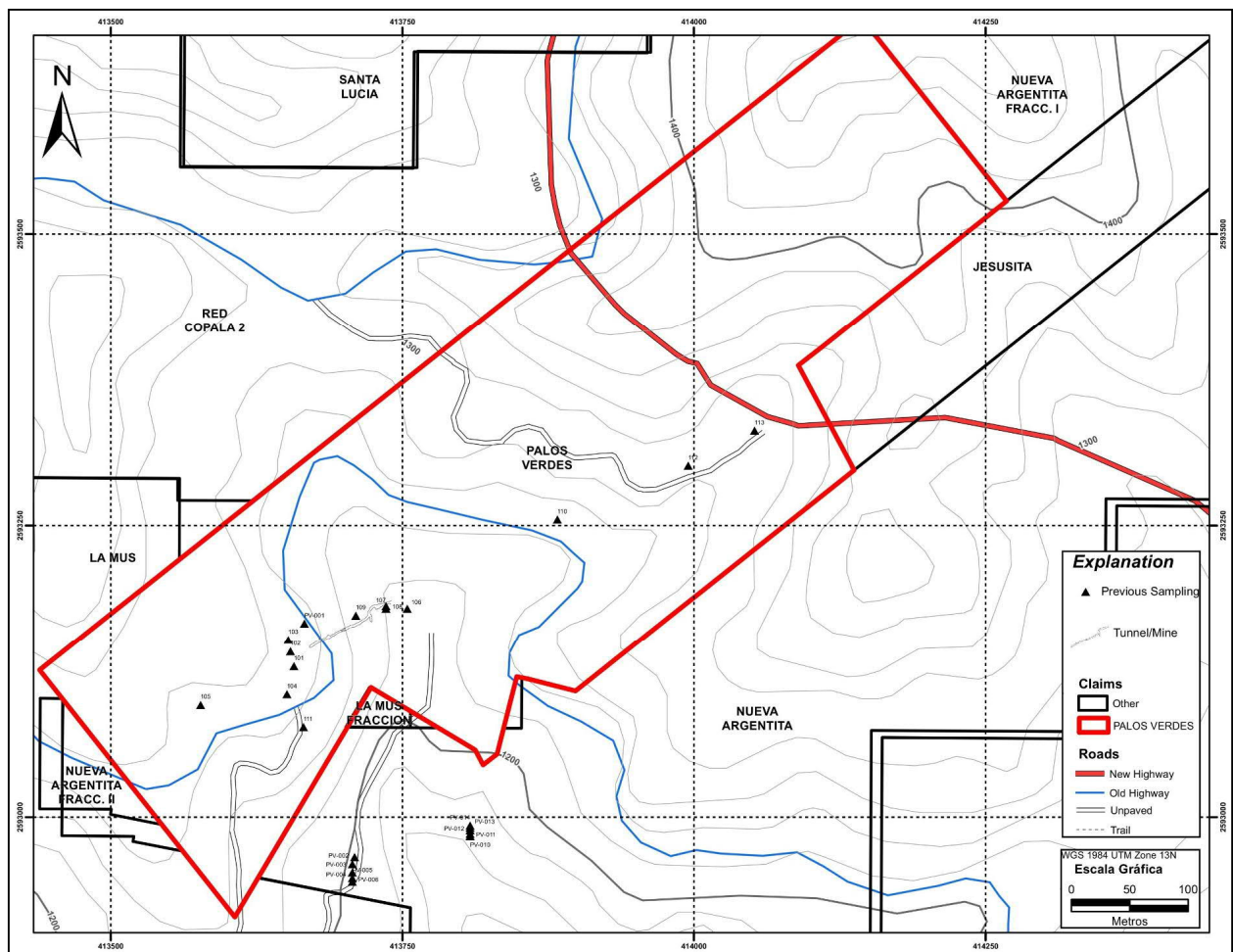


Figure 6. Historic sampling at the Palos Verdes Property.

Topographic map of the Palos Verdes Property showing the Palos Verdes Property boundary and locations of rock samples taken by previous workers.

Table 3. Assay values for historic sampling at the Palos Verdes Property

Sample	Area	Width m	Au g/t	Ag g/t	Pb ppm	Zn ppm	Cu ppm
PV-001	Palos Verdes	1.2	0.022	14.3	743	610	399
PV-002	Palos Verdes	1	0.05	18.6	573	232	360
PV-003	Palos Verdes	0.6	0.172	0	39	690	80
PV-004	Palos Verdes	0.7	0.3	0	32	1130	42
PV-005	Palos Verdes	1	-0.001	0	22	245	24
PV-006	Palos Verdes	0.5	0.125	20.7	996	1110	415
PV-007	Palos Verdes	0.7	0.405	87.5	68	66	27
PV-008	Palos Verdes	1	0.132	28.5	113	99	197
PV-009	Palos Verdes	0.7	0.018	0	1050	1070	280
PV-010	Palos Verdes	2.5	0.012	0	199	1110	150
PV-010A	Palos Verdes		1.201	87.8	739	115	77
PV-011	Palos Verdes	2.5	0.029	11.5	1940	4590	1530
PV-012	Palos Verdes	2.5	0.016	0	2590	9890	284
PV-013	Palos Verdes	2.5	1.032	222	3350	12000	3450
PV-014	Palos Verdes	2.5	0.019	0	841	1870	793
101	Palos Verdes		0.42	92	2200	2100	
102	Palos Verdes		0.01	22	1300	2200	
103	Palos Verdes		0.01	19	800	100	
104	Palos Verdes		0	0	600	1000	
105	Palos Verdes		0.19	33	1500	2000	
106	Palos Verdes		0.01	7	5400	13000	
107	Palos Verdes		2.13	474	20300	64000	
108	Palos Verdes		1.21	259	2300	5400	
109	Palos Verdes		0.01	21	4000	19200	
110	Palos Verdes		0.43	76	1200	1700	
111	Palos Verdes		0.15	48	900	1700	
112	Palos Verdes		0	0	600	100	
113	Palos Verdes		0	0	500	700	
114	Palos Verdes		0.01	44	600	300	
115	Palos Verdes		0.38	70	1500	1200	
649	Palos Verdes	0.7 m	4.15	732.7	2906	324	1502
859	Palos Verdes	1.8 m	0.8	72.8	16791	28127	1983
860	Palos Verdes		0.608	50.1	1542	4030	737
1050	Palos Verdes	1.6 m	0.079	18.9	3847	8808	898
1051	Palos Verdes	1.5 m	0.013	20.1	1322	1544	3148
1052	Palos Verdes	2.1 m	0.196	23.6	1342	1708	441
1053	Palos Verdes	1.3 m	0.243	32.5	2858	5460	423
1054	Palos Verdes	1.3 m	0.297	39.8	849	4285	252
1055	Palos Verdes	1.8 m	0.11	16.7	1628	1982	561
1056	Palos Verdes	2.2 m	0.798	30.7	8849	4551	516
1057	Palos Verdes	2.5 m	0.362	38.9	2573	4329	551
1058	Palos Verdes	1.9 m	0.201	25	3080	8856	671
1059	Palos Verdes	1.9 m	0.362	55.9	1962	3489	786
1060	Palos Verdes	1.8 m	0.29	35.7	3257	7403	841
1061	Palos Verdes	1.6 m	0.212	34.3	590	2147	207
1062	Palos Verdes	1.3 m	0.351	59.2	4189	2223	1871
1063	Palos Verdes	1.5 m	0.129	11.9	1748	1760	602
1064	Palos Verdes	0.7 m	0.298	17.4	398	1258	340
1065	Palos Verdes	1.8 m	0.212	7.3	331	2018	253
1066	Palos Verdes	1.1 m	0.022	14.1	1270	1615	1336
1067	Palos Verdes	1.1 m	0.059	4.7	251	1891	521
1068	Palos Verdes	1.5 m	0.288	4.5	229	3510	240
1069	Palos Verdes	1.3 m	0.139	9.6	419	1302	177
1070	Palos Verdes	1.6 m	0.146	8.7	484	1461	280
1071	Palos Verdes	1.2 m	0.067	9	484	751	286
1072	Palos Verdes	1.4 m	0.09	16.7	1269	2356	738
1073	Palos Verdes	1.3 m	0.078	13.1	329	870	478
1074	Palos Verdes	3.2 m	0.03	18.5	1250	510	733
1075	Palos Verdes	3.6 m	0.378	37	1772	4032	2401
1076	Palos Verdes	2.8 m	4.05	77.5	22350	46482	3703
1077	Palos Verdes	2.5 m	0.081	37.7	2170	2379	677

Sample data provided by M. Gayon, one of the original vendors of the Palos Verdes Property. Blanks indicate data not available.

## **Geological Setting, Mineralization and Deposit Type**

### *Regional Geology*

The tectonostratigraphic framework of western Mexico is characterized by the Sierra Madre Occidental geologic province. The region is underlain by several tectonostratigraphic terranes as defined by Campa and Coney (1983) and Sedlock et al. (1993). The Guerrero terrain is probably the basement of the region and was covered during volcanism of the Sierra Madre Occidental during the Tertiary (Fig. 7). The area was affected by later extension and opening of the Gulf of California.

The regional geology consists mostly of Tertiary volcanic rocks (Fig. 8). Metamorphosed basement rocks of the Sonobari Complex of Precambrian age constituted of gneiss, amphibolite, pegmatite and migmatite outcrop in the northern portion of Sinaloa State (Fig. 9). These rocks are overlain by metamorphosed rocks such as schists, amphibolite and quartzite of Lower Paleozoic age and metamorphosed sedimentary rocks such as shale, quartzite, limestone and chert of Upper Paleozoic age. These probably comprise the basement rocks in the region, but are not exposed on the Palos Verdes Property or the immediately surrounding area (Fig. 8). The closest outcrops of these basement rocks close to the Palos Verdes Property are located south of Copala village and northeast of Magistral Ranch, and are constituted of quartzite and black shales of Upper Paleozoic age.

A thick sequence of volcanic rocks overlies the basement rocks. The lowermost unit, termed the Lower Volcanic Group of Late Mesozoic to Early Cenozoic age (McDowell and Clabaugh, 1979), is composed mainly of flows and tuffs of andesitic composition. This sequence shows textural changes such as aphanitic, porphyritic, holocrystalline and diabase with locally important flow breccia. Generally this sequence exhibits propylitic alteration, and locally is associated with intrusive rocks of microdioritic, monzonitic and pyroxenite composition. These rocks are exposed in the Rio Florido valley.

The Lower Volcanic Group is very important, economically, due this sequence hosts numerous mineral deposits in the zone and along Sierra Madre Occidental mining districts. Some outcrops of this sequence host some mineralized orebodies in the Copala- Panuco- Santa Lucia Mining District. In this zone the sequence is intruded by granodioritic bodies with  $56.5 \pm 0.7$  My in age (Lopez, 1999).

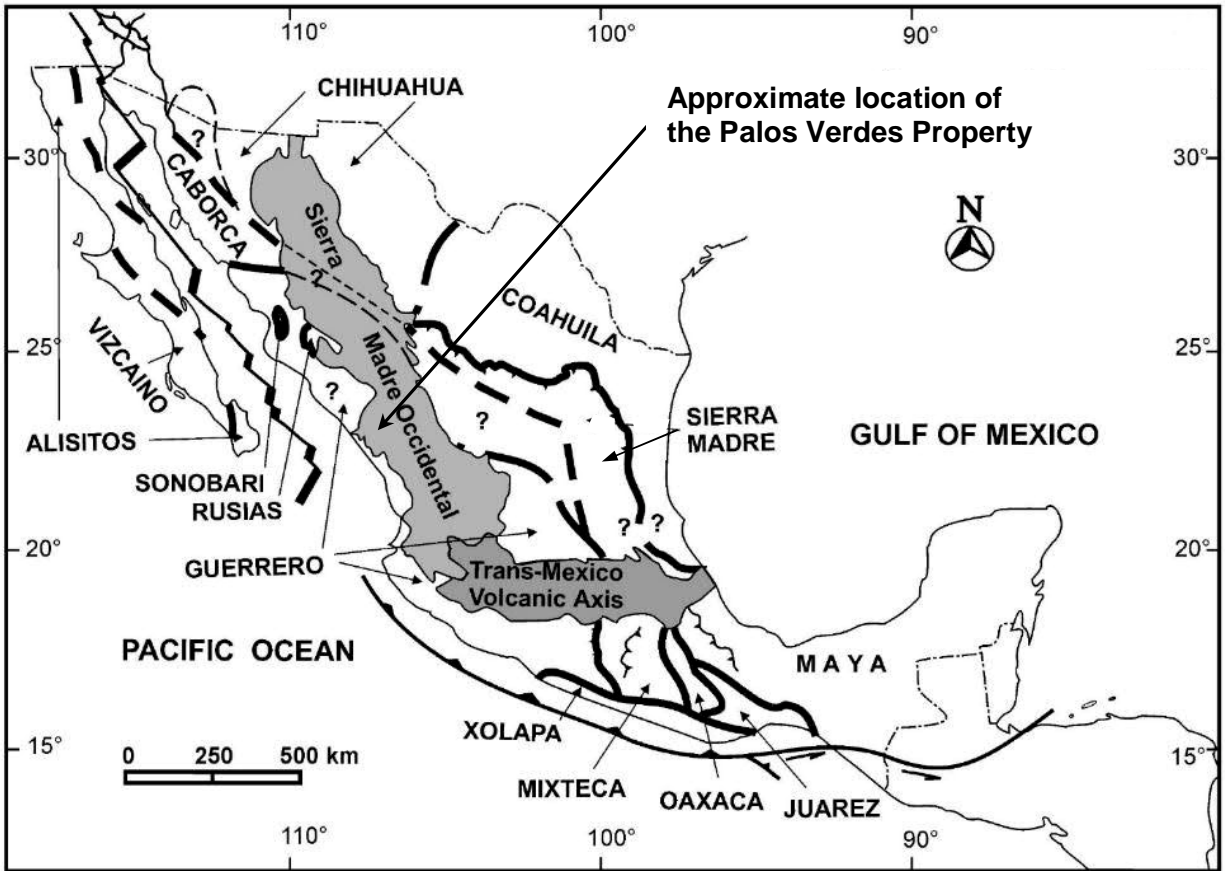


Figure 7. Tectonostratigraphic terranes of Mexico.

Map showing the terranes and plate tectonic framework for Mexico as well as the Sierra Madre Occidental and Trans-Mexico volcanic belts. After Campa and Coney (1983).

Rocks of the Upper Volcanic Group unconformably overlie the Lower Volcanic Group. The rocks are of Early to Middle Tertiary age and have been divided into three main units: Older, Intermediate and Upper Ignimbrite Units. Interbedded with these units are purple to reddish andesitic flows. The younger ignimbritic sequence consists of a thick package of breccia and rhyolitic to andesitic tuffs. Alteration observed in these units is mainly argillic due to weathering. In some places the Upper Volcanic Group is intruded by rhyolitic porphyry domes.

In the Upper Tertiary (Pliocene), sandstone and polymictic conglomerate filled basins that originated during extension in the region.

Regionally two main intrusive events are recognized. The older, of granodioritic to granitic composition (56.6 +/- 0.7 My) is associated with the La Costa Batholith of Laramide age. Intrusive rocks of similar composition, but Oligocene in age, locally intruded the Upper Volcanic Group. The second intrusive event consists of younger andesitic to rhyolitic porphyry and domes formed in the Upper Volcanic Group.

The older rocks in the region were affected by the Jaliscoan Orogeny of Jurassic age. The main tectonic event in the region is the Laramide orogeny of late Cretaceous to early Tertiary age related to volcanism and intrusive activity in the region.



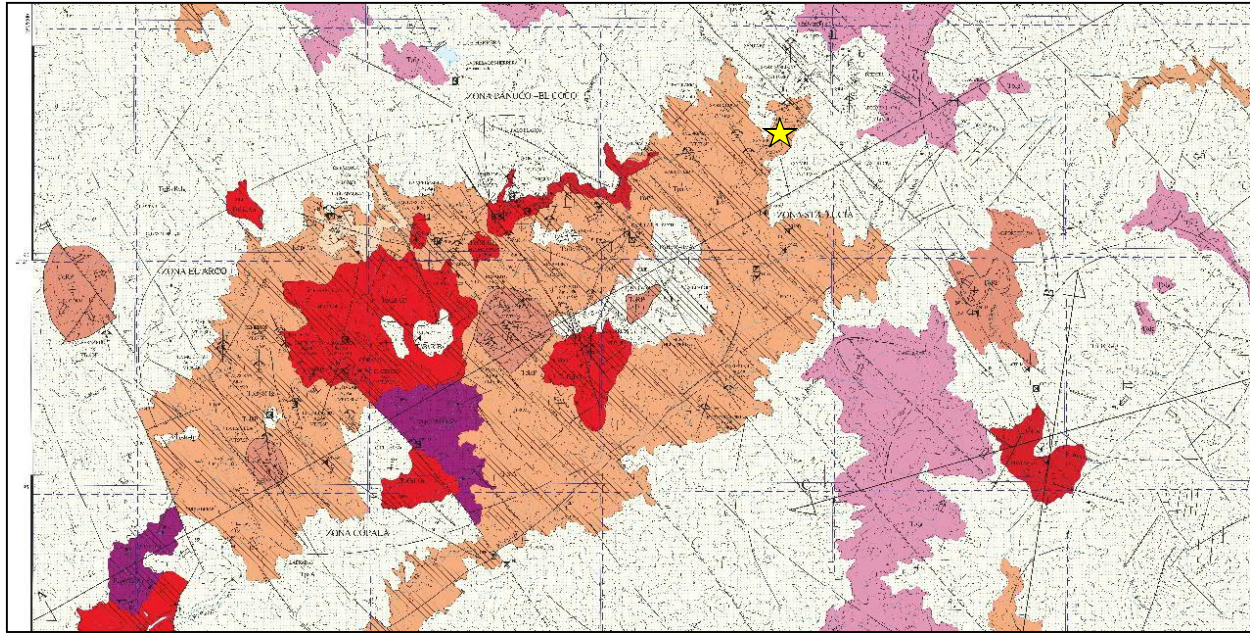


Figure 8. Government geologic map of the area around the Palos Verdes Property. Dark purple colours are Precambrian and Paleozoic basement rocks. Volcanic rocks are in shades of brown, with older andesitic rocks in orange-brown and younger rhyolitic tuffs light colored with a pattern and rhyolite ignimbrites in pink. Granodioritic intrusive rocks are in red. The location of the Palos Verdes Property is indicated by the yellow star. Geology from Mexican Geological Survey, 1:50,000 Copala sheet (SGM, 1999).

Regional structures are characterized by fault systems with northwest and northeast strikes. The northwest fault system is probably related to extensional tectonism related to the opening of the Gulf of California.

Mineralization in the region consists of low sulfidation epithermal and polymetallic veins that are part of the Sierra Madre Occidental precious-metal province (Fig. 10). The Santa Lucia mining region is part of the Copala-Panuco district that has been an important silver producer for several hundred years from many mines and prospects (Fig. 11, Table 4).

Formation	Lithology	Age (Ma)	Mineralization
Surficial deposits	Alluvium and colluvium	Recent	
Felsic volcanic rocks and intrusive	Rhyolite tuffs and ignimbrite, local plugs	Mid to Late Tertiary	Unknown
Intermediate intrusions	Diorite to granodiorite	Mid to Late Tertiary	Veins, contact related
Undifferentiated andesitic volcanic rocks	Flow, flow breccia	Early to mid-Tertiary	Low sulfidation epithermal quartz veins with precious- and base-metal values
Metamorphic basement	Metamorphosed sandstone and shale (phyllite)	Paleozoic (?)	Low sulfidation veins
Sonobari Complex	Gneiss, amphibolite, pegmatite, migmatite	Precambrian	

Figure 9. Summary of stratigraphy and associated mineralization in the region.

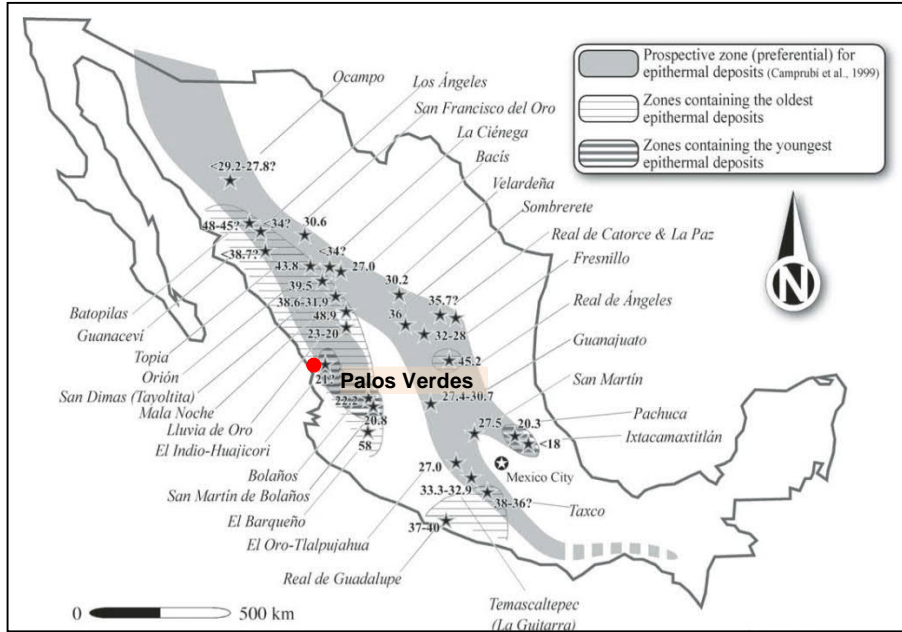


Figure 10. Epithermal Precious Metal belt, Northern Mexico. Distribution and ages of epithermal precious metal deposits in Mexico with the location of the Palos Verdes Property. After Camprubi and Albinson (2005).

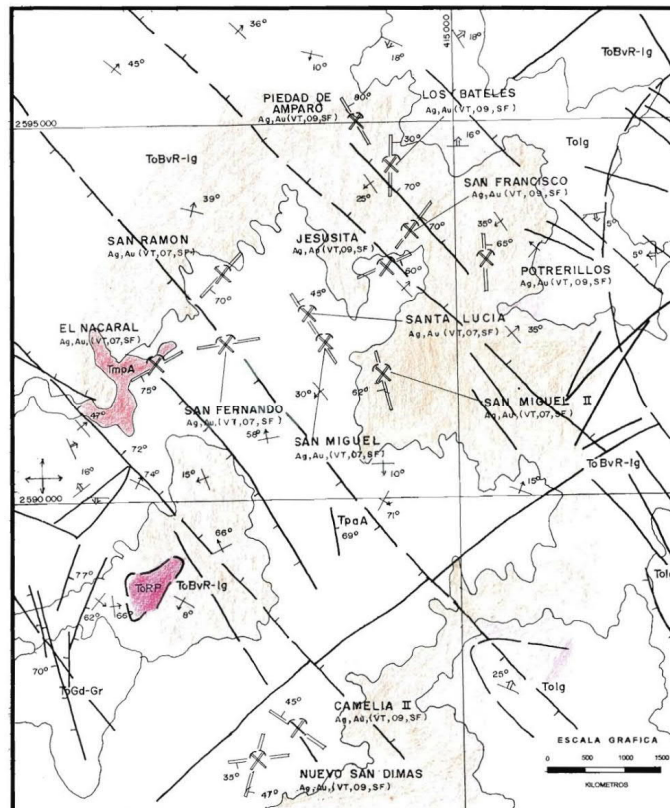


Figure 11. Small mines and prospects near Palos Verdes Property. Mineral occurrences catalogued by the SGM in the area of the Palos Verdes Property. The Palos Verdes vein lies in the general area of the Jesuita mine shown on the map. From Servicio Geológico Mexicano, 1999.

Table 4. Small mines and prospects, Palos Verdes Property area

Mine/Prospect	Orientation	Width	Length	Host rock	Metals	Assays	Size
La Esperanza	N 30°W al 80°	0.6	1000	Granodiorita	Ag, Pb, Au en Q	Ag: 250.0 gr/ton	Niveles grandes
El Bule	N 45°W al 70°NE	0.6	1000	Granodiorita	Ag, Pb, Au en Q	Sin muestreo	Niveles grandes
El Alcatrán	N 30°W al 80°NE	0.6	1000	Granodiorita	Ag, Pb, Au en Q	Au: 0.85 gr/ton	Nivel aterrado y catas
San Nicolás	N 45°W al 70°NE	0.6	800	Granodiorita	Ag, Pb, Au en Q	Ag: 180.6 gr/ton Au: 30.0 gr/ton	Nivel corto
Los Remedios	N 15°W al 56°SW	2	800	Andesita	Ag, Au, Pb y Zn en Q	Ag: 1000 gr/ton Au: 2.4 gr/ton	Un nivel grande
Napoleón	N 15°W al 56°SW	2	800	Andesita	Ag, Pb, Zn y Au en Q	Ag: 369.9 gr/ton Au: 1.23 gr/ton	Nivel y tajo
El Gallinero	N 15°W al 56°SW	2	800	Andesita	Ag, Pb, Zn y Au en Q	Ag: 205.0 gr/ton Au: 1.8 gr/ton	Niveles cortos
Manzanilla	N 20°W al 68°NE	0.3	85	Diorita	Ag, Pb, Cu en Q	Ag: 280.0 gr/ton Au: 0.69 gr/ton	Dos niveles 80 y 40 m
Santa Ana	N 30°E al 75°SE	1	550	Diorita	Ag, Pb, Cu en Q	Ag: 117.2 gr/ton Ag: 250 gr/ton	Nivel con 550 m
Agua Zarca	N 40°E al 45°	20	80	Diorita	Ag, Pb, Cu en Q	Au: 2.0 gr/ton Au: 1.1% Ag: 180 gr/ton Pb: 2.9% Zn: 4.5%	Dos niveles 30 y 60 m
Santa Rosa	N 47°W al NE	4	500	Granodiorita	Ag, Pb, Zn y Au en Q	Ag 300 a	Ocho niveles
El Marquez	N 45°E al NW	2	900	Granodiorita	Ag, Pb, Zn en Q	600 gr/ton Sin Muestreo	grandes Aterrada
El Porvenir	S 45°E al 45°SW	4		Granodiorita	Ag, Pb, Zn en Q	Sin Muestreo	Manto Ánimas
La Bomba	S 45°E al 45°SW	4	100	Granodiorita	Au y Ag en Q	Sin muestreo	muy importante Aterrado
La Francisca	N 45°E al NW	2	300	Granodiorita	Au y Ag en Q	Sin muestreo	continuidad manteo Aterrado
El Muerto	S 45°E al 45°SW	4	230	Toba andesítica	Au y Ag en Q	Au: 1.5 gr/ton	Dos niveles 300 m
El Refugio	N-S al 80°W	2.5	100	Granodiorita	Au y Ag en Q	Ag: 240.4 gr/ton Au: 0.43 gr/ton Ag: 105.7 gr/ton	y tajo Seis niveles bien desarrollados
Oro Fino	N 75°W al 62°NE	2	70	Riolita	Au y Ag en Q	Au: 0.5 gr/ton	Nivel 70 m
Ampl.	N 75°E al 60°NW	8	150	Andesita	Au y Ag en Q	Ag: 26.0 gr/ton Au: 0.66 gr/ton	Varios niveles
Mojojuan	N 15°E al 83°NW	1.5	300	Toba riolítica	Au y Ag en Q	Ag: 200 gr/ton Au: 1.6 gr/ton	cortos Dos niveles cortos
Las Amapas	N 10°E al 64°	1	70	Toba cristalina	Au y Ag en Q	Ag: 124.8 gr/ton Au: 0.8 gr/ton Ag: 860 gr/ton	Nivel 7 m
Colomos	N 15° vertical	2	20	Toba cristalina	Au y Ag en Q	Au: 1.93 gr/ton	Nivel 20 m
El Nacaral	N 40°E al 75° SE	2	180	Toba cristalina	Au y Ag en Q	Ag: 186 gr/ton Au: 2.34 gr/ton	Dos niveles 70 y 103 m
La Higuera	S 40° W vertical	8	80	Toba riolítica	Au y Ag en Q	Ag: 234.1 gr/ton Au: 1.5 gr/ton	Cruceros y pozos
San Fernando	S 40°W vertical	4	600	Toba cristalina	Au y Ag en Q	Ag: 100 gr/ton Au: 1.3 gr/ton	80 m Obras aterradas
Veta Chica	N 40°W al 75° NE	0.6	60	Toba riolítica	Au, Ag, Pb y Zn en Q	Ag: 253.6 gr/ton Au: 17 gr/ ton	Dos Niveles con 60 m
Tres Amigos	N 60°W al 50°SW	3	30	Toba riolítica	Au, Ag, Pb y Zn en Q	Ag: 1848 gr/ton Pb: 6.8, Zn: 9.2 Ag: 18 gr/ton	Catas chicas
Ojo de Agua	N 15°W al 69°NE	1.3	15	Andesita	Ag y Pb en Q	Ag: 246 gr/ton 2 kg/ton. Clavo	Catas superficiales
Los Negritos	N-S al 55°W	1	25	Andesita	Au y Ag en Q	Au: 2.6 gr/ton	Nivel 25 m
Angelita	N 40°W al 80°	1	50	Andesita	Au, Ag, Pb y Zn en Q	Ag: 171 gr/ton Au: 2 gr/ton Ag: 500 gr/ton Pb: 10 %, Zn 14%	Nivel 50 m

From SGM, 2008.

## *Geology of the Palos Verdes Property*

The volcanic rocks in the area of the Palos Verdes Property are not well studied. In general, andesitic volcanic rocks consisting of flows and flow breccia underlie most of the Palos Verdes Property and are overlain by felsic tuffs in the northeastern portion (Fig. 12). Outcrop is generally relatively good over the Palos Verdes Property, but geologic mapping of the area has not been completed in detail.

### Andesitic rocks

Andesite is the main rock type that crops out at the Palos Verdes Property. It corresponds to the Lower Volcanic Group and is the main host for mineralized structures in the Mining District and the Palos Verdes Property. The andesite is gray to greenish in color (Fig. 13), and aphanitic to porphyritic in texture with plagioclase phenocrysts. Flow breccia and local agglomeratic textures are commonly observed. Wide variations in lithology are observed in the core, but the rocks have not been mapped in sufficient detail to identify specific units within the andesitic package on the surface.

### Structure

Structurally there are two main trends, northeasterly and north to northwesterly, the northeasterly system being the most common, although numerous mineralized structures are emplaced in the northerly to northwesterly trending system. The main structural feature at the Palos Verdes Property is a northeast trending vein system, the Palos Verdes Vein, hosting much of the known mineralization at the Palos Verdes Property. The vein crops out along about 700 meter strike length and is discontinuous at the surface (Fig. 12). This northeast trending structural zone is cut by a north-northwesterly trending fault interpreted due to clay alteration and an apparent offset of the Palos Verdes vein. North-northwesterly striking veins are locally observed, and this structural orientation is important in several mines in the region (Fig. 11).

### Alteration and mineralization

Propylitic alteration with chlorite, epidote and pyrite, is the most widespread alteration on the Palos Verdes Property, affecting the andesite in a regional sense. Argillic alteration is observed in fault zones with the presence of kaolinite and gouge. Strong silicification and bleaching of the rock is restricted to zones near quartz veins, hydrothermal breccia and quartz stockworks (Fig. 13). Mineralized structures occur as veins, stockworks, and hydrothermal breccias filling fractures or faults with preferred orientations striking northeasterly and northwesterly (Fig. 12, 14). The northeast system is the main mineralized trend and is the orientation of the Palos Verdes vein. The width of the vein is generally 0.20 to 5.0 meters, but sometimes up to 10.0 meters. The mineralized structure outcrops along 650 to 750 meters on the Palos Verdes Property (Fig. 12).

The Palos Verdes Vein consists of banded quartz vein material and hydrothermal breccia and is multistage with milky quartz, light gray quartz and sulfide rich material (Figs. 13-17). Breccia fragments consist mostly of angular fragments of strongly silicified andesite. The structure has N60°E strike and dips to the southeast at 78 to 82°, although vein flexures and a possible sigmoid structure are observed (Fig. 12). Economic minerals consist of argentiferous galena, possible electrum, gold, sphalerite, chalcopyrite and pyrite. The vein is well exposed in the Palos Verdes adit, an approximately 75 meter long working with a shallow winze about halfway along the tunnel (Fig. 15, 16). Sampling carried out at the surface and old workings yield as much as 2 g/ton Au and 116 g/ton Ag in surface exposures and 6.7 g/ton Au and 544 g/ton Ag in old workings (Fig. 15, 16). The wall rocks to the main structure commonly host veinlets and stockworks (Fig. 14, 16). Sulfide rich bands or discrete veins locally cut the main quartz vein and are locally included as fragments in more massive quartz (Fig. 17). Local bladed textures presumably of quartz after tabular calcite are observed (Fig. 17).

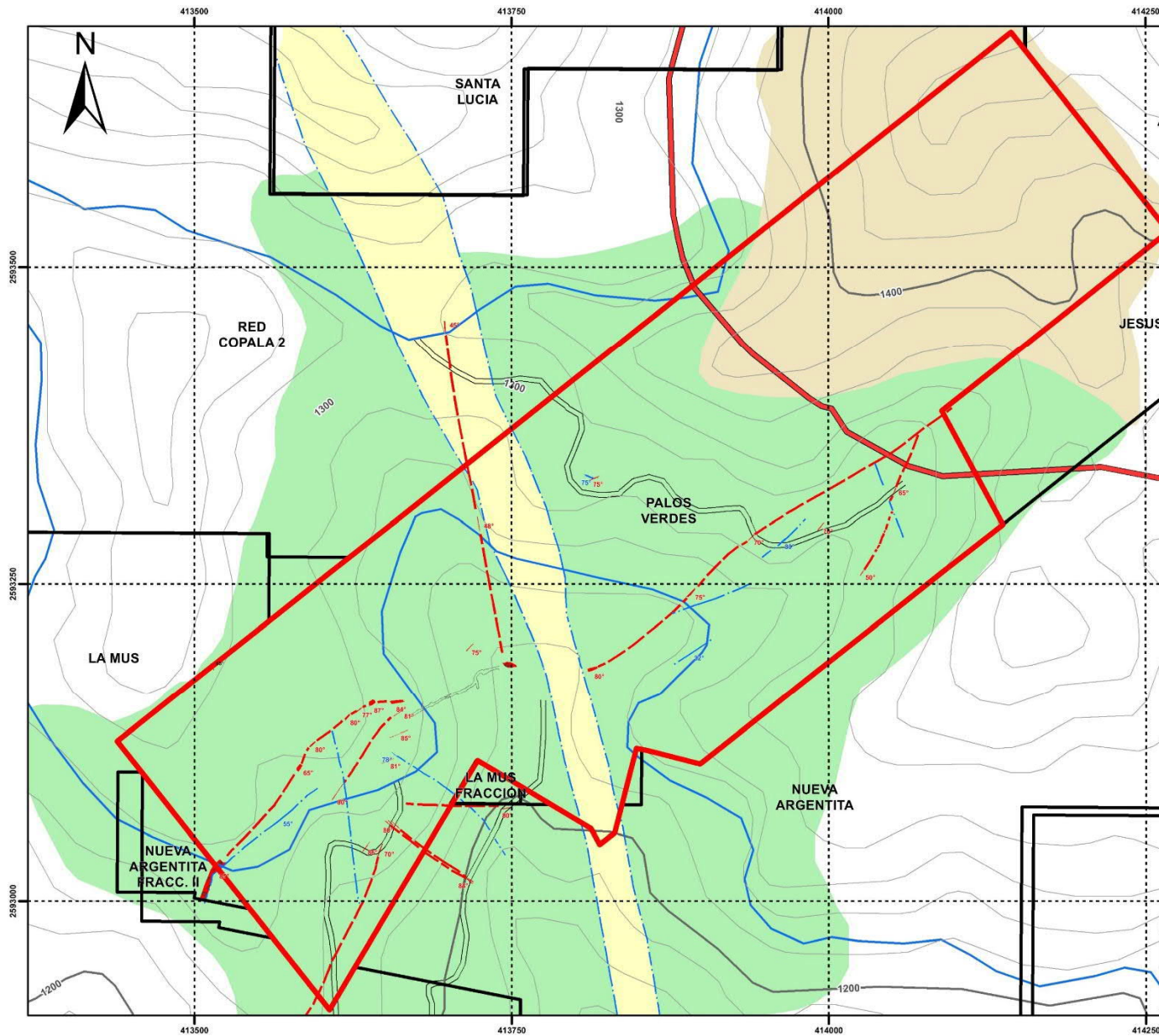


Figure 12. Geologic map of the Palos Verdes Property.  
 Geologic map of the area of the Palos Verdes Property from Velo and Torres (2018).  
 The concession that makes up the Palos Verdes Property is indicated by the red outline.



Figure 13 Photo of andesitic rocks.

View of andesitic rocks hosting sulfide-rich vein near the portal of the Palos Verdes adit.  
The andesite is dark farther from the structure but becomes bleached adjacent to it.



Figure 14. Photo of the Palos Verdes Vein.  
Photo of sample the Palos Verdes vein exposed  
in the road cut of the old highway.

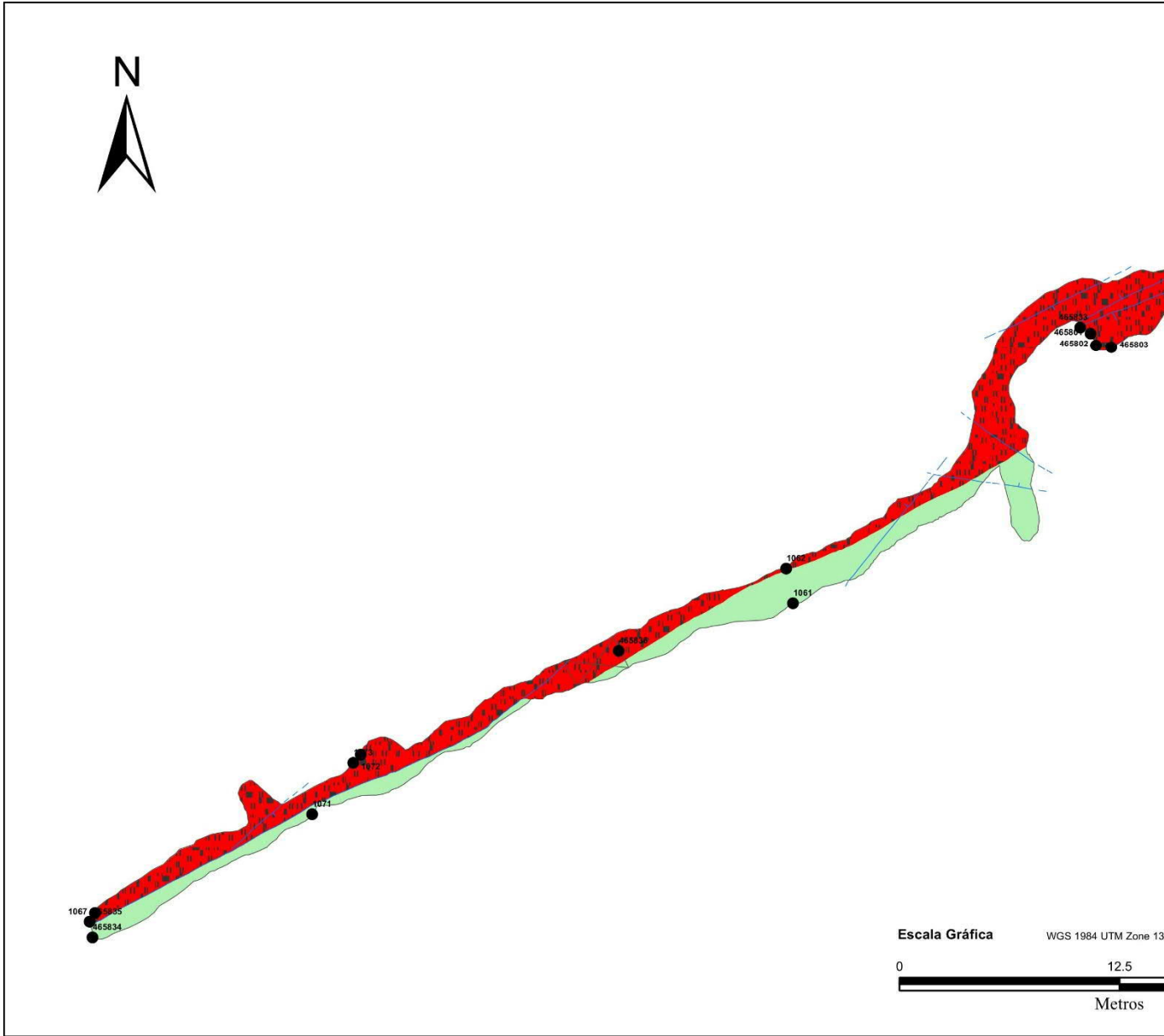


Figure 15. Geologic map of the Palos Verdes adit.  
Geologic map of the Palos Verdes adit, from Velo and Torres (2018).

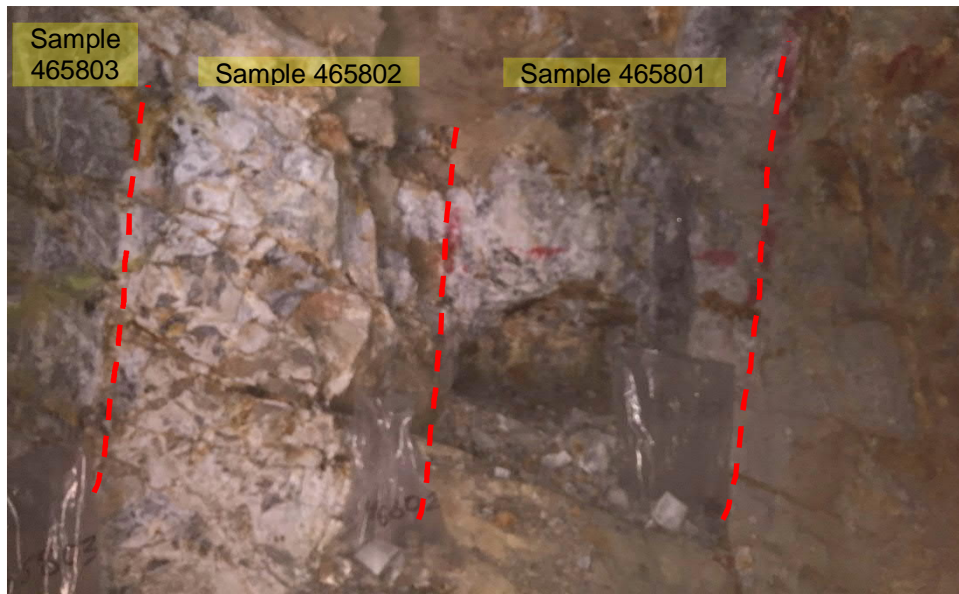


Figure 16. Photo of the Palos Verdes vein.

Multistage veining with breccias and sulfide rich veins near the portal of the Palos Verdes adit showing ProDeMin samples 465801 to 465803. Sample 465801 is mainly quartz vein cut by a sulfide rich vein. Sample 465802 is a quartz vein breccia with abundant wall rock fragments. Sample 465803 is hanging wall andesite cut by stockwork quartz. Looking northwest along the trend of the vein.

Photo by C. Gibson



Figure 17. Samples of the Palos Verdes vein.

Hand samples of vein types and textures from the exposures in Fig. 16.

Left sample is 465801 and right sample is 465802.

Photos by C. Gibson.

### *Deposit Types*

The mineralization at the Palos Verdes Property consists of low sulfidation or polymetallic epithermal veins. These types of deposits have been described by Buchanan, 1981 (Fig 18). In this model, veins with base metal values formed lower in the epithermal system. These deposits have been termed intermediate



sulfidation (Einaudi, et al., 2003), but others prefer the term polymetallic because the mineralization can be a continuum from shallower mineralization of the low sulfidation type (Corbett, 2005, 2013). The Palos Verdes vein has some features of low sulfidation and polymetallic types, and may have telescoped mineralization as quartz veins with textures indicative of relatively shallow depth of formation are exposed in a road cut on the Mazatlán-Durango highway (Fig. 14) about 20 to 30 meters above polymetallic veining in the Palos Verdes adit (Fig. 16).

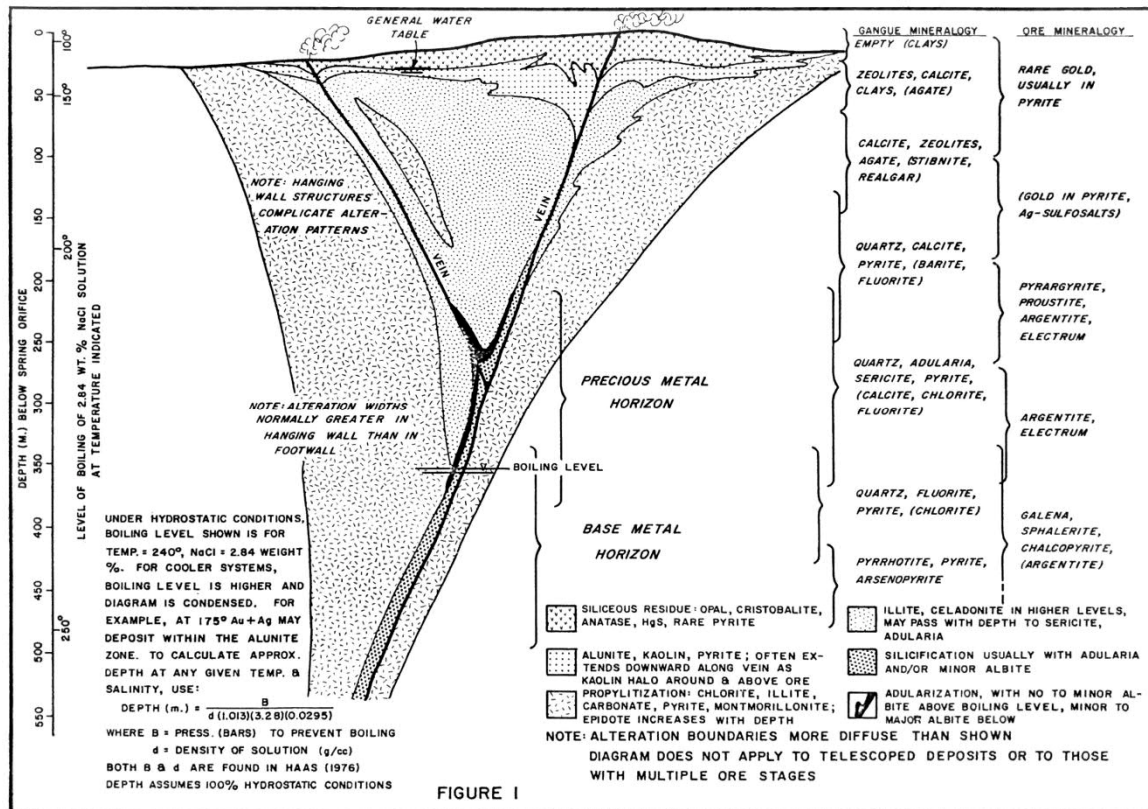


Figure 18. Mineralization model for low sulfidation epithermal veins

Schematic model for mineralization related to low sulfidation epithermal veins. From Buchanan, 1981.

## Exploration

The Company has not undertaken exploration at the Property to date other than the examination by the Author and reported in the Technical Report. The Palos Verdes Property was previously explored by the original owners of the concessions as well as mining companies as described above under the heading "History". ProDeMin completed the most exploration to date as part of its due diligence and earn-in agreement for a 50% interest in the Palos Verdes Property. This section describes the exploration performed by ProDeMin under the supervision of Dr. Craig Gibson, CPG, a Qualified Person under NI 43-101. Dr. Gibson is a director, president, and CEO of the Company.

A cursory examination of the geology of the Palos Verdes Property was made by the Author for the Technical report, and exposures of the vein at the surface and in underground workings were visited. Drill core was also reviewed at a field office located in the Santa Lucia village. Recommendations for further work are included in the appropriate sections of the Technical Report.

## Geochemical Sampling

ProDeMin collected 41 samples at the project. Three samples were taken as part of a due diligence review of the Palos Verdes Property, and an additional 38 samples were taken as part of the geologic mapping program to define drill targets (Velo and Torres, 2017). This work was completed under the supervision of Dr. Craig Gibson, CPG, Qualified Person under NI 43-101. Table 5 lists the samples with locations and descriptions, and Fig. 19 shows the locations of the samples taken by ProDeMin. The rock samples are all chip-channel samples across mineralized structures, as well as selected samples of mineralized coarse rejects and pulps from previously analyzed core. Sampling was completed with a rock hammer by breaking off chips of rock, with the continuity of sampling moderately continuous in the direction of sampling perpendicular to the principal structure. The rock sampling completed was for the purpose of confirming the presence of mineralization as previously reported and thus was not systematic. About 400 meters of strike length on the vein system was sampled, and a few samples were taken on other structures. Channel samples are taken to be a nearly continuous strip of rock sampled between two points with the length based on geology, while chip channels are similar but not as continuous. Chip samples are taken by taking fragments over an area of interest and not all material is sampled.

## Geophysics

There has been no geophysics conducted at the Palos Verdes Property other than that completed as part of a regional program conducted by the SGM that is not useful at the scale of the Palos Verdes Property.

## Drilling

ProDeMin completed a diamond drilling program in May, 2018. Five holes for a total of 457.1 meters of HQ core were drilled as part of the agreement to earn 50% of the rights to the Palos Verdes Property. Drill hole information is shown in Table 6 and drill hole locations are shown in Fig. 20. Drill holes were logged and sampled by ProDeMin geologists according to procedures outlined in an internal company manual (Gibson, 2018). Drill core was handled using industry standard practices. The core was picked up at the drill rig once or twice a day during the 24 hour per day drill operation. The core was subsequently measured for recoveries and RQD determinations, and then logged and samples were marked on the core and core boxes. Recoveries were generally greater than 95%. The intervals sampled were selected based on the presence of veining and focused on the Palos Verdes vein intercepts, and not all of the core was sampled. Core was cut into two equal halves using a diamond saw blade, with half of the core being double bagged for transport to the laboratory, and half of the core remaining in the core boxes. Samples remained in the custody of ProDeMin until delivered to the lab in Durango, and the core has been stored in facilities controlled by ProDeMin.

## Results of ProDeMin Exploration Program

The exploration program undertaken by ProDeMin was successful in delineating the Palos Verdes vein system. Rock samples along the vein outcrops and in underground workings yielded interesting precious and base metal values in several areas (Table 7, Figs. 21 to 25). Based on the results of the mapping and sampling program, ProDeMin decided to continue the exploration with a drill campaign that would allow it to earn 50% of the rights to the Palos Verdes Property.

Table 5. Sample data for ProDeMin exploration program, Palos Verdes Property

Sample	Location	Easting	Northing	Elev	Type	Sampler	Date	Width(m)	Description
465801	Palos Verdes adit				Chip-channel	CG	5/30/2017	0.5	Hydrothermal vein breccia with quartz + sulfide fragments, chalcopyrite, at footwall with galena + sphalerite, taken near 0.5 m chip on footwall
465802	Palos Verdes adit				Chip-channel	CG	5/30/2017	0.5	Hydrothermal vein breccia with bladed texture, some sphalerite, taken near hangingwall side
465803	Palos Verdes adit				Chip-channel	CG	5/30/2017	0.5	Stockwork milky quartz vein near entrance to main vein of vein, adjacent to 465802
465804		413,651	2,593,164	1,287	Chip	H.V./K.H.	20/05/2017	3.0	Andesite, gray-green, disseminated pyrite, magnetite (N45E/75SE) with druse
465805		413,650	2,593,163	1,284	Channel	H.V./K.H.	20/05/2017	3.0	Andesite, pale green, jarosite and hematite <1 mm
465806		413,652	2,593,158	1,283	Channel	H.V./K.H.	20/05/2017	3.0	Andesite, pale green, hematite on fractures,
465807		413,655	2,593,157	1,276	Channel	H.V./K.H.	20/05/2017	3.0	White quartz vein with hematite on fractures, chrysocolla sulfides
465808		413,657	2,593,154	1,277	Channel	H.V./K.H.	20/05/2017	3.0	Andesite, dark gray, fine grained, jarosite, quartz veining
465809		413,655	2,593,147	1,276	Chip	H.V./K.H.	20/05/2017	4.0	Andesite, gray-green, moderate oxidation, hematite, quartz veins/veinlets, jarosite
465810		413,659	2,593,147	1,276	Channel	H.V./K.H.	20/05/2017	0.7	White quartz vein, patterned
465811		413,656	2,593,144	1,276	Chip	H.V./K.H.	20/05/2017	3.5	Andesite. Black to gray, jarosite, moderate chlorite, apparently less altered
465812		413,661	2,593,140	1,276	Chip	H.V./K.H.	20/05/2017	3.5	Andesite, green when weathered, weakly magnetic, fractures, weak milky quartz, fractured.
465813		413,659	2,593,136	1,275	Channel	H.V./K.H.	20/05/2017	3.5	Andesite, green when weathered, med grained, porphyritic, weakly magnetic, FeO veining (3 mm).
465814		413,659	2,593,134	1,275	Channel	H.V./K.H.	20/05/2017	0.65	Milky quartz vein, trace Fe, quartz.
465815		413,618	2,593,150	1,296	Channel	H.V./K.H.	21/05/2017	1.1	Milky quartz vein, trace Fe, drusy quartz, massive
465816		413,632	2,593,152	1,295	Channel	H.V./K.H.	21/05/2017	0.7	Milky quartz vein, weakly drusy cavities.
465817		413,725	2,593,297	1,265	Channel	H.V./K.H.	21/05/2017	0.6	Milky quartz vein, trace Fe, and crustiform translucent
465818		413,650	2,593,110	1,273	Channel	H.V./K.H.	21/05/2017	0.6	Milky quartz vein, massive, crustiform, chalcopyrite
465819		413,614	2,593,085	1,274	Chip	H.V./K.H.	21/05/2017	0.2	Milky quartz vein, patterned, disseminated chalcopyrite
465820		413,571	2,593,067	1,280	Channel	H.V./K.H.	21/05/2017	2.2	Fault with fragments of MnOX, FeOX and jarosite

**Table 5 (cont.)**

465821		413,518	2,593,022	1,281	Channel	H.V./K.H.	21/05/2017	1.7	Milky quartz vein with
465822		413,520	2,593,030	1,283	Chip	H.V./K.H.	21/05/2017	4.4	Hydrothermal breccia with milky quartz with FeOX and MnOX.
465823		413,659	2,593,060	1,263	Channel	H.V./K.H.	22/05/2017	0.3	Milky quartz vein, mass of FeOX and jarosite.
465824		413,646	2,593,041	1,262	Channel	H.V./K.H.	22/05/2017	0.6	Milky quartz vein with translucent crustiform
465825		413,635	2,593,042	1,257	Channel	H.V./K.H.	22/05/2017	0.4	Milky quartz vein with of MnOX.
465826		413,564	2,592,875	1,247	Channel	H.V./K.H.	22/05/2017	0.5	Milky quartz vein with cavities, tr chrysocolla possible Pb-Ag sulfide
465827		413,564	2,592,877	1,247	Channel	H.V./K.H.	22/05/2017	0.8	Andesite, strongly chlorite patches of FeOX and milky quartz vein.
465828	Underground SW working	413,505	2,593,002	-	Channel	H.V./K.H.	5/23/2017	1.2	Milky quartz vein with and chrysocolla, possible
465829		413,703	2,593,448	1,307	Channel	H.V./K.H.	5/25/2017	1.0	Brecciated white quartz drusy cavities, possible
465830		413,774	2,593,259	1,288	Chip	H.V./K.H.	5/25/2017	5.0	Fault zone, strongly angular fragments and bleached orange, trending NW.
465831		413,779	2,593,263	1,287	Chip	H.V./K.H.	5/25/2017	5.0	Fault zone, strongly angular fragments and bleached orange, trending NW.
465832		413,737	2,592,583	1,193	Chip	H.V./K.H.	5/25/2017	1.4	Hydrothermal breccia disseminated chalcopyrite, FeOX, MnOX and jarosite.
465833	Mine working			-	Channel	H.V./K.H.	5/26/2017	1.1	Hydrothermal breccia andesite, cemented by mineralized with galena chalcopyrite.
465834	Mine working			-	Channel	H.V./K.H.	5/27/2017	0.6	Fault breccia, clay matrix limonite, jarosite and pyrite angular clasts of milky
465835	Mine working			-	Channel	H.V./K.H.	5/27/2017	1.8	Hydrothermal breccia cemented by translucent (galena-chalcopyrite), oxidation with jarosite.
465836	Mine working, in winze			-	Channel	H.V./K.H.	5/27/2017	1.3	Hydrothermal breccia disseminated galena,
465837		413,814	2,593,182	1,221	Channel	H.V./K.H.	5/27/2017	2.3	Milky quartz vein, local chalcopyrite, with patches
465838	Mine working	413,754	2,593,183	1,214	Chip	H.V./K.H.	5/28/2017	3.0	Stockwork of milky quartz disseminated pyrite (1 disseminated galena and
465839	Mine working	413,749	2,593,184	1,215	Chip	H.V./K.H.	5/28/2017	2.6	Hydrothermal breccia, with white quartz veins
465840	Mine working	413,746	2,593,187	1,215	Channel	H.V./K.H.	5/28/2017	1.6	Hydrothermal breccia, local chalcopyrite with
465841	Mine working	413,744	2,593,188	1,216	Channel	H.V./K.H.	5/28/2017	0.9	Hydrothermal breccia, disseminated fine galena veining.

Samplers: C.G. – Craig Gibson, H.V. – Ing. Hector Velo, K.H. – Ing. Kevin Hiram Torres

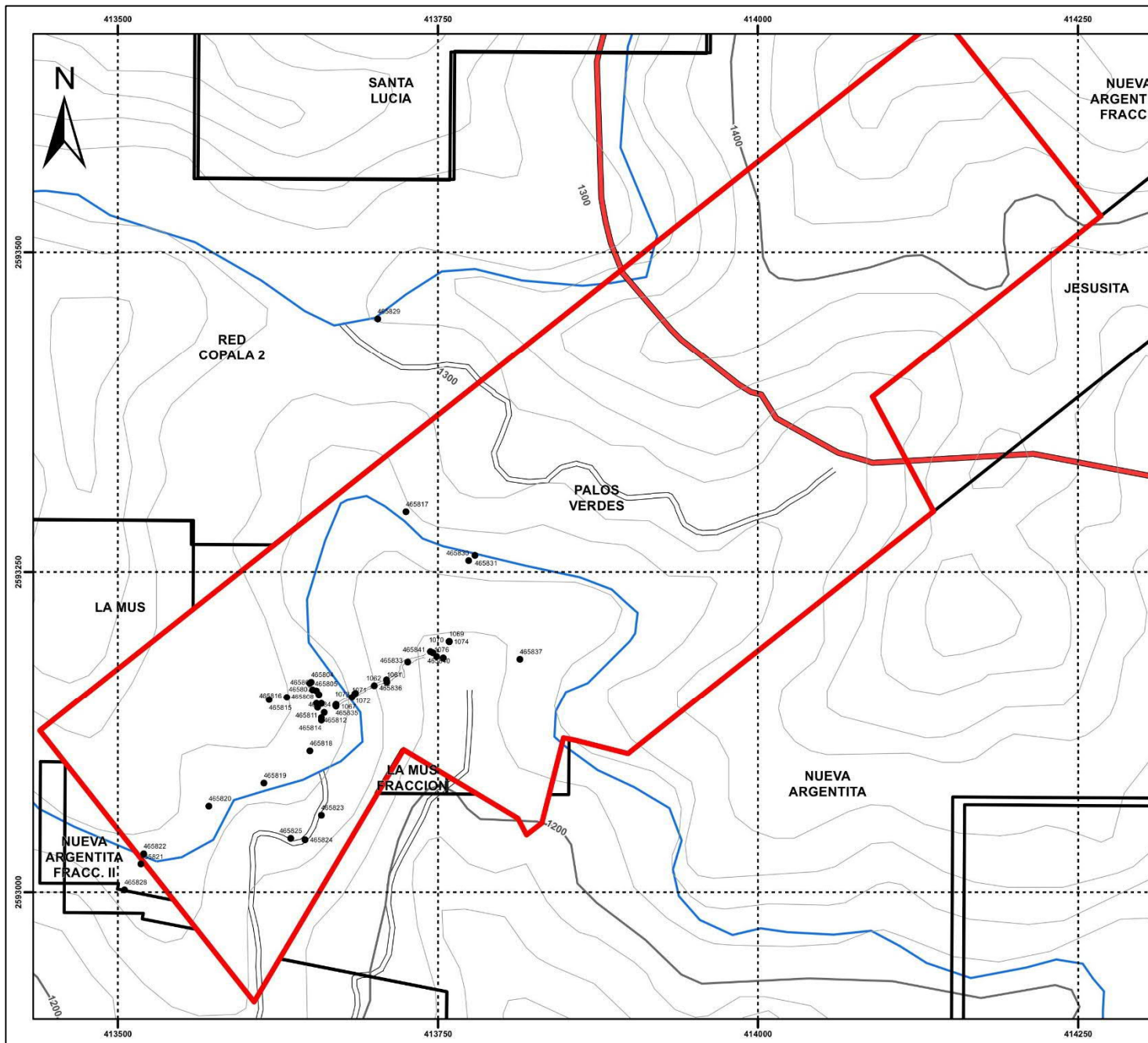


Figure 19. Rock sample locations for the Palos Verdes Property. Geologic map of the Palos Verdes Property showing the locations of rock samples taken by ProDeM

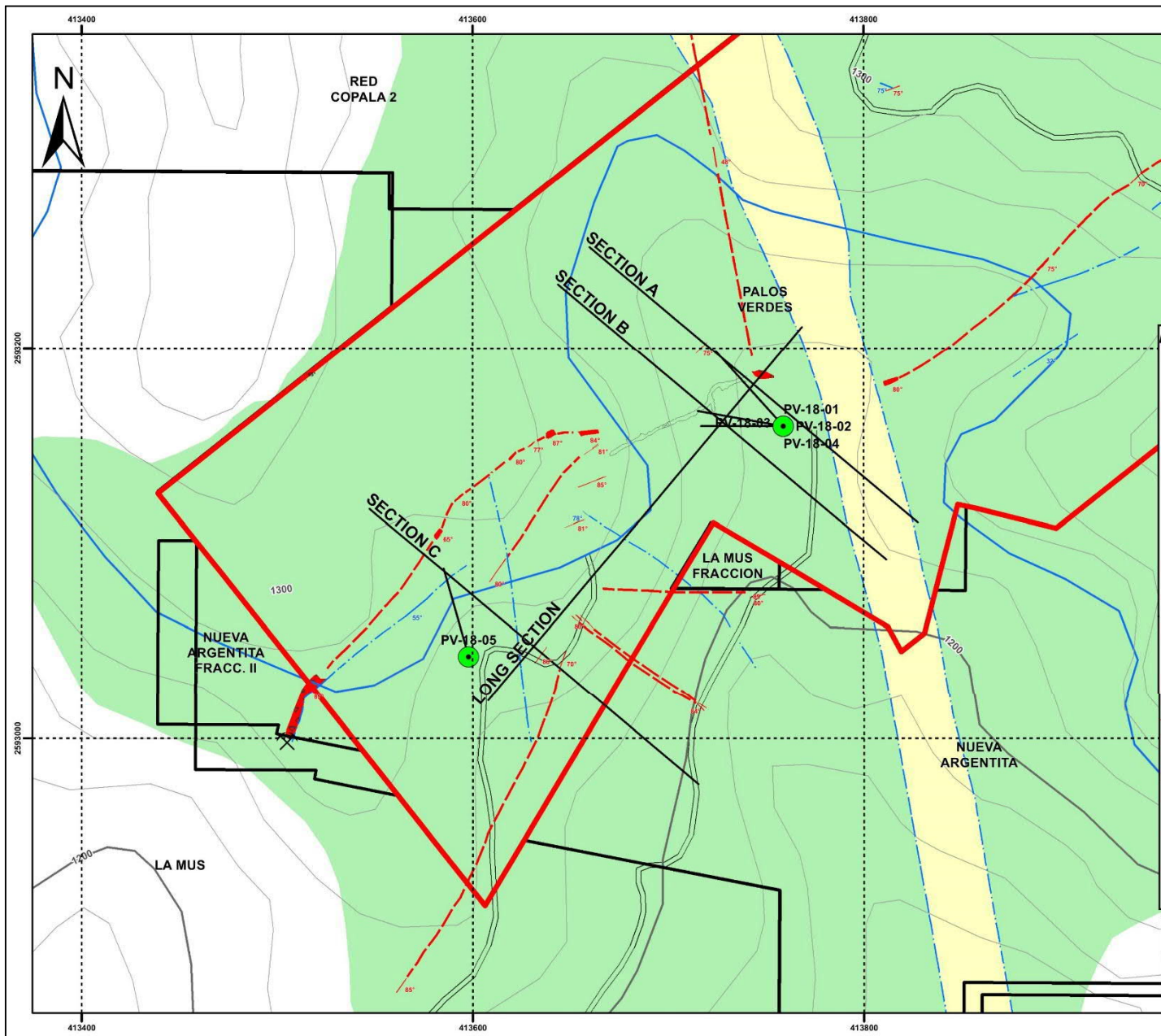


Figure 20. Drill hole locations for the Palos Verdes Property.  
 Geologic map of the Palos Verdes Property showing the locations of drill holes completed by ProDeM

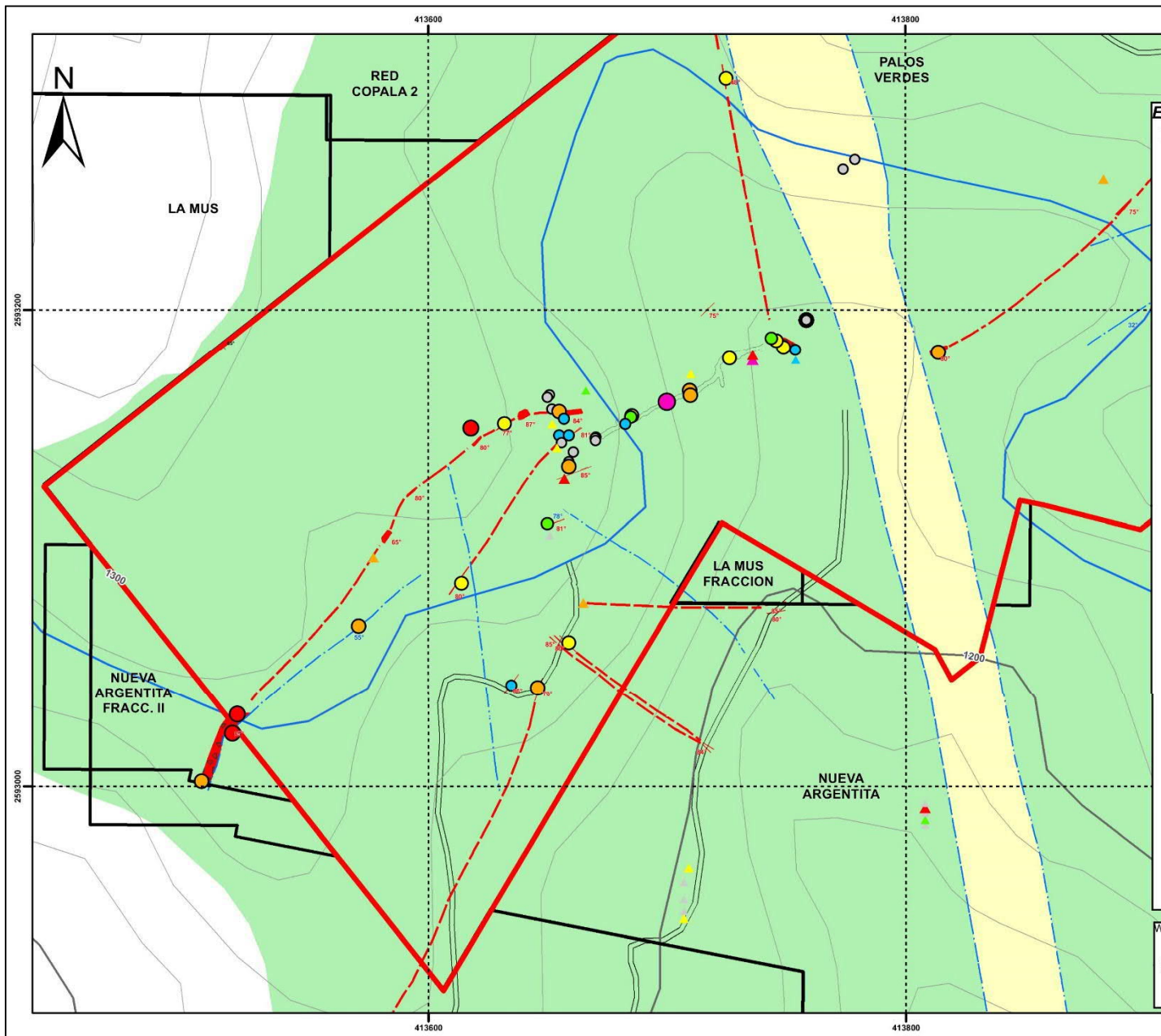


Figure 21. Silver rock geochemistry for the Palos Verdes Property.  
 Silver geochemistry for rock samples from ProDeMin and previous workers.  
 Samples from underground workings are shown projected vertically to the surface.

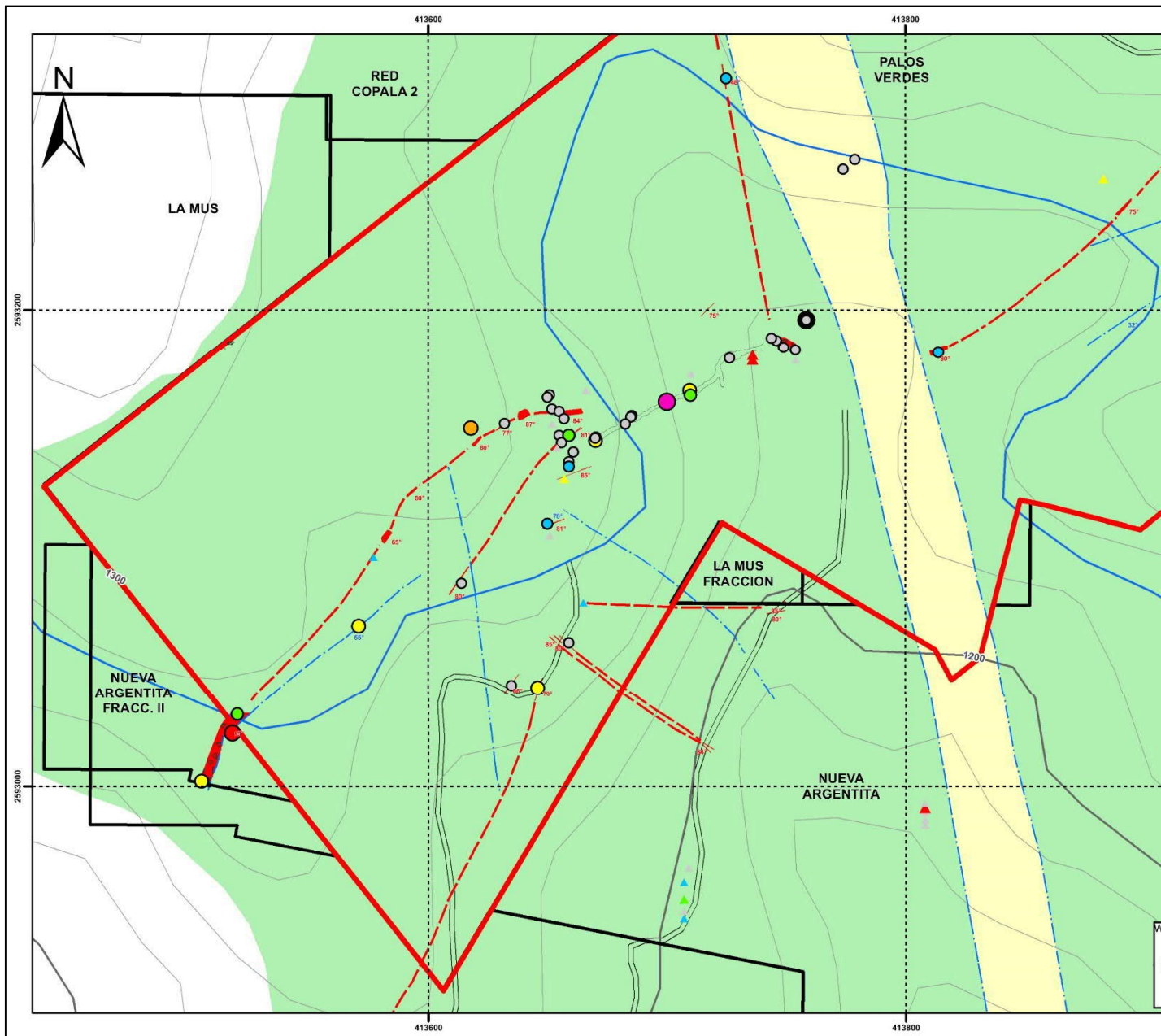


Figure 22. Gold rock geochemistry for the Palos Verdes Property. Gold geochemistry for rock samples from ProDeMin and previous workers. Samples from underground workings are shown projected vertically to the surface.



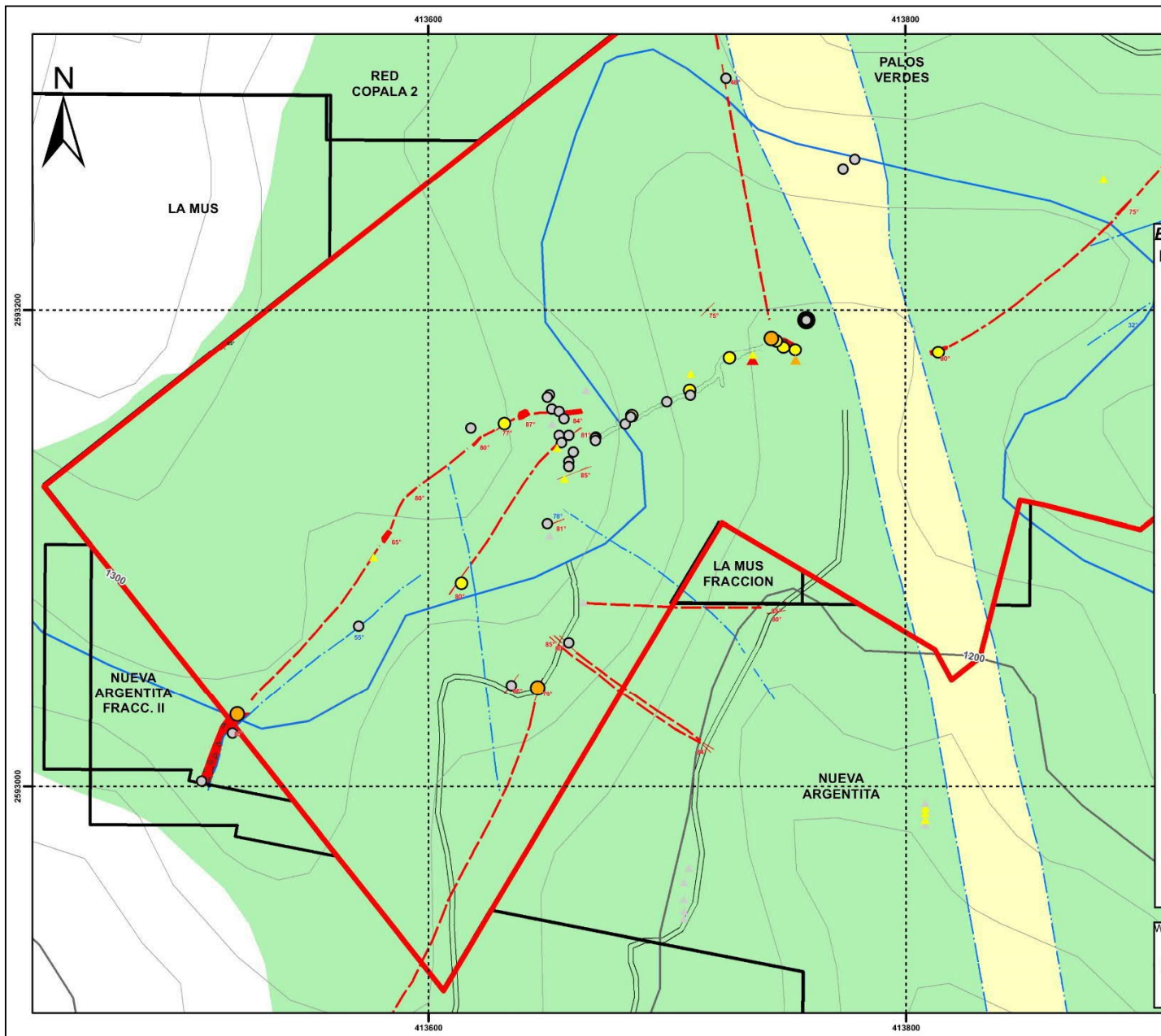


Figure 23. Lead rock geochemistry for the Palos Verdes Property. Lead geochemistry for rock samples from ProDeMin and previous workers. Samples from underground workings are shown projected vertically to the surface.

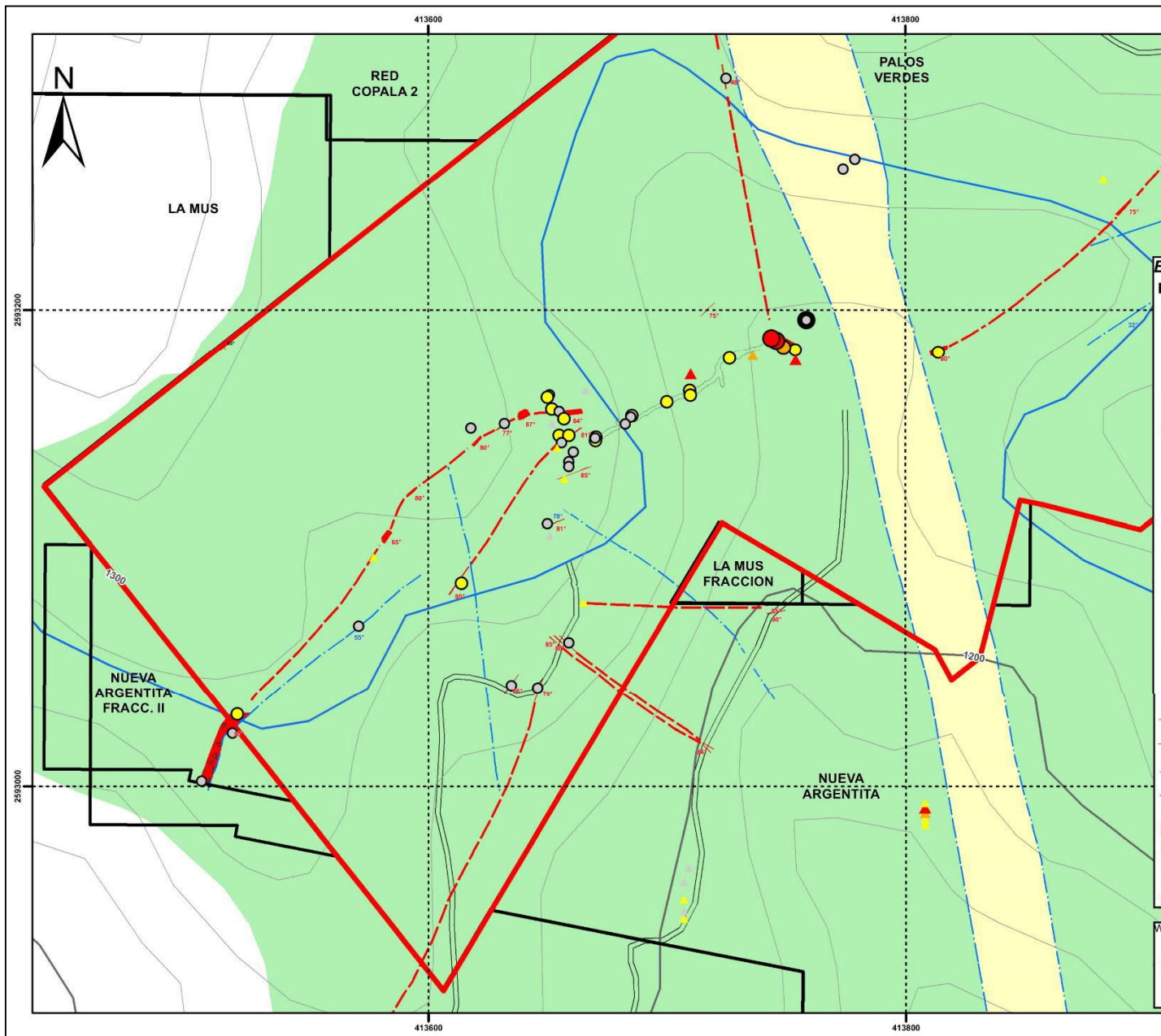


Figure 24. Zinc rock geochemistry for the Palos Verdes Property. Zinc geochemistry for rock samples from ProDeMin and previous workers. Samples from underground workings are shown projected vertically to the surface.

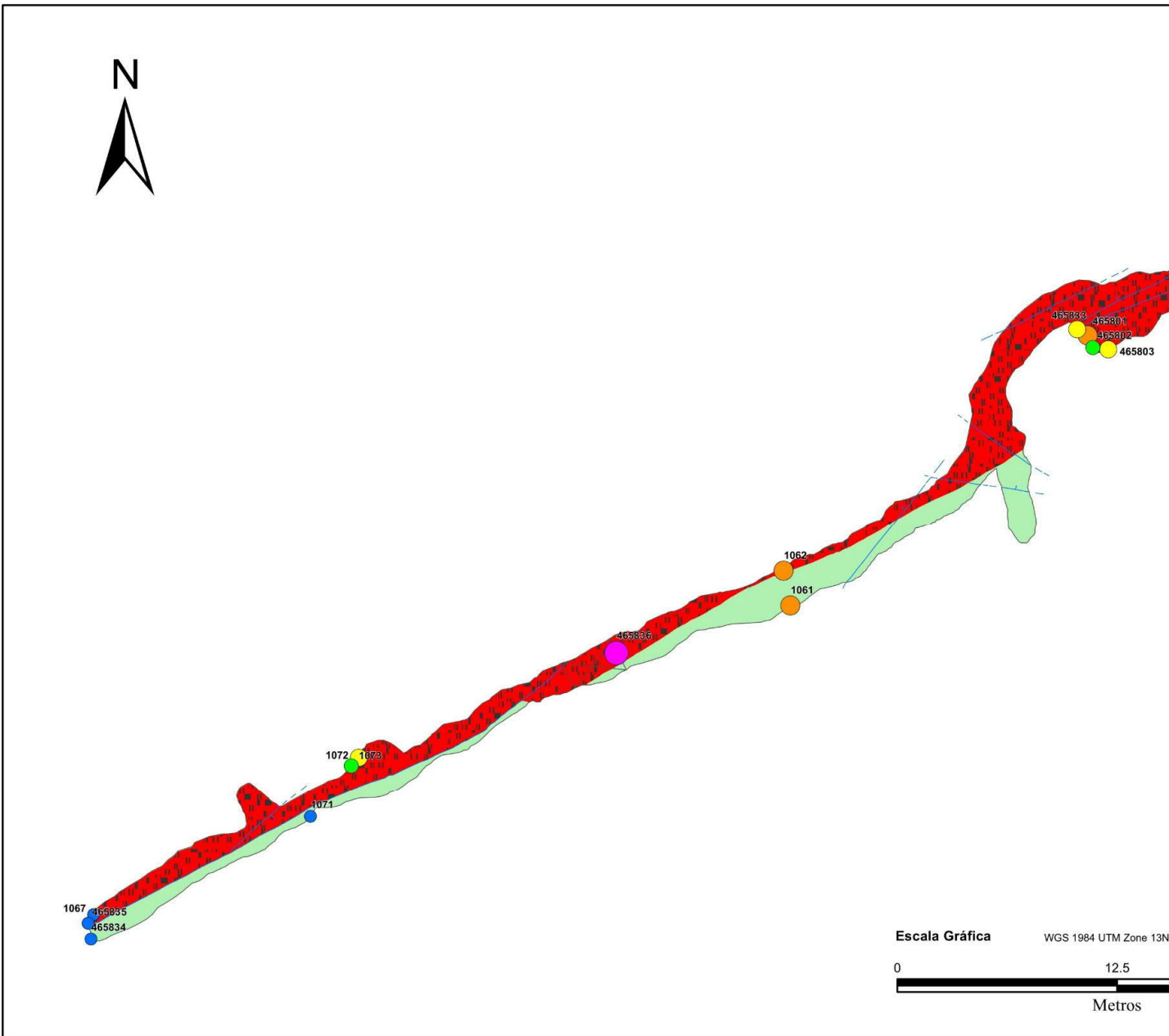


Figure 25. Silver rock geochemistry for samples in the Palos Verdes adit.  
 Silver geochemistry for rock samples from ProDeMin and previous workers taken in the Palos Verdes

Table 6. Drill hole data for ProDeMin drill program, Palos Verdes Property

Drill Hole	Date		Coordinates UTM WGS84			Orientation		TD (m)
	Start	Finish	E	N	Elev	Azimuth	Inclination	
PV-18-01	5/8/2018	5/11/2018	413,759	2,593,160	1,222	318	-50°	80.00
PV-18-02	5/11/2018	5/13/2018	413,759	2,593,160	1,222	318	-75°	120.10
PV-18-03	5/13/2018	5/15/2018	413,759	2,593,160	1,222	280	-45°	63.00
PV-18-04	5/16/2018	5/18/2018	413,759	2,593,160	1,222	270	-65°	100.00
PV-18-05	5/19/2018	5/21/2018	413,598	2,593,042	1,257	335	-60°	94.00

Table 7. Assay values for ProDeMin samples from Palos Verdes Property

Sample	Area	Width m	Au g/t	Ag g/t	Pb ppm	Zn ppm	Cu ppm
465801	Tunnel entrance	0.5	6.17	45.1	11150	16200	1470
465802	Tunnel entrance	0.5	0.06	10.8	1740	4970	481
465803	Tunnel entrance	0.5	0.124	17.9	4260	14100	1220
465804	Surface	3.0	0.008	5	30	419	144
465805	Surface	3.0	0.008	<2	38	1021	132
465806	Surface	3.0	0.005	4	74	1230	338
465807	Surface	3.0	0.038	34	883	562	486
465808	Surface	3.0	0.02	8	283	1016	149
465809	Surface	4.0	0.014	6	88	1057	163
465810	Surface	0.7	0.218	10	78	1102	82.2
465811	Surface	3.5	<0.005	<2	13	215	23.6
465812	Surface	3.5	0.011	2	19	241	29.8
465813	Surface	3.5	<0.005	2	302	576	74.8
465814	Surface	0.65	0.197	37	574	222	140
465815	Surface	1.1	0.836	102	889	122	63.4
465816	Surface	0.7	0.052	19	1377	547	230
465817	Surface	0.6	0.112	19	326	20	25.8
465818	Surface	0.6	0.168	11	307	191	367
465819	Surface	0.2	0.09	26	1001	1074	634
465820	Surface	2.2	0.493	49	844	326	162
465821	Surface	1.7	2.035	118	325	111	38
465822	Surface	4.4	0.299	116	6032	4241	579
465823	Surface	0.3	0.05	20	617	111	61.3
465824	Surface	0.6	0.319	82	6621	191	135
465825	Surface	0.4	0.08	10	65	84	30.8
465826	Surface	0.5	0.193	30	658	393	604
465827	Surface	0.8	0.031	5	4056	690	587
465828	Mine	1.2	0.339	75	485	538	226
465829	Surface	1.0	0.045	6	67	50	19.4
465830	Surface	5.0	0.019	2	67	21	14.8
465831	Surface	5.0	0.018	<2	15	19	20.8
465832	Surface	1.4	0.018	14	743	53	171
465833	Mine	1.1	0.09	24	2595	2814	1304
465834	Mine	0.6	0.341	3	66	1596	98.7
465835	Mine	1.8	0.016	4	172	538	272
465836	Mine Winze	1.3	6.705	544	771	1303	629
465837	Surface	2.3	0.108	31	1090	1929	117
465838	Mine	3.0	0.026	8	1777	4222	843
465839	Mine	2.6	0.06	22	4097	8417	3404
465840	Mine	1.6	0.029	21	1559	10300	2711
465841	Mine	0.9	0.045	15	5950	18100	2465

First three samples taken by C. Gibson, the rest by H. Velo and K. Torres (Velo and Torres, 2017).

ProDeMin subsequently completed a 5 hole diamond drill program consisting of 457.1 meters of HQ core on three sections (Fig. 20, Table 5). The Palos Verdes vein was intersected in all holes and geologic interpretations are shown in Figs. 26-28. Table 7 shows the summary assay data for the mineralized intervals in each hole, and Figs. 29 to 34 show these intervals on the cross sections. True widths are less than the intercept and are estimated in Table 7; however, more data on possible fluctuations in the strike and dip of the veins are needed to obtain a more accurate true width. Figure 35 shows a longitudinal projection of the drill hole intercepts; all holes were mineralized in the interval at the intersection with the Palos Verdes vein. Photos of the highest grade portions of the intervals in drill holes PV-02 and PV-03 are shown in Figs. 36, 37. The mineralization is associated with sulfide rich zones within quartz vein breccia with multiple stages of mineralization visible. The sections with drill holes PV-1 and PV-2, section A, and PV-3 and PV-4, section B, are closer together than originally planned due to problems with moving the drill rig during the drill program. Nevertheless, the intercepts indicate that there is potential for developing a mineralized shoot along the vein system with more drilling.

The multistage nature of the Palos Verdes vein is evident in the drill results. Sulfide-rich vein intervals are generally higher in grade than intervals with less sulfide content and more quartz (Figs. 36, 37). Wider intercepts of lower grade mineralization generally surround the higher grade intervals.

Table 8. Assay values for ProDeMin drill hole intercepts from Palos Verdes Property

Hole	From (m)	To (m)	Width (m)	Est. True Width (m)*	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
PV-01	23.90	28.8	4.90	4.2	0.89	31	0.21	0.30	2.63
PV-02	40.35	48.7	8.35	5.5	1.69	474	0.54	1.09	3.84
incl.	45.25	48.7	3.45	2.3	3.75	1098	0.67	1.99	3.00
incl.	46.55	47.7	1.15	0.8	8.42	2336	0.265	1.72	2.46
PV-03	31.30	40.65	9.35	7.0	1.45	15	0.05	0.11	1.04
incl.	39.55	40.65	1.10	0.8	12.15	50	0.26	0.53	5.01
PV-04	55.45	59.00	3.55	3.0	0.12	37	0.31	0.12	0.74
PV-05	54.25	57.40	3.15	2.0	0.25	23	0.06	0.32	0.62

\*True width estimated based on the drill hole azimuth and inclination and vein dip.

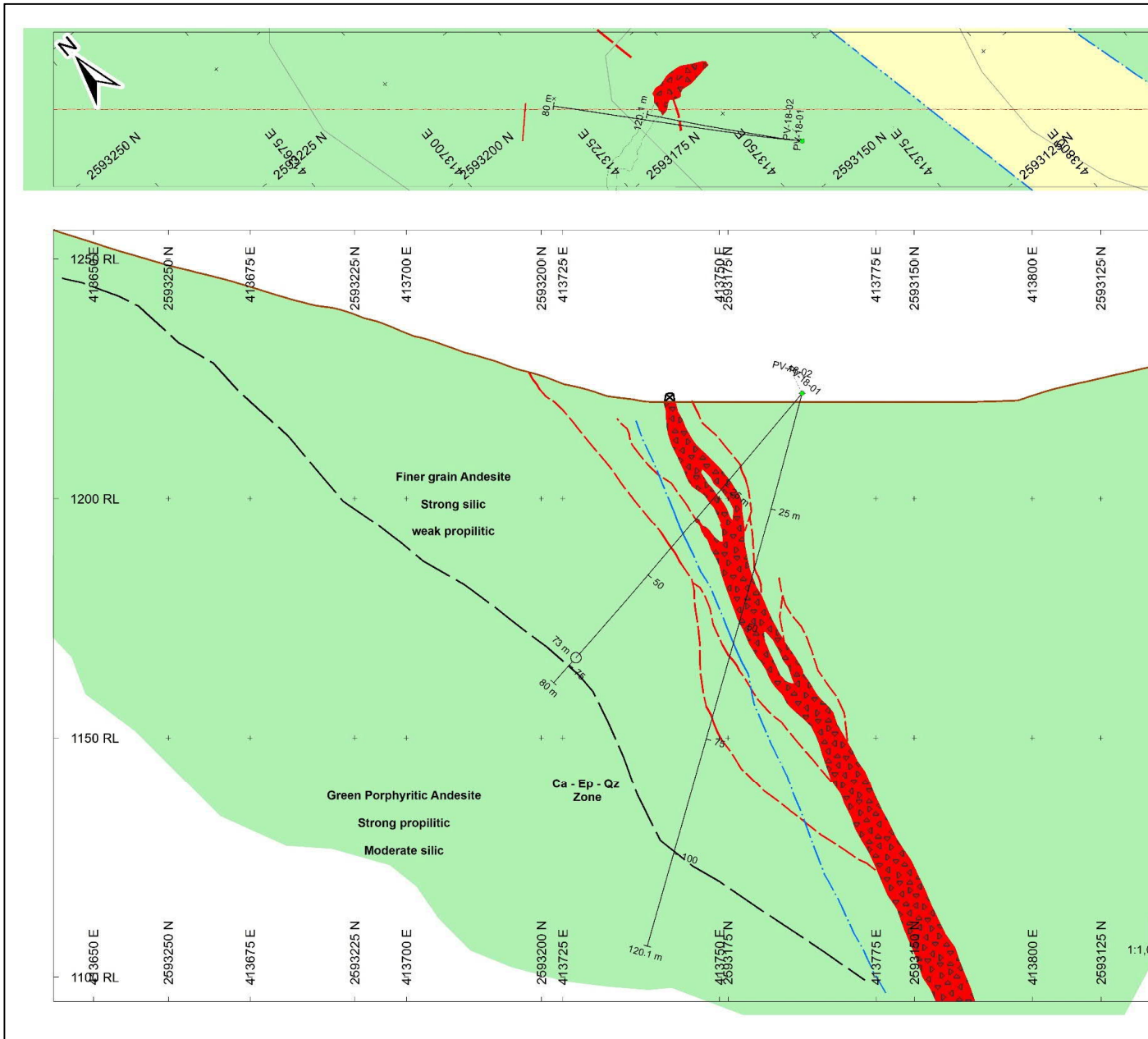


Figure 26. Cross section A, Palos Verdes Property.  
 Geologic interpretation on Section A showing ProDeMin drill holes PV-01 and PV-02.

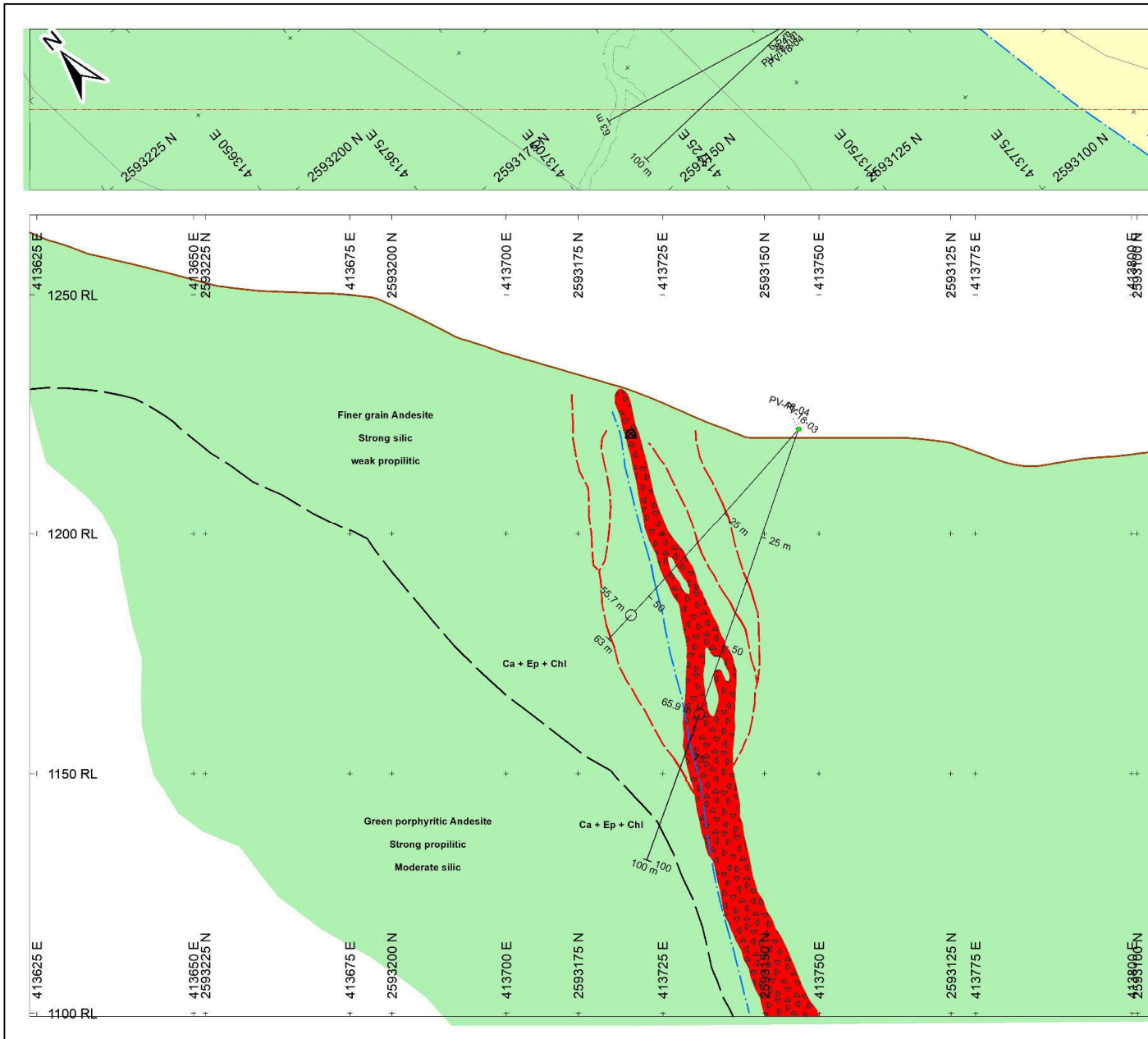


Figure 27. Cross section B, Palos Verdes Property.  
 Geologic interpretation on Section B showing ProDeMin drill holes PV-03 and PV-04.

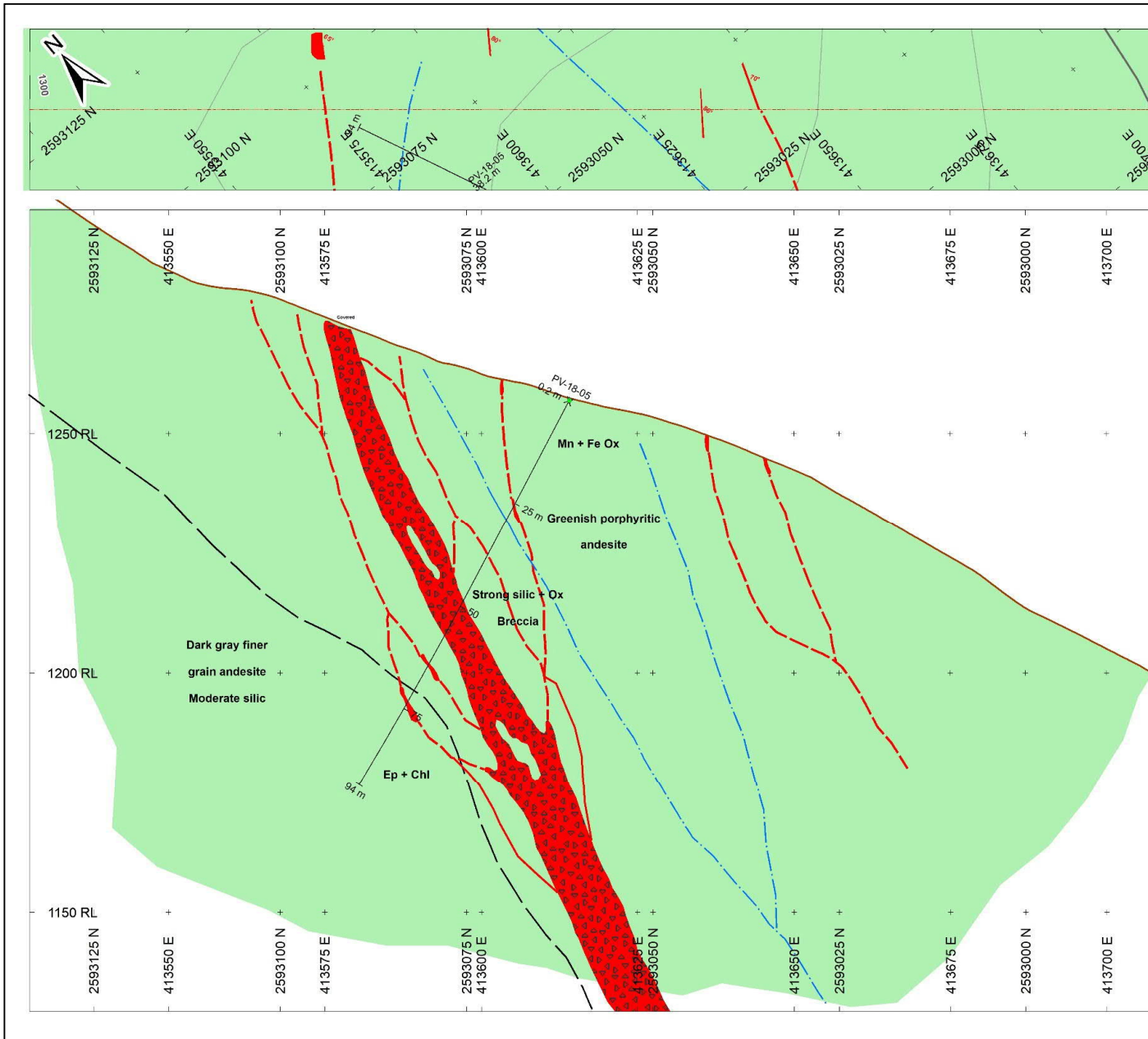


Figure 28. Cross section C, Palos Verdes Property.  
 Geologic interpretation on Section C showing ProDeMin drill hole PV-05.



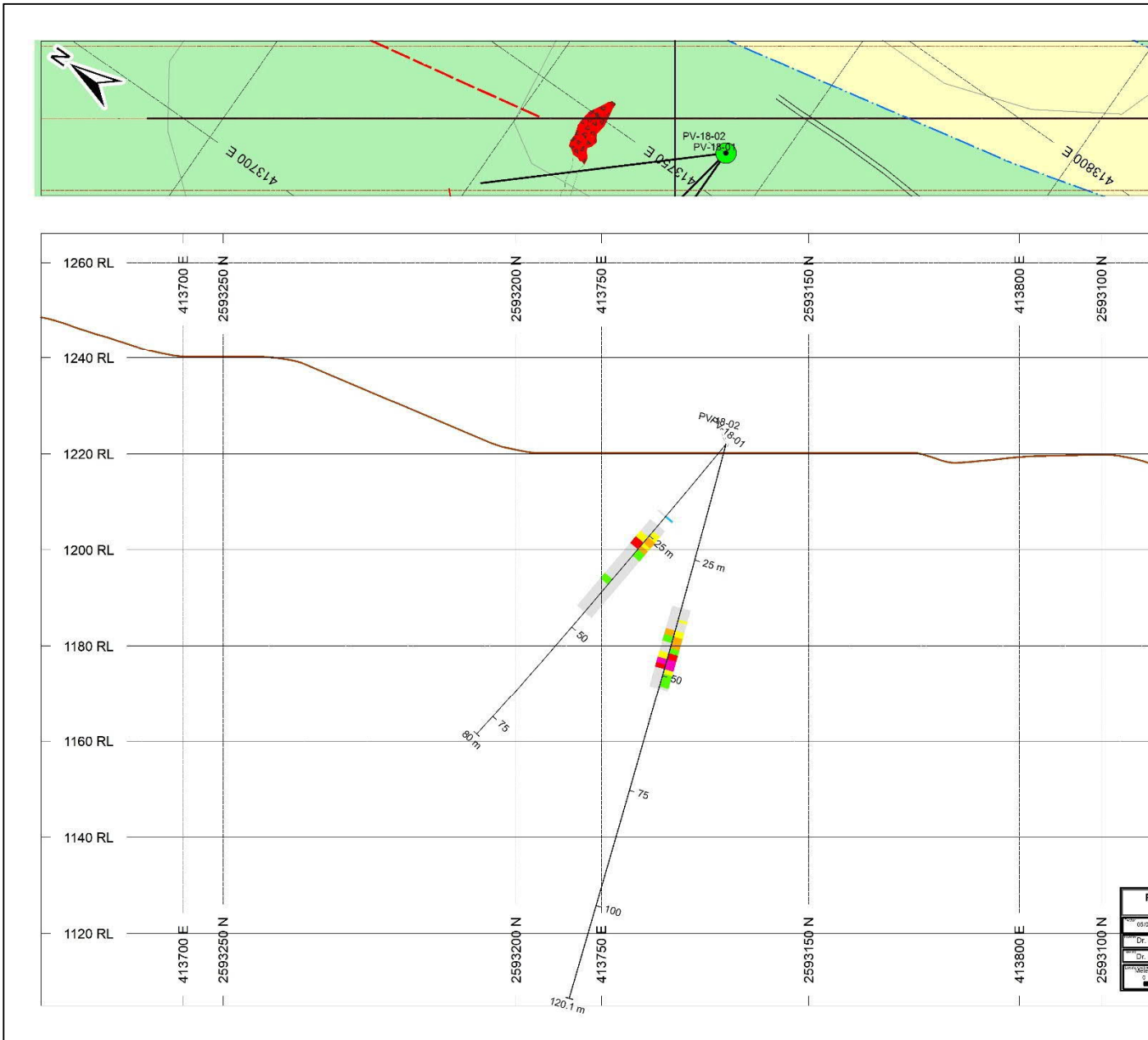


Figure 29. Cross section A with Precious Metal assays, Palos Verdes Property.  
 Gold and silver assays in ProDeMin drill holes PV-01 and PV-02.  
 Only intervals that were sampled are shown with a color on Figs. 29 to 34.

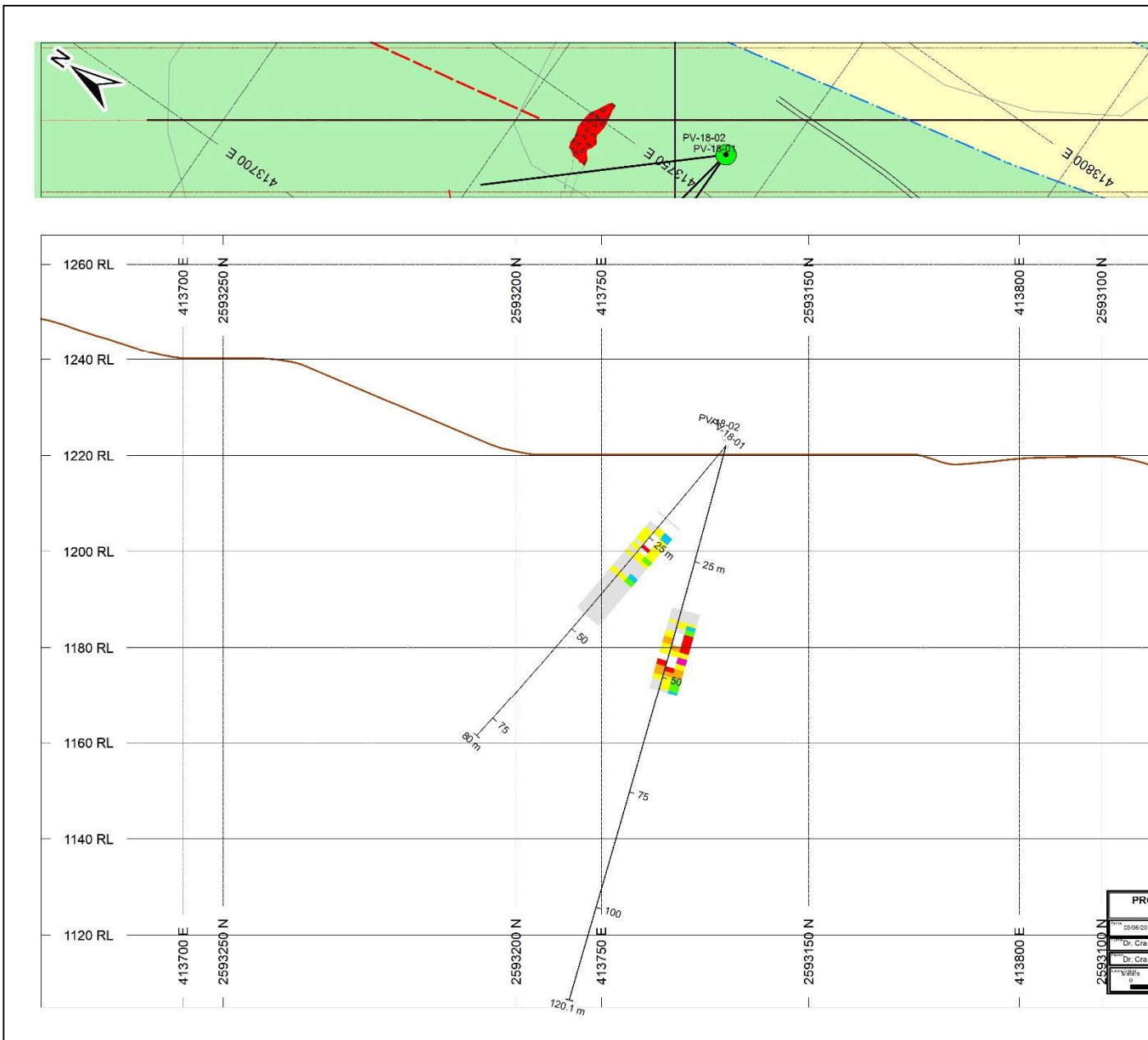


Figure 30. Cross section A with base metal assays, Palos Verdes Property.  
 Base metal assays in ProDeMin drill holes PV-01 and PV-02.

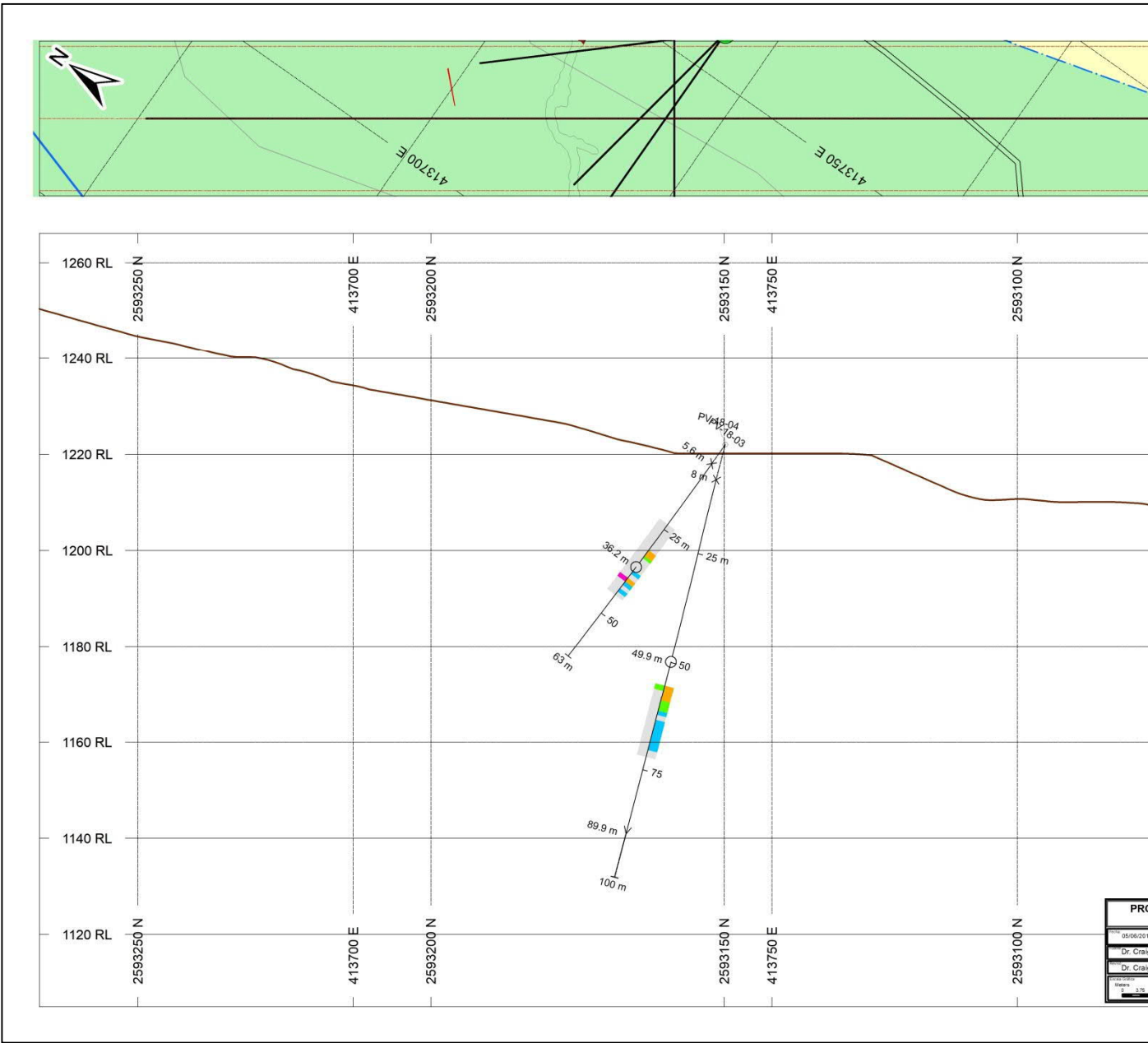


Figure 31. Cross section B with precious metal assays, Palos Verdes Property. Gold and silver assays in ProDeMin drill holes PV-03 and PV-04.

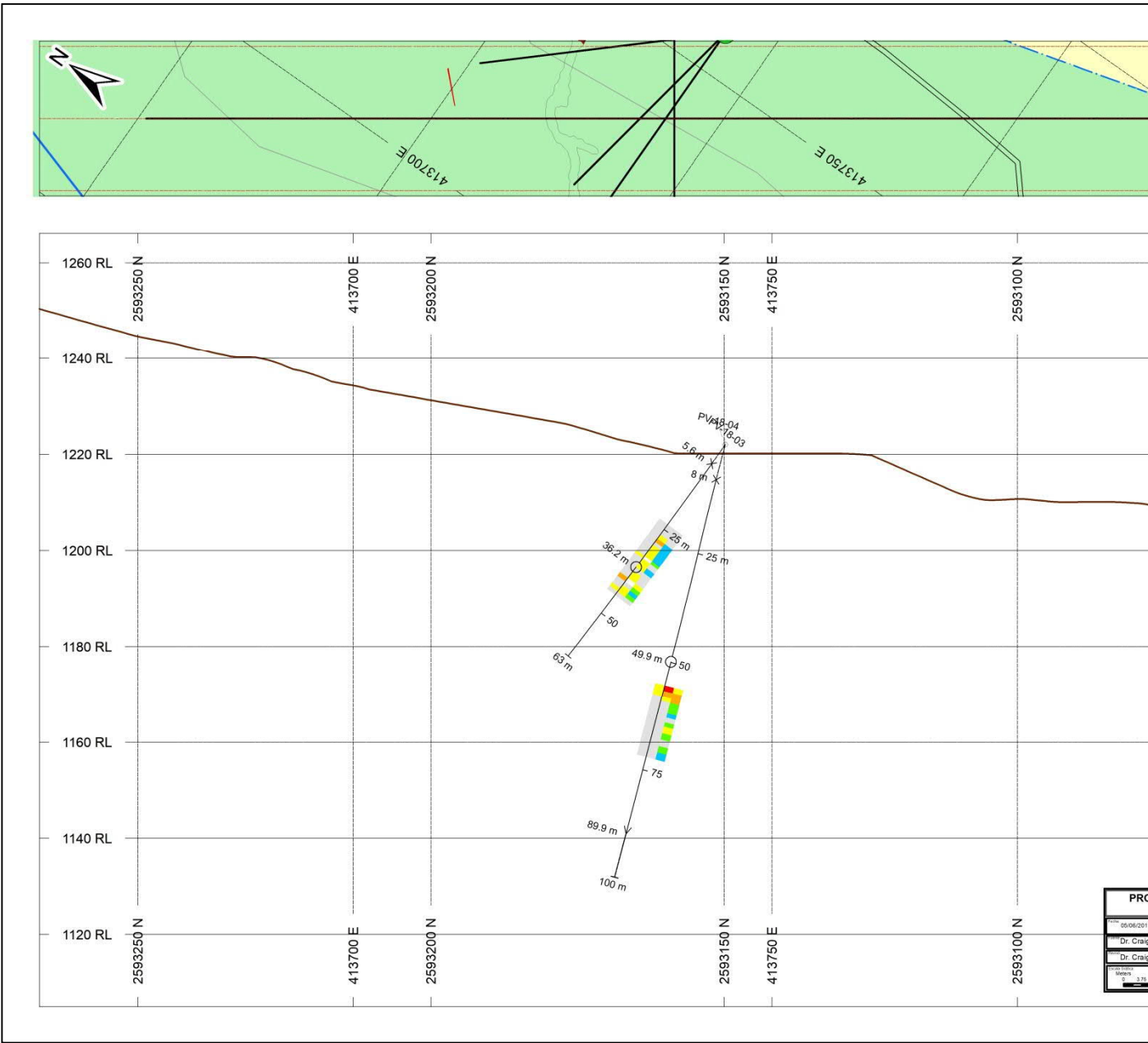


Figure 32. Cross section B with base metal assays, Palos Verdes Property.  
 Base metal assays in ProDeMin drill holes PV-03 and PV-04.

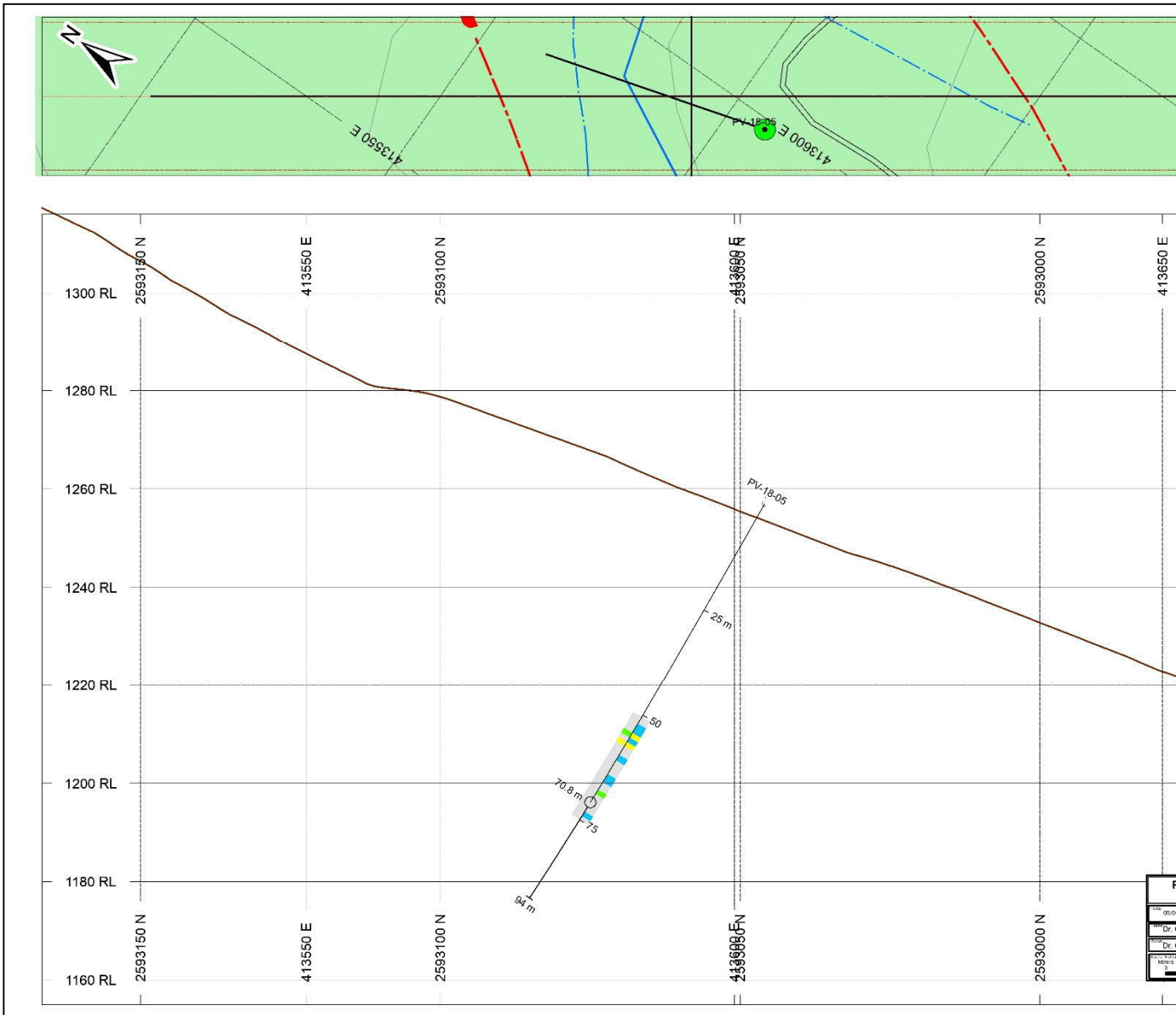


Figure 33. Cross section C with precious metal assays, Palos Verdes Property.  
Gold and silver assays in ProDeMin drill hole PV-05.

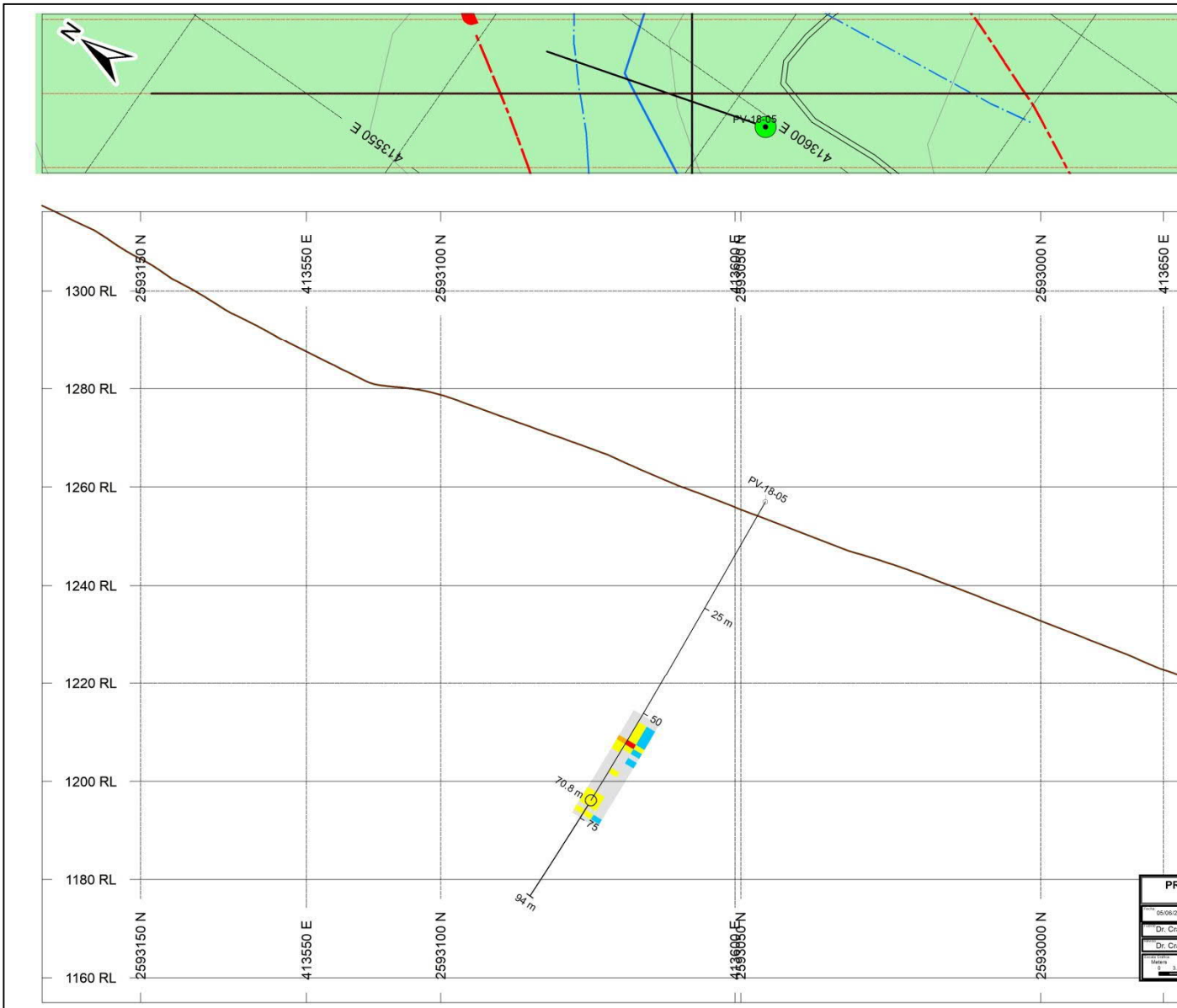


Figure 34. Cross section A with base metal assays, Palos Verdes Property.  
Base metal assays in ProDeMin drill hole PV-05.

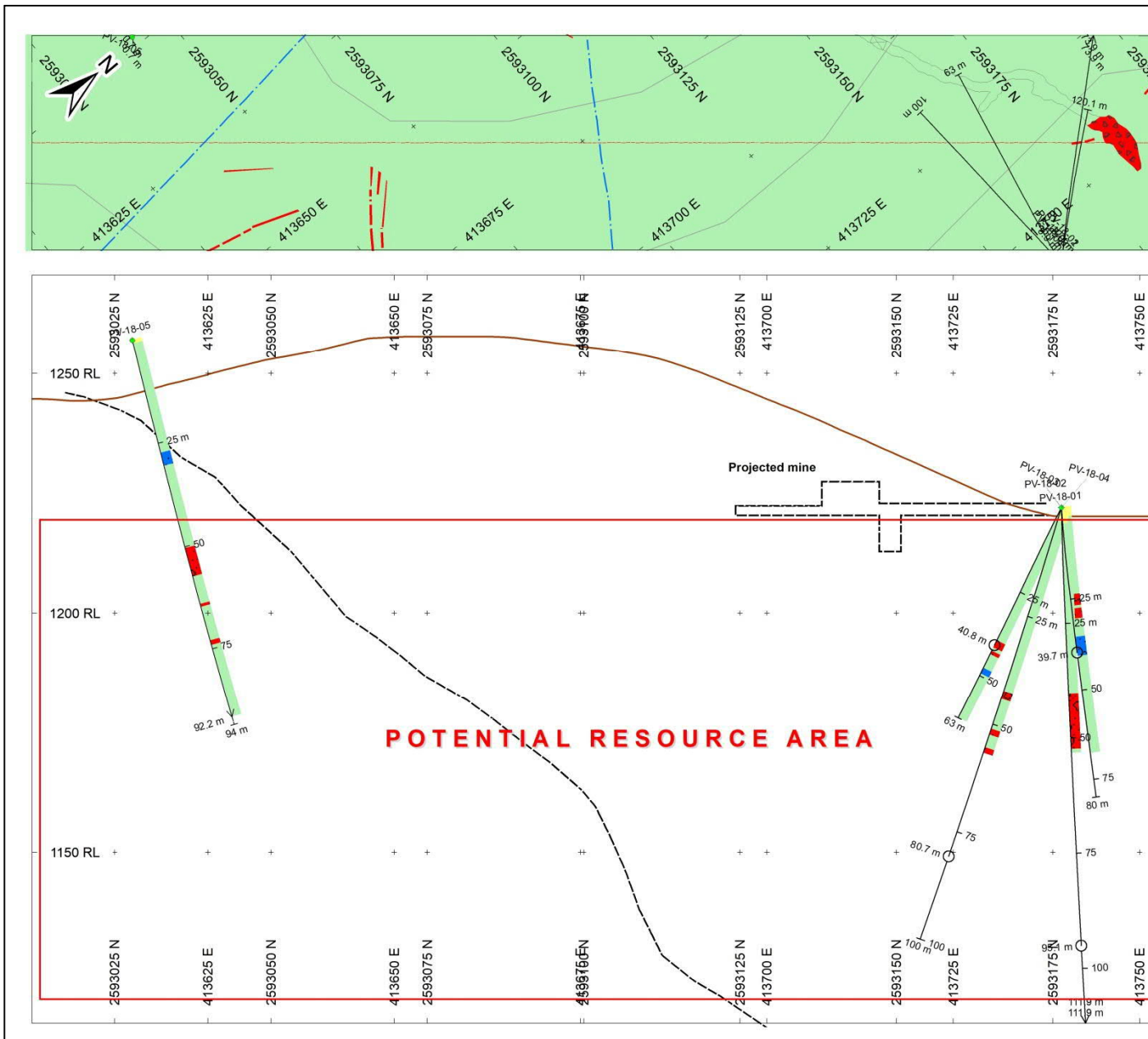


Figure 35. Longitudinal projection of the Palos Verdes vein.  
 ProDeMin drill holes projected to a vertical section, showing intercepts described in text and area of possible



Figure 36. Core from Palos Verdes drill hole PV-02.

Core box 23 from hole PV-02, showing interval from Box 23 46.65 -49.00 meters, containing most of sample 13587, assaying 8.42 g/t Au, 2335.98 g/t Ag, 0.27% Cu, 1.72% Pb and 2.46% Zn over 1.15 m.

Photo by ProDeMin staff.



Figure 37. Core from Palos Verdes drill hole PV-03.

Core box 19 from hole PV-03, showing interval from 39.25-41.35 meters, containing sample 13410, assaying 12.15 g/t Au, 50 g/t Ag, 0.26% Cu, 0.53% Pb, and 5.01% Zn over 1.1 meters.

Photo by ProDeMin staff.



## **Drilling**

There has been no drilling carried out by the Company on the Palos Verdes Property to date. Drilling carried out by ProDeMin is described above under the heading “Exploration”.

## **Sampling, Analysis and Data Verification**

### *Sampling*

The Company has not taken samples at the Palos Verdes Property other than samples taken by the Author of the Technical Report. The Author took 9 samples of outcrops and underground exposures as well as pulps and coarse rejects of drill core samples during a visit to the Palos Verdes Property. The rock samples are all chip-channel samples across mineralized structures, as well as selected samples of mineralized coarse rejects and pulps from previously analyzed core. Sampling was completed with a rock hammer by breaking off chips of rock, with the continuity of sampling moderately continuous in the direction of sampling perpendicular to the principal structure. The rock sampling completed was for the purpose of confirming the presence of mineralization as previously reported and thus was not systematic. Channel samples are taken to be a nearly continuous strip of rock sampled between two points with the length based on geology, while chip channels are similar but not as continuous. Selected samples are taken of a particular feature and thus are variable in size, and may include samples of areas separated by unsampled material.

Samples taken by the Author remained in the possession of the Author until delivered to the sample preparation facility in Hermosillo. Sample preparation and analyses were carried out by ALS Global (ALS), at their facilities in Hermosillo and Vancouver, respectively. ALS is a worldwide analytical laboratory with completed registration for Quality Management Systems to ISO 9001:2008 for the Mexico preparation facilities and the North American analytical laboratories.

The samples were analyzed for 43 elements as a multi-element ICP-ES/MS package, method AuMe-TL43. The sample digestion used was 25 g as gold was analyzed as part of the multi-element package. Samples with values over the detection limit for Au (1 g/t), Ag (100 g/t), Pb (10,000 ppm) and Zn (10,000 ppm) were rerun, for Au by the AROR43 method and for Ag and base metals by the OG46 method with an aqua regia digestion using ICP-AES. One silver value greater than 1500 g/t was analyzed by the GRA21 method, a 30 gm fire assay with a gravimetric finish.

Assays completed previously by ProDeMin on rock and core samples were completed by SGS at their lab in Durango, Mexico. SGS is a worldwide analytical laboratory with completed registration for Quality Management Systems to ISO 9001:2008 for the Mexico preparation and analytical facilities. The samples were run by method ICP-14b, including 34 elements run as a package by ICP-OES using an aqua regia digestion. The detection limits for some of the indicator elements are higher than for labs outside of Mexico but these are not of economic interest. Overlimits for Ag (>100 g/t) were analyzed by the FAG313 method, consisting of a 30 gm fire assay with a gravimetric finish, and Pb and Zn overlimits (>10,000 ppm) were analyzed by the ICP90Q method using a sodium peroxide fusion and ICP-OES. Gold was analyzed by the FAA313 method, consisting of a fire assay of a 30-gram sample aliquot with an atomic absorption finish. Overlimits for Au (>10 g/t) were analyzed by the FAG303 method, using a 30 gm fire assay and a gravimetric finish. Control samples consisting of coarse blanks and standard pulps were inserted in the sample stream for core samples at an approximate rate of one control sample for every 20 samples. Analytical results on the control samples submitted by ProDeMin as well as those used by the laboratory for internal QA/QC show acceptable results when compared to the accepted values.

Both labs use similar standard sample preparation procedures:

Sample preparation - The sample is logged in the system, weighed, dried and the entire sample is finely crushed to better than 70 % passing a 2 mm (Tyler 9 mesh, US Std. No. 10) screen. A split of 250 g is taken and pulverized to better than 85 % passing a 75 micron (Tyler 200 mesh, US Std. No. 200) screen.

It is the Author's opinion that the sample security, preparation and analytical procedures are adequate for the continued evaluation of the Palos Verdes Property. Future analyses should include a lower detection limit for the indicator elements such as As, Sb and Bi to aid in exploration.

#### *Data Verification*

The Author visited the Palos Verdes Property on April 3, 2019, and reviewed the geology of the Palos Verdes Property. Nine samples from mineralized areas and coarse reject and pulps from previous sampling were collected during this visit (Table 12.1). The samples were taken in several mineralized areas in the Palos Verdes adit and at the surface that had been sampled previously by others in the past (Fig. 12.1) and from coarse rejects or pulps from previously analyzed core samples in order to verify the presence of metals at the concentrations indicated in those studies. The samples taken by the Author remained in the Author's custody until they were delivered to ALS in Hermosillo, Mexico. Control samples were not used as the samples taken by the Author were taken in areas previously sampled or were duplicates of pulps or coarse rejects.

Samples collected by the Author were prepared and analyzed ALS (also known as Chemex and ALS-Chemex) at their facilities in Hermosillo and Vancouver, respectively. ALS is a worldwide analytical laboratory with completed registration to ISO 9001:2008. The samples were analyzed for 43 elements as a multi-element ICP-ES/MS package, AuMe-TL43 previously described in section 11.0 Sample Analysis and Security. The sample digestion used was 25 g as gold was analyzed as part of the multi-element package.

The analytical results from the samples taken by the Author are shown in table 12.2 below and the rock sample sites are shown in Fig. 12.1. Sample descriptions are presented below and photos of some samples are shown in Figs. 12.2 to 12.5 as well as Fig. 36. The results confirm the presence of metal values in the samples and are very similar to the original assays for the pulps and coarse rejects of core.

Based on the field review and review of the mapping and sampling results, it is the Author's opinion that the current database is adequate and appropriate for continued evaluation of the Palos Verdes Property. As described further in the Interpretation and Conclusions and Recommendations sections, more systematic sampling and mapping is required to begin to develop sufficient data to complete the exploration program. Also, a geochemical method to allow lower detection limits for the indicator elements As, Sb and Bi should be used. Additional sampling of core with quartz veining is also recommended.

#### **Mineral Processing and Metallurgical Testing**

The Company has performed no metallurgical testing at the Palos Verdes Property, and there is no information that would allow for a determination of mineral processing.

#### **Mineral Resource Estimates**

The Palos Verdes Property is early stage and there is no information available that would allow for estimation of mineral resources.

#### **Adjacent Properties**

There are several adjacent concessions with small historic mines, but little or no information is available other than that compiled in SGM (2008) and Avila et al., (1999).

#### **Interpretations and Conclusions**

Based on the information obtained during the Author's visit and on historic exploration work completed mainly by ProDeMin, the Palos Verdes Property warrants further exploration. Assays from surface and underground samples and from drill core show precious and base metal values of interest. Some high

grade intercepts in drill holes show potential for encountering economic mineralization with continued exploration.

More detailed mapping and sampling is needed to determine the local stratigraphy of the volcanic rocks to aid in structural interpretation. Further sampling of core is also necessary as current sampling has been limited to the main Palos Verdes vein and immediately adjacent rock, but some intervals with significant alteration and quartz veining were not sampled.

The greatest potential risks to the completion of a successful exploration program at the Property include the possibility of not being able to extend the surface access agreement over part of the area of interest, or problems with obtaining an environmental permit for road construction and drilling. Based on the data available and the visit to the project, it is the Author's opinion that there is no reason to believe that surface access agreements cannot be completed or that an environmental permit will not be issued.

### **Recommended Exploration Program**

Work completed at the Palos Verdes Property has been successful in demonstrating potential for encountering precious and base-metal mineralization by exploration at the Palos Verdes Property. Recommendations for further work are included below.

- Detailed re-logging of core combined with surface mapping of specific areas to help further define the controls on mineralization and structures and lay out new drill holes.
- Further sampling of zones with quartz veins and/or strong alteration in core.
- Use analytical package that has lower detection limits for indicator elements.
- Lay out regularly spaced sections for drill hole planning.

Table 10 below presents a proposed 2-month budget for the Palos Verdes Property. The program includes 500 meters of diamond drilling along existing roads and disturbed areas included in the current environmental permit. The costs for the line items in the budget are presented for the proposed exploration program.

Table 10. Proposed budget for the Palos Verdes Property.

<u>Proposed exploration budget, geology and drilling, 2 months (amounts in CAD).....</u>	
<b><u>Geology and drill program</u></b> (approx. 2 months)	
Personnel and vehicles.....	32,500
Road rehabilitation (20 hrs at 75/hr).....	1,500
Drilling (500 meters at 130/meter).....	65,000
Samples (200 at 40 per sample) .....	8,000
Expenses: travel, fuel, office supplies .....	6,500
Contingencies.....	6,500
<b>Total geology and drilling .....</b>	<b>120,000</b>

### **Intention Regarding Future Business of the Company**

The Company is currently engaged in the business of the Palos Verdes and Los Pavitos mineral exploration projects in Mexico. It is the current intention of the Company to explore and, if warranted, develop these projects. Should these projects not be deemed viable, the Company expects that it will explore other opportunities to acquire interests in other mineral properties.

### **USE OF PROCEEDS**

The Agent has agreed to use its commercially reasonable efforts to secure subscriptions for the Common Shares offered pursuant to the Offering in the provinces of British Columbia, Alberta, Saskatchewan and Ontario.

The net proceeds to the Company (excluding proceeds which may be received from the exercise of the Over-Allotment Option) from the sale of the Common Shares offered hereby will be \$267,500.

This offering is subject to the completion of a minimum subscription of 2,400,000 Common Shares for gross proceeds to the Company of \$300,000. If the minimum subscription is not completed within 90 days of the issuance of a receipt for the Prospectus or such other time as may be consented to by the Agent and Subscribers, all subscription will be returned to Subscribers without interest or deduction unless the subscribers have otherwise instructed the Agent.

### **Funds Available**

The total funds available to the Company at the Closing of the Offering, after deducting the estimated expenses of the Offering of \$90,000 (of which \$53,000 has already been paid), the Agent's Fee of \$22,500, the Corporate Finance Fee of \$20,000, and including estimated working capital as at January 31, 2020 of \$135,000, are estimated to be \$355,500.

The Company intends to expend its available funds for the following principal purposes:

<b>Expenses</b>	<b>Funds to be Used</b>
Payment of estimated cost of the Recommended Exploration Program on the Palos Verdes Property	\$120,000
Payments to be made in connection with the ProDeMin Option Agreement	\$65,520
Payments to be made in connection with the Cascabel Option Agreement	\$50,500
Administrative costs for 12 months	\$92,800
Unallocated working capital	\$26,680
<b>Total:</b>	<b>\$355,500</b>

Notes:

- (1) See "Use of Proceeds" below. The Company intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons a reallocation of funds may be necessary.

Upon completion of the Offering, the Company's working capital available to fund ongoing operations will be sufficient to meet its administrative costs and exploration expenditures for twelve months. Estimated administrative expenditures for the twelve months following completion of the Offering are comprised of the following:

<b>Administrative Expenses</b>	<b>Funds Raised</b>
Office Rent	\$1,200
Management and Administration	\$20,000
Transfer Agent	\$10,450
Insurance, bank charges and other office costs	\$13,800
Audit and taxes	\$11,500

Legal fees	\$12,000
Listing fees and annual filing fees	\$23,850
<b>Total:</b>	<b>\$92,800</b>

Since its incorporation on October 17, 2018, the Company has not generated cash flow from its operations and has incurred certain operating losses. Such losses and negative operating cash flow are expected to continue since funds will be expended to pay its administrative expenses and to conduct the Recommended Exploration Program on the Palos Verdes Property. Although the Company has allocated \$345,920 (as above), to fund its ongoing operations for a period of 12 to 18 months, thereafter, the Company will be reliant on future equity financings for its funding requirements.

The Company intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary.

Until required for the Company's purposes, the proceeds will be invested only in securities of, or those guaranteed by, the Government of Canada or any province of Canada, in certificates of deposit or interest-bearing accounts of Canadian chartered banks or trust companies or in prime commercial paper. The Company's Chief Financial Officer will be responsible for the investment of unallocated funds.

### **Stated Business Objectives and Milestones**

The Company's business objectives in using the available funds are to:

- (a) obtain a listing of its Common Shares on the Exchange; and
- (b) conduct the Recommended Exploration Program on the Palos Verdes Property.

The listing of the Company's Common Shares on the Exchange is subject to the Company fulfilling all of the requirements of the CSE and is expected to occur shortly after completion of this Offering. The Recommended Exploration Program is expected to be conducted within a period of 4 months following the completion of the Offering.

## **SELECTED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS**

### **Management's Discussion and Analysis for the period from incorporation on October 17, 2018 to December 31, 2018**

This Management's Discussion and Analysis ("MD&A") of the **Company**, dated March 10, 2020, is the Company's initial MD&A, and provides information on the Company's business activities, financial condition, financial performance, cash flows and outlook for the period from incorporation on October 17, 2018 to December 31, 2018, and to the date of this prospectus. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") in Canadian dollars, unless otherwise indicated.

The following information should be read in conjunction with the Company's audited financial statements for the period from incorporation on October 17, 2018 to December 31, 2018 (the "Financial Statements").

Prismo Metals Inc. (the "Company") was incorporated under the provisions of the Canada Business Corporations Act ("CBCA") on October 17, 2018, as 11047612 Canada Inc., renamed as Prismo Metals Inc. on November 1, 2018, and registered as an extra-provincial corporation under the laws of British

Columbia on November 6, 2018. The Company is in the business of acquisition, exploration and development of mineral properties, and is in one operating segment, namely mineral exploration in Mexico

### **Forward-looking statements and risk factors**

This MD&A contains forward-looking statements that are related to the Company's activities and future financial results. The results for the current periods are not necessarily indicative of the results for any future period. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance as the mineral exploration business is not without risk and most exploration projects will not become mines. The Company is subject to a number of risks and uncertainties due to the nature of its business and the early stage of its exploration projects. A detailed discussion of risks is presented below in this prospectus.

Prismo's disclosure of a technical or scientific nature has been reviewed and approved by Dr. Peter Craig Gibson, Ph.D., a director of the Company and a Qualified Person ("QP") under the definition of National Instrument 43-101.

### **Financing activities**

No financing activities took place from incorporation on October 17, 2018 to December 31, 2018.

### **Business and mineral properties**

Please refer to the *Narrative Description of the Business* section which includes the technical report on the mineral property presented in this prospectus.

### **Results of Operations**

During the period from incorporation on October 17, 2018 to December 31, 2018, the Company only incurred legal expenses for \$4,366 relating to the Company's incorporation and organization, which remained payable as at December 31, 2018. There were no cash-related activities, the Company had no assets and shareholders' deficiency was (\$4,366) during this period.

## Summary of Quarterly Results

The following table sets forth a comparison of information for the previously available quarters; the quarter ended December 31, 2018 only encompasses the period starting with incorporation on October 17, 2018:

	Quarter ended
	31-Dec 2018
Loss before other expenses Per share, basic and diluted	(4,366)
Income (loss) for the period Per share, basic and diluted	(4,366)
Other comprehensive income (loss) Per share, basic and diluted	-
Total comprehensive income (loss) Per share, basic and diluted	(4,366)
Total assets	-
Total liabilities	4,366
Shareholders' equity	(4,366)
Cash dividends declared	Nil

## Liquidity Working Capital and Capital Resources

The Company's liquidity and working capital figures are as follows:

	December 31, 2018
	\$
Accounts payable and accrued liabilities	(4,366)
Working capital (deficiency):	(4,366)

## Transactions with related parties:

No transactions with related parties took place during the period from incorporation on October 18, 2018 to December 31, 2018.

## Outstanding Share Data

As at the December 31, 2018, the company has one common share issued upon its incorporation.

## Off-Balance Sheet Arrangements

None

## Proposed Transactions

None

## Accounting Policies

Please refer to notes 2 and 3 to the Financial Statements for a complete description of the basis of presentation and the accounting policies followed, respectively.

## **Financial Instruments**

The Company classifies cash, accounts receivables, accounts payable and accrued liabilities, and due to related parties at amortized cost. At present, the Company does not have any FVTPL or FVTOCI financial assets.

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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 exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

### *Currency Risk*

At December 31, 2018, the Company had no cash.

### *Interest rate and credit risk*

The Company has no loans and is therefore not subject to interest rate or credit risk

### *Liquidity risk*

The Company will depend on the advances provided by public and/or private investors. The liquidity risk relates to the low cash position and the dependence on these investments.

## **Critical Accounting Estimates**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses, and the valuation of stock options and share purchase warrants. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates.

Resource properties: The carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that their carrying amounts may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

## **Legal Proceedings**

As at the date of this document, there were no legal proceedings against or by the Company.

## **Subsequent events**

Please refer to the MD&A for the nine months ended September 30, 2019, for all events that have taken place after December 31, 2018.



## **Management's Discussion and Analysis for the nine months ended September 30, 2019**

This MD&A of the Company, dated March 10, 2020, provides information on the Company's business activities, financial condition, financial performance, cash flows and outlook for the nine months ended September 30, 2019, and to the date of publishing of this MD&A. The Company reports its financial position, financial performance and cash flows in accordance with IFRS in Canadian dollars, unless otherwise indicated. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3", and "Q4" respectively.

The following information should be read in conjunction with the Company's audited financial statements for the period from incorporation on October 17, 2018 to December 31, 2018, and for the nine months ended September 30, 2019 (the "Financial Statements").

The Company was incorporated under the provisions of the CBCA on October 17, 2018, as 11047612 Canada Inc., renamed as Prismo Metals Inc. on November 1, 2018, and registered as an extra-provincial corporation under the laws of British Columbia on November 6, 2018. The Company is in the business of acquisition, exploration and development of mineral properties, and is in one operating segment, namely mineral exploration in Mexico.

### **Forward-looking statements and risk factors**

This MD&A contains forward-looking statements that are related to the Company's activities and future financial results. The results for the current periods are not necessarily indicative of the results for any future period. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance as the mineral exploration business is not without risk and most exploration projects will not become mines. The Company is subject to a number of risks and uncertainties due to the nature of its business and the early stage of its exploration projects. A detailed discussion of risks is presented below in the last sections of this MD&A.

The Company's disclosure of a technical or scientific nature has been reviewed and approved by Dr. Peter Craig Gibson, Ph.D., a director of the Company and a Qualified Person ("QP") under the definition of National Instrument 43-101.

### **Financing activities**

From incorporation and to the date of this MD&A, the Company has conducted the following financing activities:

- On February 15, 2019, the Company issued 3,600,000 units at a price of \$0.005 per unit to the founders of the Company through a non-brokered private placement for gross cash proceeds of \$18,000, of which \$2,250 were received from a director of the Company (note 6). Each unit is comprised of one common share and one share purchase warrant, with each warrant entitling its holder to purchase one common share at a price of \$0.10 for a period of five years from the date of incorporation, and therefore expiring on October 17, 2023. There was no residual value assigned to these warrants. These units will be held in escrow as per provisions of this prospectus.
- On August 12, 2019, the Company issued 2,985,866 common shares to investors through a non-brokered private placement. Each share was issued at a price of \$0.05 for gross cash proceeds of \$149,293, of which 11,200 were received from directors of the Company.
- Subsequent to the end of the reporting period, on November 7, 2019, the Company issued 1,525,000 common shares at a price of \$0.10 for cash proceeds of \$152,500 (the cash

subscriptions of which were received prior to September 30, 2019) pursuant to the partial closing of a non-brokered private placement.

- The cost for issuance of the above shares and warrants amounted to \$9,334.

### Business and Mineral properties

Please refer to the *Narrative Description of the Business* section which includes the technical report on the mineral property presented in this prospectus.

As at September 30, 2019, the following amounts have been invested in exploration and evaluation assets:

	CAD	(USD)
	\$	\$
ProDeMin option - cash	33,545	25,000
ProDeMin option - shares	125,000	
ProDeMin option - warrants	61,249	
Concession payments under the ProDeMin Option	20,070	15,000
Work towards preparation of NI 43-101 report	16,205	
Assays and laboratory	310	
Other	494	
	256,873	

### Results of Operations

*Year-to-date:*

During the nine months ended September 30, 2019, the Company's expenses were as follows:

	Nine months ended September 30	
	2019	% of
	\$	expenses
<b><u>Cash expenses</u></b>		
Audit and legal	21,015	69.62%
Investor relations, including travelling	4,228	14.00%
Administration and accounting	3,917	12.97%
Office and sundry	1,031	3.41%
	30,191	100.00%
<b><u>Non-cash (income) expenses</u></b>		
Foreign exchange (gain) loss	1,485	
<b>Income (loss) for the period</b>	(31,676)	

Please note that there were no equivalent expenditures for the year ended December 31, 2018, as the company had been recently incorporated.

The highest expenses were legal costs related to the incorporation of the Company and to the initial financing efforts, and an accrual for the initial audit of the Company.

Investor relations activities include attendance to certain mining-related conferences to introduce the Company's projects.

Administration and accounting relate to the fees charged by the Company's chief financial officer for the day-to-day accounting, administration, and the preparation of financial statements and related reports.

Office and sundry includes bank service charges, postage, office supplies, etc.

*Most recent quarter:*

The expenses for the most recent quarter were as follows:

	Three months ended September 30	
	2019	% of
	\$	expenses
<b><u>Cash expenses</u></b>		
Audit and legal	12,822	67.96%
Investor relations, including travelling	4,228	22.41%
Administration and accounting	1,350	7.16%
Office and sundry	466	2.47%
Total cash expenses	18,866	100.00%
<b><u>Non-cash expenses</u></b>		
Foreign exchange (gain) loss	(328)	
<b>Loss for the period</b>	<b>(18,538)</b>	

Of the audit and legal amount above, \$10,000 is an accrual for the initial audit of the Company; re the remaining expenses are in line with those of the year-to-date period.

**Liquidity Working Capital and Capital Resources**

The Company's liquidity and working capital figures are as follows:

	September 30, 2019	December 31, 2018
	\$	\$
Cash and cash equivalents	222,732	-
Accounts receivable (Canadian GST)	289	-
Total liquidity	223,021	-
Accounts payable and accrued liabilities	(16,284)	(4,366)
Amounts due to related parties	(1,418)	-
Working capital (deficiency):	205,319	(4,366)

The increase in working capital from December 31, 2018 to September 30, 2019 was due to the financing activities that took place during the nine-month period, as described above under *Financing activities*.

The Company believes it has sufficient cash to sustain its operations for the next year. The longer-term ability of the Company to continue its business is dependent on the continuing success of its exploration programs coupled with available funding through the sale of its share capital. However, the Company believes it will be able to secure sufficient funding to continue as a going concern.

**Transactions with related parties:**

The following transactions with related parties took place:

Nine months ended September 30:	2019	2018
	\$	\$
Management fees paid to InterAmerica Consulting & Development Inc. ("InterAmerica"), a company controlled by Mr. Salvador Miranda, the Chief Financial Officer of the Company:	3,917	-
Fees paid to a ProDeMin, a company controlled by Dr. Peter Craig Gibson, a director of the Company, under the ProDeMin Option:	33,545	-
Shares subscribed by directors through non-brokered private placements:	13,450	-
Units issued to ProDeMin for acquisition of mineral property under the ProDeMin Option:	100,000	-
Warrants component of units issued to ProdeMin for acquisition of property under the ProDeMin Option:	61,249	-
Shares issued to ProDeMin as payment for work completed on mineral property under the ProDeMin Option:	25,000	-

As at September 30, 2019, the Company owed \$1,417 to InterAmerica for administration and accounting fees, paid subsequently.

The ProDeMin Option for the acquisition of the Palos Verdes project is a related party transaction, as ProDeMin is controlled by Dr. Peter Craig Gibson, a director of the Company.

The Cascabel Option for the acquisition of the Los Pavitos project is a related party transaction, as Mr. Jorge Rafael Gallardo Romero, a director of the Company, is also a director of Cascabel.

### **Outstanding Share Data**

As at the date of publication of this MD&A the Company has:

- a) 12,610,867 common shares issued and outstanding; and
- b) 7,600,000 share purchase warrants outstanding with an exercise price of \$0.10 and an average life of approximately five years.

### **Off-Balance Sheet Arrangements**

None

### **Proposed Transactions**

None

### **Accounting Policies**

Please refer to notes 2 and 3 to the Financial Statements for a complete description of the basis of presentation and the accounting policies followed, respectively.

## **Financial Instruments**

The Company classifies cash, accounts receivables, accounts payable and accrued liabilities, and due to related parties at amortized cost. At present, the Company does not have any FVTPL or FVTOCI financial assets.

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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 exposed to certain financial risks

## **Critical Accounting Estimates**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses, and the valuation of stock options and share purchase warrants. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates.

Resource properties: The carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that their carrying amounts may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

## **Cautionary note for USA readers**

As a Canadian corporation, the Company is subject to certain rules and regulations issued by the Canadian securities regulators such as the British Columbia Securities Commission, Alberta Securities Commission, Ontario Securities Commission and other provincial regulators as may be required. The Company is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, on security of samples and mineral reserve estimates. Further, the Company describes any mineral resources associated with its properties utilizing terminology such as "inferred" or "indicated" which are terms recognized by Canadian securities regulators but not recognized by the United States' Securities and Exchange Commission.

## **Legal Proceedings**

As at the date of this document, there were no legal proceedings against or by the Company.

## **Subsequent events not already mentioned**

Please refer to the Narrative Description of the Business section which describes the option agreement entered into with respect to the Los Pavitos Property.

### **Haywood engagement**

On January 17, 2020, the Company entered into an Engagement Letter (“Engagement”) with Haywood Securities Inc. (defined herein as the “Agent”) as agent in connection with the Offering.

In consideration for their services, the Company has agreed to pay the Agent:

- i. A cash fee equal to 7.5% of the gross proceeds raised through the Offering;
- ii. Issue the agent a number of compensation options equal to 7.5% of the aggregate number of common shares issued by the Company through the Offering, with an exercise price equal to the issue price for a term of 24 months from the closing of the Offering;
- iii. Pay the Agent a corporate finance fee of \$25,000, of which \$20,000 will be payable in cash (\$10,000 of which has already been paid) and \$5,000 in common shares of the Company;
- iv. The Company has granted the Agent the Over-Allotment Option. Please see the “Plan of Distribution” section of this Prospectus.

In addition, the Company will pay expenses and fees of the Agent in connection with the Offering.

The proceeds of the Offering will be used to fund exploration and development of the Company’s mineral projects, and for working capital and general corporate purposes.

The Offering will be subject to all regulatory approvals.

## **DESCRIPTION OF SECURITIES DISTRIBUTED**

### **Authorized and Issued Share Capital**

The authorized share capital of the Company consists of an unlimited number of common shares. As of the date of this Prospectus, 12,610,867 Common Shares were issued and outstanding as fully paid and non-assessable shares.

### **Common Shares**

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the Board of Directors may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company.

### **Agent’s Options**

The Company has also agreed to grant to the Agent, Agent’s Options entitling the Agent to purchase that amount of Common Shares as is equal to 7.5% of Common Shares to be issued pursuant to this Offering, with an exercise price that is equal to the Offering Price. See “Plan of Distribution” below.

The Agent's Options will not be listed for trading.

Holders of Agent's Options will not have any voting rights or any other rights which a holder of Common Shares would have (including, without limitation, the right to receive notice of or to attend meetings of shareholders or any right to receive dividends or distributions). Holders of Agent's Options will have no pre-emptive rights to acquire securities of the Company.

The Agent's Options will be adjusted in the number of Common Shares issuable on the exercise thereof and/or the exercise price thereof, on the occurrence of certain events, including:

- the subdivision or change of the outstanding Common Shares into a greater number of Common Shares;
- the reduction, combination, or consolidation of the Common Shares into a lesser number of Common Shares; and
- the reorganization, reclassification or other change of the Common Shares into other securities.

### **Additional Common Shares**

The Company has also agreed to issue 40,000 Corporate Finance Fee Shares to the Agent in satisfaction of the Corporate Finance Fee. See "Plan of Distribution" below.

### **CONSOLIDATED CAPITALIZATION**

The following table summarizes the changes in the Company's capitalization since October 17, 2018, and after giving effect to the Offering:

<b>Description</b>	<b>Authorizd</b>	<b>Outstanding at September 30, 2019 (audited)</b>	<b>Outstanding as at date of the Prospectus (unaudited)</b>	<b>Outstanding after giving effect to the Offering<sup>(1)(2)</sup> (unaudited)</b>
Common Shares	unlimited	9,085,867	12,610,867	15,167,867

Notes:

(1) As partial consideration for the sale of Common Shares pursuant to this Prospectus, the Company has agreed to grant the Agent's Options entitling the Agent to purchase up to that amount of Common Shares as is equal to 7.5% of the number of Common Shares issued pursuant to this Offering, including any Common Shares sold under the Over-Allotment Option. The Agent's Options may be exercised at a price of \$0.125 per Common Share for a period of 24 months from the Closing Date. This Prospectus qualifies the distribution of the Agent's Options and Corporate Finance Fee Shares to the Agent to the extent that such Agent's Options and Corporate Finance Fee Shares constitute Qualified Compensation Securities. The Common Shares issuable on exercise of the Agent's Options and Over-Allotment Option are not reflected in these figures.

(2) Assuming completion of the Offering, the issuance of the Corporate Finance Fee Shares, the exercise of all 207,000 potential Agent's Options (assuming the exercise of the Over-Allotment Option) and the Over-Allotment Option.

### **OPTIONS TO PURCHASE SECURITIES**

The purpose of the Stock Option Plan is to assist the Company in attracting, retaining and motivating directors, officers, employees and consultants (together "service providers") of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders.

The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of Common Shares of the Company issued and outstanding from time to time.

The Stock Option Plan will be administered by the Board of Directors, who will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such service providers of the Company and its affiliates, if any, as the Board may from time to time designate. The exercise prices shall be determined by the Board, but shall, in no event, be less than the closing market price of the Company's shares on the Exchange on the date of grant of such options, less the maximum discount permitted under the Exchange policies. The Stock Option Plan provides that the number of Common Shares issuable on the exercise of options granted to all persons together with all of the Company's other previously granted options may not exceed 10% of the Company's issued and outstanding Common Shares on a non-diluted basis, from time to time. Subject to earlier termination in the event of dismissal for cause, early retirement, voluntary resignation or termination other than for cause, or in the event of death or disability, all options granted under the Stock Option Plan will expire on the date set by the Board as the expiry date of the option, which expiry date shall not be more than 10 years from the date that such options are granted. Options granted under the Stock Option Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

### Agent's Options

The Company will issue to the Agent, Agent's Options for the purchase of up to that number of Agent's Warrants as is equal to 7.5% of the Common Shares of the Company issued pursuant to the Offering, exercisable at a price of \$0.125 per Common Share for a period of 24 months from the Closing Date.

### PRIOR SALES

The following table summarizes the sales of securities of the Company in the 12 months prior to the date of this Prospectus:

Issue Date	Description	Price Per Common Share	Number of Common Shares	Number of Warrants Issued (1)	Proceeds
2019-02-17	Shares issued to founders	\$0.005	3,600,000	3,600,000	\$18,000
2019-08-12	Property Option Agreement <sup>(2)</sup>	Fair value of \$0.05	2,500,000	2,000,000	-
2019-08-12	First Private Placement	\$0.05	2,985,866	-	\$149,293
2019-10-11	Property Option Agreement <sup>(3)</sup>	Fair value of \$0.05	2,000,000	2,000,000	
2019-11-07	Second Private Placement	\$0.10	1,525,000	-	\$152,500

Notes:

- (1) Each common share purchase warrant issued to the founders entitles the holder to purchase one Common Share at a price of \$0.10 for a period of five years from the date of incorporation. Each common share purchase warrant issued thereafter entitles the holder purchase one Common Share at a price of \$0.10 for a period of five years from the date of issuance of said warrants.



- (2) Reference is made to the ProDeMin Option. Craig Gibson, the President and CEO of the Company, controls and holds a 60% ownership interest in ProDeMin and is a director and officer of ProDeMin.
- (3) Reference is made to the Cascabel Option. Jorge Rafael Gallardo-Romero and Maria Guadalupe Yeomans Otero, both being directors of the Company, are entitled to receive an amount of 20% and 5% of the consideration received by Cascabel under the Cascabel Option, respectively.

## **ESCROWED SECURITIES**

### **Escrowed Securities**

Under the applicable policies and notices of the Canadian Securities Administrators, securities held by Principals (as defined below) are required to be held in escrow in accordance with the escrow regime applicable to initial public distributions. Equity securities, including Common Shares, owned or controlled by the Principals of the Company are subject to the escrow requirements set out in National Instrument 46-201 - Escrow for Initial Public Offerings (“**NI 46-201**”).

Principals include all persons or companies that, on the completion of the Offering, fall into one of the following categories:

- (a) a person or company who acted as a promoter of the Company within two years before the date of this Prospectus;
- (b) a director or senior officer of the Company or any of its material operating subsidiaries at the time of this Prospectus;
- (c) a 20% holder – a person or company that holds securities carrying more than 20% of the voting rights attached to the Company’s outstanding securities immediately before and immediately after the closing of this Offering;
- (d) a 10% holder – a person or company that:
  - (i) holds securities carrying more than 10% of the voting rights attached to the Company’s outstanding securities immediately before and immediately after the closing of the Offering; and
  - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Company or any of its material operating subsidiaries.

The Principals of the Company are Jean-François Meilleur, Craig Gibson, Jorge Rafael Gallardo-Romero, and Maria Guadalupe Yeomans Otero, who are directors of the Company, Salvador Miranda, who is Chief Financial Officer and Corporate Secretary of the Company, and ProDeMin, which is controlled by Craig Gibson, who is a director and officer of the Company.

The Company is an “emerging issuer” as defined in the applicable policies and notices of the Canadian Securities Administrators and if the Company achieves “established issuer” status during the term of the Escrow Agreement (as defined below), it will “graduate” resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18-month schedule applicable to established issuers as if the Company had originally been classified as an established issuer.

Moreover, certain seed shareholders of the Company that are not Principals will, on a voluntary basis, subject some or all of their Common Shares to be held in escrow and released under the same automatic timed releases as provided by NI 46-201.

Pursuant to the terms of the Escrow Agreement, the Escrowed Securities may not be transferred or otherwise dealt with during the term of the Escrow Agreement unless the transfers or dealings within the escrow are:

- (a) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Company or of a material operating subsidiary, with approval of the Board of Directors;
- (b) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor or the transferor's spouse or children or parents;
- (c) transfers upon bankruptcy to the trustee in bankruptcy;
- (d) pledges to a financial institution as collateral for a loan, provided that upon a realization the securities remain subject to escrow; and
- (e) tenders of Escrowed Securities to a takeover bid are permitted provided that, if the tenderer is a Principal of the successor Company upon completion of the takeover bid, securities received in exchange for tendered Escrowed Securities are substituted in escrow on the basis of the successor Company's escrow classification.

In accordance with NI 46-201, it is anticipated that the following automatic timed releases will apply to the securities held by its principals:

<b>Date</b>	<b>% of Escrowed Securities Released</b>
The date the Company's securities are listed (the " <b>Listing Date</b> ")	1/10 of the escrow securities
6 months after the Listing Date	1/6 of the remaining escrow securities
12 months after the Listing Date	1/5 of the remaining escrow securities
18 months after the Listing Date	1/4 of the remaining escrow securities
24 months after the Listing Date	1/3 of the remaining escrow securities
30 months after the Listing Date	1/2 of the remaining escrow securities
36 months after the Listing Date	The remaining escrow securities

The following table sets forth details of the Escrowed Securities that are subject to the Escrow Agreement as of the date of this Prospectus:

<b>Securityholder Subject to Escrow</b>	<b>No. of Escrowed Securities<sup>(1)(2)</sup></b>	<b>Percentage of Common Shares (After Giving Effect to the Offering<sup>(3)</sup>)</b>
Jorge Rafael Gallardo-Romero	94,000 Common Shares	0.60%
Craig Gibson	130,000 Common Shares	0.83%
Minera Cascabel S.A. De C.V.	2,000,000 Common Shares	12.81%
	2,000,000 Warrants	
Prospeccion Y Desarrollo Minero Del Norte, S.A. de C.V.	2,500,000 Common Shares	16.05%
	2,000,000 Warrants	
Jean-François Meilleur	450,001 Common Shares	2.89%
	450,000 Warrants	

*Notes:*

- (1) These shares have been deposited in escrow with the Escrow Agent.
- (2) Pursuant to an escrow agreement (the “**Escrow Agreement**”) made as of <@>, among the Company, the Escrow Agent and certain Principals of the Company, the Principals agreed to deposit in escrow their Common Shares (the “**Escrowed Securities**”) with the Escrow Agent. The Escrow Agreement provides that 10% of the Escrowed Securities will be released from escrow upon the Listing Date and that, where there are no changes to the Common Shares initially deposited and no additional Escrow Securities, the remaining Escrowed Securities will be released in equal tranches of 15% every 6-month interval thereafter, over a period of 36 months.
- (3) Assuming completion of the Offering, the issuance of the Corporate Finance Fee Shares, the exercise of all 207,000 potential Agent’s Options (assuming the exercise of the Over-Allotment Option) and the Over-Allotment Option. Does not include warrants of the Company.

## PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company, as of the date of this Prospectus, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to the Company's Common Shares, except the following:

Notes:

(1) Includes exercise of Agent's Options and the Over-Allotment Option.

Name	Prior to the Offering		After Giving Effect to the Offering		
	Number of Common Shares	Percentage of Common Shares	Number of Common Shares	Percentage of Common Shares <sup>(1) (2)</sup>	Percentage of Common Shares <sup>(3)(4)</sup>
Craig Gibson	2,630,000	20.86%	2,630,000	16.84%	19.94%
Cascabel <sup>(4)</sup>	2,000,000	15.86%	2,000,000	12.81%	17.23%

(2) Includes the 40,000 Corporate Finance Fee Shares.

(3) On a fully diluted basis, assuming completion of the Offering, the issuance of the Corporate Finance Fee Shares, the exercise of all 207,000 potential Agent's Options (assuming the exercise of the Over-Allotment Option) and the Over-Allotment Option, and all outstanding warrants. Craig Gibson holds 130,000 shares directly, and ProDeMin, a private corporation controlled by Craig Gibson, President and CEO of the Company, holds 2,500,000 shares and 2,000,000 warrants.

(4) On a fully diluted basis, assuming completion of the Offering, the issuance of the Corporate Finance Fee Shares, the exercise of all 207,000 potential Agent's Options (assuming the exercise of the Over-Allotment Option) and the Over-Allotment Option, and all outstanding warrants. Cascabel holds 2,000,000 warrants.

## DIRECTORS AND OFFICERS

The following table provides the names, provinces of residence, positions, principal occupations and the number of voting securities of the Company that each of the directors and executive officers beneficially owns, directly or indirectly, or exercises control over, as of the date hereof:

Name and Province of Residence and Position with the Company	Director / Officer Since	Principal Occupation for the Past Five Years	Number and % of Common Shares Beneficially Owned Directly or Indirectly (as at the date of this Prospectus)
Craig Gibson California Director, President and CEO	October 17, 2018	Technical Director of Prospeccion y Desarrollo Minero del Norte SA de CV, a exploration consulting services Company based in Guadalajara, Mexico  Certified Professional Geologist  Director of Garibaldi Resources Inc. since February 2012	130,000 <sup>(1)</sup>
Salvador Miranda, British Columbia, Chief Financial Officer and Secretary	October 17, 2018	President, InterAmerica Consulting & Development Inc., a private corporation in the business of providing administration and accounting services, since January 1995  Chief financial officer of GFM Resources Limited (TSXV-NEX: GFM.H) since October 2006  Chief Financial Officer of Pacific Ridge Exploration Ltd., since January 1, 2018  Chief Financial Officer of Newstrike Capital Inc. from July 2008 to May 2015  Chief Financial Officer	Nil

Name and Province of Residence and Position with the Company	Director / Officer Since	Principal Occupation for the Past Five Years	Number and % of Common Shares Beneficially Owned Directly or Indirectly (as at the date of this Prospectus)
		and corporate secretary of EnWave Corporation from November 2003 to September 2015	
Jorge Rafael Gallardo-Romero  Hermosillo, Sonora, Mexico  Director,	October 17, 2018	Geologist consultant of Minera Cascabel S.A. De C.V.	94,000
Jean-François Meilleur Québec <sup>(2)</sup>  Director	October 17, 2018	VP at Critical Elements Corp  President of Quebec Precious Metals since  Managing Partner at Paradox Public Relations & P.E. Partners	450,001
Maria Guadalupe Yeomans Otero  Hermosillo, Sonora, Mexico  Director	December 5, 2019	Office manager at Minera Cascabel S.A. De C.V.	Nil

**Notes:**

- (1) Craig Gibson holds 130,000 shares directly, and ProDeMin, a private corporation controlled by Craig Gibson, President and CEO of the Company, holds 2,500,000 shares.

The term of office of the directors expires annually at the time of the Company's annual general meeting. The term of office of the officers expires at the discretion of the Company's directors.

The Company has one committee, the audit committee, comprised of all Jean-François Meilleur, Jorge Rafael Gallardo-Romero, and Maria Guadalupe Yeomans Otero members of the board of directors.

The following is a brief description of the background of the key management, directors and promoters of the Company.

***Craig Gibson, (age 57) [President and CEO]***

Craig has experience in the minerals industry. He received his B.S. (1984) in Earth Sciences from the University of Arizona and M.S. (1987) and Ph.D. (1992) in Economic Geology and Geochemistry from the Mackay School of Mines, University of Nevada, Reno. He co-founded Prospeccion y Desarrollo Minero del Norte, S.A. de C.V. (ProDeMin) based in Guadalajara, Mexico, in 2009, a consulting firm providing a broad spectrum of exploration related services to the mining industry. Dr. Gibson is also a Director of Garibaldi Resources Inc., a Vancouver-based junior exploration company, is a Certified Professional Geologist of the American Association of Professional Geologists and is a Qualified Person under NI 43-101. Dr. Gibson will be dedicating 25% of his professional time to the business of the Company. His responsibilities with the Company in his capacity as Chief Executive Officer and President include managing day-to-day operations of the Company, executing policies implemented by the Board of Directors and reporting back to the latter.

***Salvador Miranda, (age 65) [Chief Financial Officer and Secretary]***

Through his private corporation, Salvador has been providing administration and accounting services to several TSX-V listed companies since 1997, serving as director and officer in some of them. He, therefore, has ample experience in the preparation of annual and interim financial statements at public company standards, understanding the full accounting cycle, the preparation of budgets, the liaising with auditors and legal counsels, the filing requirements, and the use of specialized accounting software.

In addition to English, Salvador is natively fluent in Spanish and fully understands cultural and situational issues associated with Mexico, and is also fluent in French

Salvador holds a Master's in Civil Engineering from the Massachusetts Institute of Technology (1982) and has taken numerous courses and seminars related to his activities as CFO of junior public companies in Canada. Mr. Miranda will be dedicating 25% of his professional time to the business of the Company.

***Jorge Rafael Gallardo-Romero, (age 60) [Director]***

Mr., Gallardo-Romero has been a consultant geologist of Cascabel since March 1992. He also acts as Mexico Exploration Manager of Gainey Capital Inc. (since January 2015) and of Minera Goldzone S.A. de C.V. (since March 2011). Mr. Gallardo-Romero graduated from the University of Sonora with a degree in Geology in 1984. He will devote approximately 10% of his time to the affairs of the Company. As a director, he is responsible for directing and overseeing management of the Company.

***Jean-François Meilleur, (age 41) [Director]***

Mr. Meilleur has been active in the capital market since 2006 as a Managing Partner of Paradox Public Relations and P.E. Partners providing strategic advisory, investor relations services and being a supportive shareholder providing development capital to different ventures. In May 2017, Mr. Meilleur was appointed President & CEO of Canada Strategic Metals. From 2012 to 2018, Mr. Meilleur was VP at Critical Elements Corp. Mr. Meilleur holds a Bachelor's Degree from the HEC business school (Hautes Études Commerciales) in Montreal, with a specialization in marketing and finance. He is also a Managing Partner and co-owner of Paradox Public Relations. He will devote approximately 10% of his time to the affairs of the Company. As a director, he is responsible for directing and overseeing management of the Company.

***Maria Guadalupe Yeomans Otero, (age 57) [Director]***

Ms. Yeomans is a geologist graduated from Universidad de Sonora, Mexico, in 1986, with master studies in Business Administration at the same university. She has been a part of the team at Cascabel since 1992 and is now Office Manager. She speaks English fluently and has extensive experience in the

administration, legal and commercial relations related to the mining activity. She will devote approximately 10% of her time to the affairs of the Company. As a director, she is responsible for directing and overseeing management of the Company.

To the Company's knowledge:

- (a) no existing or proposed director, executive officer or promoter of the Company is, or within the 10 years prior to the date hereof has been, a director or executive officer of any other Company that, while that person was acting in the capacity of director or executive officer of that Company, was the subject of a cease trade order or similar order or an order that denied the Company access to any statutory exemptions for a period of more than 10 consecutive days;
- (b) no existing or proposed director, executive officer or promoter of the Company is, or within the 10 years prior to the date hereof ceased to be a director or executive officer of any other Company that, was the subject of a cease trade order or similar order or an order that denied the Company access to any statutory exemptions for a period of more than 10 consecutive days that was issued after the director, executive officer or promoter ceased to be a director or executive officer and which resulted from an event that occurred while that person was acting in the capacity as director or executive officer; and
- (c) no existing or proposed director, executive officer or promoter of the Company is, or within the 10 years prior to the date hereof has been, a director or executive officer of any other Company that, while that person was acting in the capacity of director, executive officer or promoter of that Company, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

To the Company's knowledge, no existing or proposed director, executive officer, promoter or other member of management of the Company has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded Company, or involving fraud or theft.

### **Personal Bankruptcies**

To the Company's knowledge no existing or proposed director, officer, promoter or other member of management of the Company has, during the 10 years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts of Interest**

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the Company's knowledge and other than disclosed below, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers



serve as directors and officers of other companies and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The executive compensation discussion below discloses compensation paid to the following individuals:

- (a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to that of a chief executive officer;
- (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to that of a chief financial officer;
- (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with Section 1.3(5) of Form 51-102F6V under National Instrument 51-102 - *Continuous Disclosure Obligations*, for that financial year; and
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, as at the end of the most recently completed financial year,

(each, a “**Named Executive Officer**”).

### Compensation Discussion and Analysis

In assessing the compensation of its Named Executive Officers, the Company does not have in place any formal objectives, criteria or analysis; compensation payable is currently determined by the Board of Directors.

As of the date of this Prospectus, the Company’s Board of Directors has not established any benchmark or performance goals to be achieved or met by Named Executive Officers, however, such Named Executive Officers are expected to carry out their duties in an effective and efficient manner so as to advance the business objectives of the Company. The satisfactory discharge of such duties is subject to ongoing monitoring by the Company’s directors.

It is expected that once the Company becomes a reporting issuer, the principal component of a Named Executive Officer’s compensation will consist of management fees and/or by the grant of stock options to its Named Executive Officer, in accordance with the provisions of the Stock Option Plan. The base salary for each Named Executive Officer will be based on the position held, the related responsibilities and functions performed by the executive and salary ranges for similar positions in comparable companies. Individual and corporate performance will also be taken into account in determining base salary levels.

Another component of Named Executive Officer compensation is the grant of stock options pursuant to the Company’s Stock Option Plan. The objective of this compensation component is to attract, retain and motivate certain persons of training, experience and leadership as key service providers to the Company, including its directors, Named Executive Officers and employees and to advance the interest of the Company by providing such persons with additional compensation and the opportunity to participate in the success of the Company.

In addition to, or in lieu of, the compensation components described above, payments may be made from time to time to individuals, including Named Executive Officers or directors of the Company, or companies they control for the provision of management or consulting services. Such services will be paid for by the Company at competitive industry rates for work of a similar nature by reputable arm's length services providers.

### Summary Compensation Table

The following table sets forth the value of the compensation, excluding compensation securities, of the Company's directors and Named Executive Officers, for the year ended December 31, 2019.

<b>Table of compensation excluding compensation securities</b>							
<b>Name and Position</b>	<b>Year-Ended</b>	<b>Salary, Consulting fee, retainer or commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or meeting fees (\$)</b>	<b>Value of Perquisites (\$)</b>	<b>Value of all other compensation (\$)</b>	<b>Total Compensation</b>
Salvador Miranda, CFO	December 31, 2019	\$10,832	Nil	Nil	Nil	Nil	\$10,832
Craig Gibson, CEO	December 31, 2019	Nil	Nil	Nil	Nil	Nil	Nil

### External Management Companies

None of the Named Executive Officers were or are employees of the Company.

As of the date of this Prospectus, the Company has not executed any employment, consulting or management agreements with any of its directors, Named Executive Officers or an external management company.

### Stock Options and Other Compensation Securities

Stock options are granted to provide an incentive to the directors, officers, employees and consultants of the Company to achieve the longer-term objectives of the Company; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company. See "Options to Purchase Securities" above for a description of the material terms of the Company's Stock Option Plan. While the Company has not granted any options as of the date of this Prospectus, it is expected that once the Company becomes a reporting issuer, it may grant options under the Stock Option Plan to Named Executive Officers.

### Proposed Compensation

For the next 12 months, the Company has no plans to pay compensation to the Named Executive Officers other than the payment of management fees and/or by the grant of stock options to its Named Executive Officer, in accordance with the provisions of the Stock Option Plan which may be allocated at some point.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than routine indebtedness for travel and other expense advances, no existing or proposed director, executive officer or senior officer of the Company or any associate of any of them, was or is currently indebted to the Company at the date of this Prospectus.

## AUDIT COMMITTEE AND CORPORATE GOVERNANCE

### Audit Committee

National Instrument 52-110 - Audit Committees (“**NI 52-110**”), NI 41-101 and Form 52-101F1 require the Company to disclose certain information relating to the Company’s audit committee (the “**Audit Committee**”) and its relationship with the Company’s independent auditors.

### *Audit Committee Charter*

The text of the Audit Committee’s charter is attached hereto as Schedule “A”.

### *Composition of Audit Committee*

The members of the Company’s Audit Committee are set out below:

Name	Independent	Financial Literacy
Jean-François Meilleur	Independent	Financially Literate <sup>(1)</sup>
Jorge Rafael Gallardo-Romero	Independent	Financially Literate <sup>(1)</sup>
Maria Guadalupe Yeomans Otero	Independent	Financially Literate <sup>(1)</sup>

*Note:*

- (1) An individual is financially literate if he/she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

### *Relevant Education and Experience*

Each member of the Company’s present Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements or experience actively supervising individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting. See “Directors and Officers” above for further details.

Jean-François Meilleur: Mr. Meilleur has several years of experience with mineral exploration and mining development companies and is familiar with the financial reporting requirements applicable to public

companies in Canada. Mr. Meilleur holds a Bachelor’s Degree from the HEC business school (Hautes Études Commerciales) in Montreal, with a specialization in marketing and finance.

Maria Guadalupe Yeomans Otero: Ms. Yeomans Otero has several years of experience with mineral exploration and mining development companies and is familiar with the financial reporting requirements applicable to mineral exploration companies.

Jorge Rafael Gallardo-Romero: Mr. Gallardo-Romero has several years of experience with mineral exploration and mining development companies and is familiar with the financial reporting requirements applicable to mineral exploration companies.

#### *Audit Committee Oversight*

The Audit Committee was established on <@>, 20<@> and will, among other things, make recommendations to the Board of Directors to nominate or compensate an external auditor. As of the date of this Prospectus, the Audit Committee has not made any such recommendations for the Board to consider.

#### *Reliance on Certain Exemptions*

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemptions in Sections 2.4, 3.2, 3.4, 3.5, 3.6 or Part 8 of NI 52-110, or an exemption from subsections 3.3(2) of NI 52-110.

#### *Pre-Approval Policies and Procedures*

The Audit Committee is authorized by the Board of Directors to review the performance of the Company’s external auditors and approve in advance the provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services engaged by the Company. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee’s consideration and, if thought fit, approval in writing.

#### *External Auditor Service Fees*

The aggregate fees billed by the external auditors to the Company from incorporation to the date of this Prospectus are:

<b>Year / Period</b>	<b>Audit Fees</b>	<b>Audit- Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
December 31, 2019	\$12,500	Nil	\$1,500	Nil

## **Corporate Governance**

### *General*

The Board of Directors believes that good corporate governance improves corporate performance and benefits all shareholders. National Policy 58-201 - Corporate Governance Guidelines (“**NP 58-201**”) provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, National Instrument 58-101 - Disclosure of Corporate Governance Practices (“**NI 58-101**”) prescribes certain disclosure by the Company of its corporate governance practices. This disclosure is presented below.

### *Board of Directors*

The Board of Directors facilitates its exercise of independent supervision over the Company's management through frequent meetings of the Board.

The Board is comprised of four (4) directors, of whom Maria Guadalupe Yeomans Otero, Jean-François Meilleur, and Jorge Rafael Gallardo-Romero are independent for the purposes of NI 52-110. Craig Gibson is a member of the Company's management and is not independent as he serves as President and Chief Executive Officer of the Company. At this time, the Board of Directors does not have a Chairman. In the absence of a Chairman, and in accordance with the articles of the Company, the President of the Company is responsible for presiding over all meetings of the directors and shareholders. He is not an independent director; however, the independent directors either have significant experience as directors and officers of publicly traded companies or as members of the financial investment community and, therefore, do not require the guidance of an independent Chairman of the Board in exercising their duties.

The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. In order to facilitate open and candid discussion among independent directors, directors are encouraged to regularly and independently confer amongst themselves. Additionally, when a matter being considered involves a director, that director does not vote on the matter.

### *Directorships*

Certain of the Company's directors are also currently directors of other reporting issuers as follows:

<b>Name</b>	<b>Reporting Issuer</b>	<b>Market</b>
Craig Gibson	Garibaldi Resources Corp.	TSX-V
Jean-François Meilleur	Quebec Precious Metals Corp.	TSX-V

### *Board Mandate*

The Board of Directors has not adopted a written mandate or code delineating the Board's roles and responsibilities, since it believes it is adequately governed by the requirements of applicable corporate and securities common and statute law which provide that the Board has responsibility for the stewardship of the Company. That stewardship includes responsibility for strategic planning, identification of the principal risks of the Company's business and implementation of appropriate systems to manage these risks, succession planning (including appointing, training and monitoring senior management), communications with investors and the financial community and the integrity of the Company's internal control and management information systems.

### *Orientation and Continuing Education*

When new directors are appointed they receive orientation, commensurate with their previous experience, on the Company's business, assets and industry and on the responsibilities of directors. Meetings of the Board are sometimes held at the Company's offices and, from time to time, are combined with presentations by the Company's management to give the directors additional insight into the Company's business. In addition, management of the Company makes itself available for discussion with all members of the Board.

### *Ethical Business Conduct*

The Board of Directors has not adopted a formal code of business conduct and ethics. The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been

sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

#### *Nomination of Directors*

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee and these functions are currently performed by the Board however, if there is a change in the number of directors required by the Company, this policy will be reviewed.

#### Compensation

The Board is responsible for determining compensation for the directors of the Company to ensure it reflects the responsibilities and risks of being a director of a public company.

#### Other Board Committees

The Board has no committee other than the Audit Committee.

#### Assessments

Due to the minimal size of the Board of Directors, no formal policy has been established to monitor the effectiveness of the directors, the Board and its committees.

### **PLAN OF DISTRIBUTION**

This offering consists of an Offering of 2,400,000 Common Shares at a price of \$0.125 per Common Share, to raise gross proceeds of \$300,000. The offering will be conducted through the Agent in the provinces of British Columbia, Alberta, Saskatchewan and Ontario.

Pursuant to the Agency Agreement, the Company has engaged the Agent as its exclusive agent for the purposes of the Offering. The Offering Price and terms of the Offering were established through negotiation between the Company and the Agent, in accordance with the policies of the Exchange. The Agent has agreed to use its commercially reasonable efforts to secure subscriptions for the Common Shares offered pursuant to the Offering in the provinces of British Columbia, Alberta, Saskatchewan and Ontario. This Prospectus qualifies the distribution of the Common Shares to Subscribers in those jurisdictions. The Agent may offer selling group participation in the normal course of the brokerage business to selling groups of other licensed dealers, brokers, and investment dealers who may or may not be offered part of the Agent's Fee or Agent's Options derived from this Offering.

The Agent may terminate its obligations under the Agency Agreement by notice in writing to the Company at any time before the Closing if, on the basis of its assessment of the state of the financial markets or the market for the Common Shares is such that they cannot be marketed profitably or upon the occurrence of certain other stated events. The Agent may also terminate its obligations under the Agency Agreement at any time upon the occurrence of certain events, such as the breach of any term of the Agency Agreement by the Company.

The Agency Agreement provides that if the Agent exercises its right to terminate the Agency Agreement, then the Company will immediately issue a press release setting out particulars of the termination.

The Company has agreed to (i) pay the Agent (A) an Agent's Fee equal to 7.5% of the aggregate gross proceeds of the Offering; and, if applicable, the proceeds from the exercise of the Over-Allotment Option and (B) a cash Corporate Finance Fee of \$20,000; and (ii) to issue 40,000 Corporate Finance Fee Shares. In addition, upon successful completion of the Offering, the Agent is entitled to receive, as part of its

remuneration, the Agent's Options entitling the holder thereof to purchase that number of Common Shares equal to 7.5% of the number of Common Shares issued pursuant to this Offering and if applicable, the additional securities issued pursuant to the exercise of the Over-Allotment Option. The Agent's Options will be exercisable at a price of \$0.125 per Common Share for a period of 24 months from the date of the Closing.

The Company has agreed to ensure that the directors and officers of the Company will execute a written acknowledgement agreeing not to directly or indirectly sell, agree to sell or announce any intention to sell any Common Shares or other securities of the Company for a period of 90 days from the Closing Date.

Pursuant to NI 41-101 the aggregate number of securities which may be distributed under a prospectus to an agent as compensation must not exceed 10% of the Common Shares offered pursuant to this Prospectus, which in the case of this Offering is 240,000 securities. For the purposes of this Offering, these Agent's Options and the Corporate Finance Fee Shares are Qualified Compensation Securities and are qualified for distribution by this Prospectus.

This Offering is subject to the completion of a minimum subscription of 2,400,000 Common Shares for gross proceeds to the Company of \$300,000. If the minimum subscription is not completed within 90 days of the issuance of a receipt for the final prospectus or such other time as may be consented to by the Agent and Subscribers, all subscription monies will be returned to Subscribers without interest or deduction, unless the Subscribers have otherwise instructed the Agent.

The Company intends to apply to list the Common Shares forming part of the Common Shares offered hereunder on the CSE. Listing will be subject to the Company fulfilling all of the requirements of the CSE. Confirmation of the listing of the Common Shares on the Exchange as of the Closing Date is a condition of Closing.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

Subscriptions for the Common Shares will be received and subject to rejection or allotment in whole or in part by the Company and the right is reserved to close the subscription books at any time. Upon rejection of a subscription, the subscription price and the subscription agreement will be returned to the Subscriber forthwith without interest or deduction.

## **RISK FACTORS**

The Company is subject to a number of risks due to the nature of its business and the present stage of exploration projects. The following factors should be considered:

### ***Mineral Exploration and Development***

The Company's properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in the discovery of a body of commercial ore on any of its properties. Several years may pass between the discovery and the development of commercial mineable mineralized deposits. Most exploration projects do not result in the discovery of commercially mineralized deposits.

### *Trends*

The Company's financial success is dependent upon the discovery of mineral resources which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as market value of the products produced and availability of capital from the public market place. Other than as disclosed herein, the company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's results or financial position.

### *Operating Hazards and Risks*

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damages. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in any of which events the Company could incur significant costs that could have a material adverse effect upon its financial condition.

### *Economics of Developing Mineral Properties*

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

### *Ownership of Property Interests and Assets*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in the Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There are no assurances that the underlying title holder will assign title. Land may be transferred by the State to businesses and citizens for possession and use based on leases.

Moreover, the Company entered into the ProDeMin Option, pursuant to which it is entitled to acquire a 75% interest in the Palos Verdes Property. At this time, the Company has not entered into any agreements to acquire the remaining 25% interest in the Palos Verdes Property and there is no guarantee that it will acquire said remaining interest.



In order to satisfy itself of its ownership of its property interests in Mexico, the Company has, among other things: (i) obtained and reviewed title opinions from certain local law firms in Mexico; (ii) obtained and reviewed certificates of compliance issued by the appropriate governmental officials in Mexico; (iii) conducted searches in Mexico; and (iv) reviewed, negotiated and executed various agreements with the Government of Mexico relating to the acquisition and/or transfer of certain mining titles and concessions.

### *Environmental Factors*

The Company conducts exploration activities in various parts of Mexico. Such activities are subject to various laws, rules and regulations governing the protection of the environment, including, in some cases, posting of reclamation bonds. Extensive environmental legislation has been enacted in Mexico by federal, state and municipal governments. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the Company's properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held or formerly worked by the Company. The approval of new mines in Mexico is subject to detailed review by Mexican mining authorities and there is no assurance that such approval can be obtained. Further, under such review process, there is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. Failure to comply with the legislation may have serious consequences. Orders may be issued requiring operations to cease or be curtailed or requiring installation of additional facilities or equipment. Violators may be required to compensate those suffering loss or damage by reason of its mining activities and may be fined if convicted of an offense under such legislation.

Mexican mining law establishes requirements for the decommissioning, reclamation and rehabilitation of mining properties in a state of temporary or permanent closure. Such closure requirements relate to the protection and restoration of the environment and the protection of the public safety. Some former mining properties must be managed for long periods of time following closure in order to fulfill closure requirements. The costs of closure of mining properties, and, in particular, the cost of long-term management of mining properties can be substantial. The Company intends to progressively rehabilitate its mining properties during their period of operation, should any properties become operational, so as to reduce the cost of fulfilling closure requirements after the termination or suspension of production.

The Company has adopted environmental practices designed to ensure that it continues to comply with or exceeds all environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. The Company is currently engaged in exploration with minimal environmental impact.

### *Community Relations*

Community relations may affect the Company's business, including its interest in the Palos Verdes Property. Maintaining a positive relationship with the communities in which we operate, including with respect to the Palos Verdes Project, is critical to continuing successful exploration and development. Community support for operations is a key component of a successful exploration or development project. As a business in the mining industry, we may come under pressure in the jurisdictions in which we explore or develop, to demonstrate that other stakeholders benefit and will continue to benefit from our commercial activities. We may face opposition with respect to our

current and future development and exploration projects which could materially adversely affect our business, results of operations, financial condition and share price.

#### *Environmental Permits*

The ability of the Company to explore its properties is dependent on environmental regulations and the permitting process. A permit for drilling from existing roads and disturbed areas is in place for the Palos Verdes Property. Future work to allow road construction and additional surface disturbance at the Company's projects will require filing for necessary environmental permits. The Company's interest in a property or project could be adversely affected by an inability to obtain environmental permits.

#### *Competition and Agreements With Other Parties*

The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of resource acquisition opportunities and as a result, the Company may be unable to acquire attractive mining properties on terms it considers acceptable. The Company competes with other companies that may have substantially greater financial resources than the Company. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

#### *Metals Prices*

The Company's revenues, if any, and ability to attract equity financing is expected to be in large part derived from the discovery of mineral properties and the sale of minerals contained or interests related thereto. The price of those commodities has fluctuated widely, particularly in the last three years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations, cannot accurately be predicted.

#### *Management and Directors*

The Company is dependent on its key management personnel. Loss of the key person could have an adverse effect on the Company. The Company does not maintain "key-man" insurance in respect of any of its management.

#### *Conflicts of Interest*

Certain of the Directors and Officers of the Company are also in their personal capacities, or as Directors or Officers of other companies, engaged in mineral exploration and development. Accordingly, exploration opportunities or prospects of which they become aware may not necessarily be made available to the Company. The Directors and Officers intend to allocate opportunities or prospects from time to time on the basis of prudent business judgment. The Directors are required by law to act honestly and in good faith with a view to the best interest of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a Director for the approval of such transaction.

### *Price Fluctuations: Share Price Volatility*

In recent years, the international securities markets have experienced high levels of price and volume volatility, and the market prices of securities of many mineral exploration companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that the continual fluctuations in market price will not occur which may impact the Company's market capitalization as well as its ability to facilitate equity financing.

### *Foreign Operations*

The Company's operations are currently conducted principally in Mexico. As such, its operations are exposed to various levels of political, economic and other risks and uncertainties which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets. Some of the Company's operations are located in areas where Mexican drug cartels operate. These risks and uncertainties vary from region to region and include, but are not limited to, terrorism; hostage taking; extortion; local drug gang activities; military repression; expropriation; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Although the Company strives to maintain good relations with the local community in Mexico by providing employment opportunities and social services, local opposition to mine development projects could arise in Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's foreign operations. If the Company were to experience resistance or unrest in connection with its operations, it could have a material adverse effect on its operations.

### *Government Regulation*

The Company's mineral exploration activities will be subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that the new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit, suspend, terminate or curtail production or development. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed on them for violations of applicable laws or regulations. Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties, or require abandonment or delays in the development of new mining properties.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with Company policy, government regulations, and maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license in any territory in which it is carrying out work. In Mexico, mineral exploration primarily falls under federal jurisdiction, but there are state, municipal, local and community issues to be addressed.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing

operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

#### *Surface Exploration Rights*

Mining concession licenses in Mexico are separate from surface rights. Permission for surface access must be negotiated with the owners of the surface rights to the areas covered by the mining concessions, and commonly involve leasing of the surface rights. In Mexico surface rights are owned by private persons or ejidos (local communal organizations), and agreements for access must be made with the surface owners to do significant work. The surface rights that cover the Palos Verdes Property are controlled by the San Miguel Carrizal Ejido. ProDeMin has a formal surface rights agreement covering the Palos Verdes Property that allows exploration work to be carried out for a period of three years, terminating on September 30, 2020. There are potential risks with regard to the completion of a successful exploration program in that there is a possibility of not being able to extend the surface access agreement over part of the area of interest, or problems with obtaining an environmental permit for road construction and drilling.

### **PROMOTER**

Craig Gibson is considered to be a promoter of the Company in that he took the initiative in organizing the business of the Company. Dr. Gibson beneficially holds, directly or indirectly, a total of 2,630,000 (20.86%) of the Company's currently issued and outstanding Common shares. See "Principal Shareholders" above for further details. See also "Interest of Management and Others in Material Transaction".

### **LEGAL PROCEEDINGS**

The Company is not a party to any legal proceedings or regulatory actions and is not aware of any such proceedings known to be contemplated.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as described below, the directors, senior officers and principal shareholders of the Company, a person or Company that beneficially owns or controls or directs, directly or indirectly more than 10% of the Common Shares of the Company, or any associate or affiliate of the foregoing have had no material interest, direct or indirect, in any transactions in which the Company has participated within the three-year period prior to the date of this Prospectus, or will have any material interest in any proposed transaction, which has materially affected or will materially affect the Company:

- (a) On May 7, 2019, the Company entered into the ProDeMin Option with ProDeMin, pursuant to which it is entitled to acquire a 75% interest in the Palos Verdes Property from ProDeMin. Craig Gibson, the President and CEO of the Company holds a 60% ownership interest in ProDeMin and is a director and officer of ProDeMin; and
- (b) On October 11, 2019, the Company entered into the Cascabel Option with Cascabel pursuant to which it is entitled to acquire a 100% interest in the Los Pavitos Property from Cascabel. Jorge Rafael Gallardo-Romero and Maria Guadalupe Yeomans Otero, both being directors of the Company, are entitled to receive an amount of 20% and 5% of the consideration received by Cascabel under the Cascabel Option, respectively.

## **RELATIONSHIP BETWEEN THE ISSUER AND AGENT**

The Company is not a related party or connected party to the Agent (as such terms are defined in National Instrument 33-105 *Underwriting Conflicts*).

### **AUDITORS**

The auditors of the Company are Davidson & Company LLP, of 1200-609 Granville Street, P.O. Box 10372, Pacific Center, Vancouver, British Columbia, V7Y 1G6.

### **REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent of the Company is Computershare Investor Services Inc.

### **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company since its incorporation and that are still in effect as of the date hereof:

1. The property option agreement made between the Company and ProDeMin, effective May 7, 2019;
2. The Agency Agreement. See “Plan of Distribution”;
3. The Escrow Agreement. See “Escrowed Securities”;
4. The Transfer Agent, Registrar and Dividend Disbursing Agent Agreement dated <@> among the Company and Computershare Investor Services Inc.; and
5. The Listing Agreement dated <@> among the Company and CNSX Markets Inc.

A copy of any material contract and the Technical Report may be inspected during the Offering of the Common Shares being offered under this Prospectus and for a period of 30 days thereafter during normal business hours at the Company’s offices at 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

### **EXPERTS**

Except as disclosed below, no person or Company whose profession or business gives authority to a report, valuation, statement or opinion and who is named as having prepared or certified a part of this Prospectus or as having prepared or certified a report or valuation described or included in this Prospectus holds or is to hold any beneficial or registered interest, direct or indirect, in any securities or property of the Company or any associate or affiliate of the Company.

Certain legal matters related to this Offering will be passed upon on behalf of the Company by Fasken Martineau DuMoulin LLP and Getz Prince Wells LLP on behalf of the Agent.

Davidson & Company LLP, Chartered Accountants are the auditors of the Company and have informed the Company that they are independent of the Company in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Quebec.

#### *Interest of Experts*

No other person whose profession or business gives authority to a statement made by such person and who is named in this Prospectus has received or will receive a direct or indirect interest in the Company’s property or any associate or affiliate of the Company.

As at the date hereof, none of the other aforementioned persons beneficially owns, directly or indirectly, securities of the Company or its associates and affiliates. In addition, none of the aforementioned persons

nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of the Company or of an associate or affiliate of the Company, or as a promoter of the Company or an associate or affiliate of the Company.

#### **OTHER MATERIAL FACTS**

There are no other material facts other than as disclosed herein.

#### **PURCHASERS' STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION**

Securities legislation in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario provides Subscribers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or damages if the Prospectus and any amendment contain a misrepresentation or is not delivered to the Subscriber, provided that the remedies for rescission or damages are exercised by the Subscriber within the time limit prescribed by the securities legislation of the Subscriber's province or territory. The Subscriber should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

#### **FINANCIAL STATEMENTS**

Attached as Schedule "B" and forming part of this Prospectus are the audited financial statements of the Company for the period from incorporation on October 17, 2018, to December 31, 2018, and nine months ended September 30, 2019.

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER**

**1. Mandate and Purpose of the Committee**

The Audit Committee (the “**Committee**”) of the board of directors (the “**Board**”) of Prismo Metals Inc. (the “**Company**”) is a standing committee of the Board whose primary function is to assist the Board in fulfilling its oversight responsibilities relating to:

- (a) the integrity of the Company’s financial statements;
- (b) the Company’s compliance with legal and regulatory requirements, as they relate to the Company’s financial statements;
- (c) the qualifications, independence and performance of the Company’s auditor;
- (d) internal controls and disclosure controls;
- (e) the performance of the Company’s internal audit function;
- (f) consideration and approval of certain related party transactions; and
- (g) performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

**2. Authority**

The Committee has the authority to:

- (a) engage and compensate independent counsel and other advisors as it determines necessary or advisable to carry out its duties; and
- (b) communicate directly with the Company’s auditor.

The Committee has the authority to delegate to individual members or subcommittees of the Committee.

**3. Composition and Expertise**

The Committee shall be composed of a minimum of three (3) members, each of whom is a director of the Company. The majority of the Committee’s members must not be officers or employees of the Company or an affiliate of the Company.

Committee members shall be appointed annually by the Board at the first meeting of the Board following each annual meeting of shareholders. Committee members hold office until the next annual meeting of shareholders or until they are removed by the Board or cease to be directors of the Company.

The Board shall appoint one member of the Committee to act as Chairman of the Committee. If the Chairman of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.

#### **4. Meetings**

Any member of the Committee or the auditor may call a meeting of the Committee. The Committee shall meet at least four times per year and as many additional times as the Committee deems necessary to carry out its duties. The Chairman shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and senior management.

Notice of the time and place of every meeting shall be given in writing to each member of the Committee, at least 48 hours (excluding holidays) prior to the time fixed for such meeting. The Company's auditor shall be given notice of every meeting of the Committee and, at the expense of the Company, shall be entitled to attend and be heard thereat. If requested by a member of the Committee, the Company's auditor shall attend every meeting of the Committee held during the term of office of the Company's auditor.

A majority of the Committee who are not officers or employees of the Company or an affiliate of the Company shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Business may also be transacted by the unanimous written consent resolutions of the members of the Committee, which when so approved shall be deemed to be resolutions passed at a duly called and constituted meeting of the Committee.

The Committee may invite such directors, officers and employees of the Company and advisors as it sees fit from time to time to attend meetings of the Committee.

The Committee shall meet without management present whenever the Committee deems it appropriate.

The Committee shall appoint a Secretary who need not be a director or officer of the Company. Minutes of the meetings of the Committee shall be recorded and maintained by the Secretary and shall be subsequently presented to the Committee for review and approval.

#### **5. Committee and Charter Review**

The Committee shall conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter. The Committee shall conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as any guidelines recommended by regulators or the Canadian Securities Exchange and shall recommend changes to the Board thereon.

#### **6. Reporting to the Board**

The Committee shall report to the Board in a timely manner with respect to each of its meetings held.

This report may take the form of circulating copies of the minutes of each meeting held.



## 7. Duties and Responsibilities

### (a) Financial Reporting

The Committee is responsible for reviewing and recommending approval to the Board of the Company's annual and interim financial statements, any auditor's report thereon, MD&A and related news releases, before they are published.

The Committee is also responsible for:

- (i) being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in the preceding paragraph, and for periodically assessing the adequacy of those procedures;
- (ii) engaging the Company's auditor to perform a review of the interim financial statements and receiving from the Company's auditor a formal report on the auditor's review of such interim financial statements;
- (iii) discussing with management and the Company's auditor the quality of applicable accounting principles and financial reporting standards, not just the acceptability of thereof;
- (iv) discussing with management any significant variances between comparative reporting periods; and
- (v) in the course of discussion with management and the Company's auditor, identifying problems or areas of concern and ensuring such matters are satisfactorily resolved.

### (b) Auditor

The Committee is responsible for recommending to the Board:

- (i) the auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
- (ii) the compensation of the Company's auditor.

The Company's auditor reports directly to the Committee. The Committee is directly responsible for overseeing the work of the Company's auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the Company's auditor regarding financial reporting.

### (c) Relationship with the Auditor

- (i) establishing effective communication processes with management and the Company's auditor so that it can objectively monitor the quality and effectiveness of the auditor's relationship with management and the Committee;

- (ii) receiving and reviewing regular feedback from the auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditor's final report;
- (iii) reviewing, at least annually, a report from the auditor on all relationships and engagements for non-audit services that may be reasonably thought to bear on the independence of the auditor; and
- (iv) meeting in camera with the Auditor whenever the Committee deems it appropriate.

(d) **Accounting Policies**

The Committee is responsible for:

- (i) reviewing the Company's accounting policy note to ensure completeness and acceptability with applicable accounting principles and financial reporting standards as part of the approval of the financial statements;
- (ii) discussing and reviewing the impact of proposed changes in accounting standards or securities policies or regulations;
- (iii) reviewing with management and the auditor any proposed changes in major accounting policies and key estimates and judgments that may be material to financial reporting;
- (iv) discussing with management and the auditor the acceptability, degree of aggressiveness/conservatism and quality of underlying accounting policies and key estimates and judgments; and
- (v) discussing with management and the auditor the clarity and completeness of the Company's financial disclosures.

(e) **Risk and Uncertainty**

The Committee is responsible for reviewing, as part of its approval of the financial statements:

- (i) uncertainty notes and disclosures; and
- (ii) MD&A disclosures.

The Committee, in consultation with management, will identify the principal business risks and decide on the Company's "appetite" for risk. The Committee is responsible for reviewing related risk management policies and recommending such policies for approval by the Board. The Committee is then responsible for communicating and assigning to the applicable Board committee such policies for implementation and ongoing monitoring.

The Committee is responsible for requesting the auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are managed or controlled.

**(f) Controls and Control Deviations**

The Committee is responsible for reviewing:

- (i) the plan and scope of the annual audit with respect to planned reliance and testing of controls; and
- (ii) major points contained in the auditor’s management letter resulting from control evaluation and testing.

The Committee is also responsible for receiving reports from management when significant control deviations occur.

**(g) Compliance with Laws and Regulations**

The Committee is responsible for reviewing regular reports from management and others (e.g. auditors) concerning the Company’s compliance with financial related laws and regulations, such as:

- (i) tax and financial reporting laws and regulations;
- (ii) legal withholdings requirements;
- (iii) environmental protection laws; and
- (iv) other matters for which directors face liability exposure.

**(h) Related Party Transactions**

All transactions between the Company and a related party (each a “**related party transaction**”), other than transactions entered into in the ordinary course of business, shall be presented to the Committee for consideration.

The term “related party” includes (i) all directors, officers, employees, consultants and their associates (as that term is defined in the Securities Act (British Columbia), as well as all entities with common directors, officers, employees and consultants (each “**general related parties**”), and (ii) all other individuals and entities having beneficial ownership of, or control or direction over, directly or indirectly securities of the Company carrying more than 10% of the voting rights attached to all of the Company’s outstanding voting securities (each “**10% shareholders**”).

Related party transactions involving general related parties which are not material to the Company require review and approval by the Committee. Related party transactions that are material to the Company or that involve 10% shareholders require approval by the Board, following review thereof by the Committee and the Committee providing its recommendation thereon to the Board.

**8. Non-Audit Services**

All non-audit services to be provided to the Company or its subsidiary entities by the Company’s auditor must be pre-approved by the Committee.

## **9. Submission Systems and Treatment of Complaints**

The Committee is responsible for establishing procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee is responsible for reviewing complaints and concerns that are brought to the attention of the Chairman of the Audit Committee and for ensuring that any such complaints and concerns are appropriately addressed. The Committee shall report quarterly to the Board on the status of any complaints or concerns received by the Committee.

## **10. Procedure For Reporting Of Fraud Or Control Weaknesses**

Each employee is expected to report situations in which he or she suspects fraud or is aware of any internal control weaknesses. An employee should treat suspected fraud seriously, and ensure that the situation is brought to the attention of the Committee. In addition, weaknesses in the internal control procedures of the Company that may result in errors or omissions in financial information, or that create a risk of potential fraud or loss of the Company's assets, should be brought to the attention of both management and the Committee.

To facilitate the reporting of suspected fraud, it is the policy of Company that the employee (the "**whistleblower**") has anonymous and direct access to the Chairman of the Audit Committee. Should a new Chairman be appointed prior to the updating of this document, the current Chairman will ensure that the whistleblower is able to reach the new Chairman in a timely manner. In the event that the Chairman of the Audit Committee cannot be reached, the whistleblower should contact the Chairman of the Board.

In addition, it is the policy of the Company that employees concerned about reporting internal control weaknesses directly to management are able to report such weaknesses to the Committee anonymously. In this case, the employee should follow the same procedure detailed above for reporting suspected fraud.

## **11. Hiring Policies**

The Committee is responsible for reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former auditor of the Company.

**SCHEDULE B**

**AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED FOR THE  
PERIOD FROM INCORPORATION ON OCTOBER 17, 2018, TO DECEMBER 31, 2018, AND  
NINE MONTHS ENDED SEPTEMBER 30, 2019**



**PRISMO METALS INC.**

**(An exploration-stage company)**

**Financial statements**

for the period from incorporation on October 17, 2018 to December 31, 2018

and for

the period ended September 30, 2019

(Expressed in Canadian dollars – unless otherwise indicated)

## PRISMO METALS INC.

### Management's responsibility for financial reporting

The preparation and presentation of the accompanying financial statements are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, Davidson & Company LLP, Chartered Professional Accountants, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

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Peter Craig Gibson  
President and Chief Executive Officer

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Salvador Miranda  
Chief Financial Officer

\_\_\_\_\_, 2020

## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Prismo Metals Inc.

### *Opinion*

We have audited the accompanying financial statements of Prismo Metals Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2019 and December 31, 2018, and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the nine-month period ended September 30, 2019 and the period from incorporation on October 17, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and December 31, 2018, and its financial performance and its cash flows for the nine-month period ended September 30, 2019 and the period from incorporation on October 17, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits 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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company has incurred losses since inception and has working capital of \$205,319. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Financial Statements***

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

In preparing the 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 Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 Peter Maloff.

Vancouver, Canada

Chartered Professional Accountants

DATE

# Prismo Metals Inc.

(an exploration-stage company)

## STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at	Note	September 30, 2019 \$	December 31, 2018 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		222,732	-
Receivables		289	-
		<b>223,021</b>	-
Exploration and evaluation assets	7	<b>256,873</b>	-
		<b>479,894</b>	-
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	4	16,284	4,366
Due to related parties	6	1,418	-
		<b>17,702</b>	4,366
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	5	284,485	-
Subscriptions received in advance	5(c), 11	152,500	-
Contributed surplus	5(d)	61,249	-
Foreign currency reserve		-	-
Deficit		(36,042)	(4,366)
		<b>462,192</b>	(4,366)
		<b>479,894</b>	-

Nature of operations and going concern uncertainty 1

Subsequent events 11

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

Approved by the board of directors and authorized for issue on \_\_\_\_\_, 2020

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# Prismo Metals Inc.

(an exploration-stage company)

## STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

		Three months ended September 30, 2019	Nine months ended September 30, 2019	Period from October December
	Note	\$	\$	
<b>EXPENSES</b>				
Administration and accounting	6	1,350	3,917	
Audit and legal		12,822	21,015	
Office and sundry		466	1,031	
Investor relations, including travelling		4,228	4,228	
Foreign exchange (gain) loss		(328)	1,485	
<b>Loss and comprehensive loss for the period</b>		<b>(18,538)</b>	<b>(31,676)</b>	(4)
<b>Loss per share (basic and diluted)</b>		<b>(0.00)</b>	<b>(0.01)</b>	
<b>Weighted average number of shares outstanding</b>				
<b>(basic and diluted)</b>		<b>6,521,820</b>	<b>3,978,049</b>	

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

# Prismo Metals Inc.

(an exploration-stage company)

## STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

		Nine months ended September 30, 2019	Period from incorporation on October 17, 2018 to December 31, 2018
	Note	\$	\$
<b>Operating activities</b>			
Loss for the period		(31,676)	(4,366)
Changes in non-cash working capital items:			
- Receivables		(289)	-
- Accounts payable and accrued liabilities	4	5,855	4,366
- Amounts due to related parties	6	1,418	-
Cash used in operating activities		(24,692)	-
<b>Cash flows used in investing activities</b>			
Investment in exploration and evaluation assets	7	(70,624)	-
Cash used in investment activities		(70,624)	-
<b>Cash flows from financing activities</b>			
Shares issued for cash	5 (b)	167,293	-
Share issuance costs	5 (b)	(1,745)	-
Subscriptions received in advance	5 (c), 11	152,500	-
Cash generated from financing activities		318,048	-
<b>Net change in cash</b>		<b>222,732</b>	<b>-</b>
Cash, beginning of the period		-	-
<b>Cash, end of the period</b>		<b>222,732</b>	<b>-</b>
<b>Supplementary information with respect to cash flows</b>			
Non-cash transactions:			
Shares issued for exploration and evaluation assets:	5 (b)	(125,000)	-
Warrants issued for exploration and evaluation assets:	5 (d)	(61,249)	-

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

# Prismo Metals Inc.

(an exploration-stage company)

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Note	Share capital		Subscriptions received in advance	Contribu- tion surplu
		Amount	Value		
		#	\$	\$	\$
Period from incorporation on October 17, 2018 to December 31, 2018:					
Share issued on incorporation	5(b)	1	-	-	-
Loss for the period		-	-	-	-
Balance, December 31, 2018		1	-	-	-
Shares issued for cash	5(b)	6,585,866	167,293	-	-
Units issued for property acquisition	5(b,d)	2,000,000	100,000	-	61,249
Shares issued as payment for work done on mineral property	5(b)	500,000	25,000	-	-
Share issuance costs	5(b)	-	(7,808)	-	-
Subscriptions received in advance	5(c), 11	-	-	152,500	-
Loss for the period		-	-	-	-
<b>Balance, September 30, 2019</b>		<b>9,085,867</b>	<b>284,485</b>	<b>152,500</b>	<b>61,249</b>

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

**PRISMO METALS INC.**  
(An exploration-stage company)

**NOTES TO THE FINANCIAL STATEMENTS**

Period from incorporation on October 17, 2018 to December 31, 2018, and  
the period ended September 30, 2019  
(Expressed in Canadian dollars except where indicated)

**1. Nature of operations and going concern uncertainty**

Prismo Metals Inc. (the "Company") was incorporated under the provisions of the Canada Business Corporations Act ("CBCA") on October 17, 2018, as 11047612 Canada Inc., renamed as Prismo Metals Inc. on November 1, 2018, and registered as an extra-provincial corporation under the laws of British Columbia on November 6, 2018. The addresses of the Company's offices are:

- Administration: Suite 2000 – 1066 West Hastings St., Vancouver, BC V6E 3X2, Canada.
- Registry and Records: 800 Victoria Square, Suite 3700, Montreal, Quebec, H4Z 1E9.

The Company is in the business of acquisition and exploration of mineral properties, and is in one operating segment, namely mineral exploration in Mexico.

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has incurred losses since inception and has a working capital of \$205,319. Continued operations of the Company are dependent on the Company's ability to obtain private and/or public equity financing or to receive continued financial support from its controlling shareholders and other investors. There can be no assurance the Company will be successful in achieving these goals and, accordingly, there is a material uncertainty casting significant doubt about the Company's ability to continue as a going concern.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and these adjustments could be material.

**2. Basis of preparation**

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved by the Board of Directors for issue on \_\_\_\_\_, 2020.

(b) Bases of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments classified as financial instruments at fair value through profit and loss which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash-flow information.

(c) Functional and presentation currency

In management's judgement the functional currency of the Company is the Canadian dollar. The presentation currency used in preparing the financial statements of the Company is the Canadian dollar.

**PRISMO METALS INC.**  
(An exploration-stage company)

**NOTES TO THE FINANCIAL STATEMENTS**

Period from incorporation on October 17, 2018 to December 31, 2018, and  
the period ended September 30, 2019  
(Expressed in Canadian dollars except where indicated)

**2. Basis of preparation (cont'd...)**

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates.

*Critical accounting estimates:*

- i. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty

*Critical accounting judgments:*

- i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.
- ii. 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. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- iii. The determination of deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward. The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

**PRISMO METALS INC.**  
(An exploration-stage company)

**NOTES TO THE FINANCIAL STATEMENTS**

Period from incorporation on October 17, 2018 to December 31, 2018, and  
the period ended September 30, 2019  
(Expressed in Canadian dollars except where indicated)

**2. Basis of preparation (cont'd...)**

- (e) New and revised standards and interpretations

New IFRS pronouncements that have been issued are listed below:

*IFRS 16, Leases*

On January 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company’s estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount.

The Company has reviewed its lease obligations and has determined there is no material accounting impact upon adoption on January 1, 2019.

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.



**PRISMO METALS INC.**  
(An exploration-stage company)

**NOTES TO THE FINANCIAL STATEMENTS**

Period from incorporation on October 17, 2018 to December 31, 2018, and  
the period ended September 30, 2019  
(Expressed in Canadian dollars except where indicated)

**2. Basis of preparation (cont'd...)**

(e) New and revised standards and interpretations (cont'd...)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

**3. Significant accounting policies**

These financial statements have been prepared within the framework of the significant accounting policies provided as follows:

(a) Foreign currencies

Determination of functional currency

In determining the functional currency of the Company in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the following was considered:

- the currency that mainly influences the cost of labour, materials, service and other costs of exploration and evaluation activities; and
- the currency used to maintain the amounts charged by operating activities.

Foreign currency translation

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**PRISMO METALS INC.**  
(An exploration-stage company)

**NOTES TO THE FINANCIAL STATEMENTS**

Period from incorporation on October 17, 2018 to December 31, 2018, and  
the period ended September 30, 2019  
(Expressed in Canadian dollars except where indicated)

**3. Significant accounting policies (cont'd...)**

(b) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated in accordance with the treasury stock method which assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the prevailing market rate. Under the treasury stock method, the basic and diluted loss per share are the same, as the effect of common shares issuable upon the exercise of warrants and stock options of the Company would be anti-dilutive.

(c) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Any tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for taxable temporary differences except investments in subsidiaries and joint ventures where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**PRISMO METALS INC.**  
(An exploration-stage company)

**NOTES TO THE FINANCIAL STATEMENTS**

Period from incorporation on October 17, 2018 to December 31, 2018, and  
the period ended September 30, 2019  
(Expressed in Canadian dollars except where indicated)

**3. Significant accounting policies (cont'd...)**

(d) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options (including any estimated forfeitures). The fair value of direct awards of shares is determined by the quoted market price of the Company's stock.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded-vesting basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

(e) Exploration and evaluation assets

The exploration and evaluation phase of a mineral project is assumed to commence at the time the Company obtains the legal right to explore a property. Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs related to activities occurring before the exploration and evaluation of a project are expensed in the period in which they occur. Costs incurred during the exploration and evaluation phase are initially capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Under this method, all amounts shown as exploration and evaluation assets represent costs incurred to date less amounts amortized and/or written off and do not necessarily represent present or future values.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

**PRISMO METALS INC.**  
(An exploration-stage company)

**NOTES TO THE FINANCIAL STATEMENTS**

Period from incorporation on October 17, 2018 to December 31, 2018, and  
the period ended September 30, 2019  
(Expressed in Canadian dollars except where indicated)

**3. Significant accounting policies (cont'd...)**

(e) Exploration and evaluation assets (cont'd...)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

If the properties are put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be charged to the statement of loss and comprehensive loss. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property or cost recoveries when the payments are made or received.

(f) Provisions

Environmental rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of comprehensive loss. The Company had no significant rehabilitation obligations as at September 30, 2019 and December 31, 2018.

Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

**PRISMO METALS INC.**  
(An exploration-stage company)

**NOTES TO THE FINANCIAL STATEMENTS**

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**3. Significant accounting policies (cont'd...)**

(g) Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**PRISMO METALS INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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**3. Significant accounting policies (cont'd...)**

(h) Financial assets (cont'd...)

**Impairment of financial assets at amortized cost:** The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial asset	IFRS 9 Classification
Cash	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

(i) Financial liabilities

Financial liabilities are carried at amortized cost and include accounts payable and accrued liabilities and due to related parties. They are initially recognized at the amount required to be paid, and subsequently measured at amortized cost using the effective interest rate method with gains or losses recorded in the consolidated statement of loss.

**4. Accounts payable and accrued liabilities**

The Company's accounts payable and accrued liabilities are as follows:

	September 30, 2019	December 31, 2018
	\$	\$
Trade payables	6,284	4,366
Accrued liabilities	10,000	-
Total	16,284	4,366

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(An exploration-stage company)

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**5. Share capital**

a) Authorized:  
the Company is authorized to issue an unlimited number of common shares without par value. There are no restrictions on transfers.

b) Issued and outstanding:

Issuance	Date of issuance	Number of shares #	Price per share \$	Gross cash proceeds \$	Non-cash value \$
Share issued on incorporation	October 17, 2018	1.00	0.005	-	-
Non-brokered private placement (founders of Company) (i)	February 15, 2019	3,600,000	0.005	18,000	-
Non brokered private placement (ii)	August 12, 2019	2,985,866	0.05	149,293	-
Shares issued for property acquisition (iii)	August 12, 2019	2,000,000	0.05	-	100,000
Shares issued as payment for work done on mineral property (iv)	August 12, 2019	500,000	0.05	-	25,000
Share issuance costs		-	-	(7,808)	-
		<u>9,085,867</u>	<u>0.03</u>	<u>159,485</u>	<u>125,000</u>

- (i) This issuance consisted of 3,600,000 units, with each unit consisting of one common share and one share purchase warrant; each warrant entitling its holder to purchase a common share at an exercise price of \$0.10 per share until October 17, 2023 (five years after incorporation). Of the founders' units 450,000 were subscribed by a director of the Company for cash proceeds of \$2,250 (note 6). These units will be held in escrow pursuant to the terms outlined in the prospectus (note 11(c)).
- (ii) Of the \$0.05 round of shares, 224,000 shares were issued to directors of the Company for cash proceeds of \$11,200 (note 6). These shares will remain in escrow pursuant to the terms outlined in the prospectus (note 11(c)).
- (iii) 2,000,000 units with a fair value of \$0.05 per unit for a total value of \$100,000 were issued to Prospección y Desarrollo Minero del Norte, S.A. de C.V. ("ProDeMin") for the acquisition of a mineral property (notes 6 and 7). Each unit consists of one common share and one share purchase warrant, with each warrant entitling its holder to acquire one common share at an exercise price of \$0.10 per share for a period of five years from the date of issuance. These units will remain in escrow pursuant to the terms outlined in the prospectus (note 11(c)).
- (iv) 500,000 shares with a fair value of \$0.05 per share for a total value of \$25,000 were issued to ProDeMin as payment for work completed on a mineral property (notes 6 and 7). These shares will remain in escrow pursuant to the terms outlined in the prospectus (note 11(c)).

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**5. Share capital (cont'd...)**

c) Subscriptions received in advance

During the nine months ended September 30, 2019, the Company received cash proceeds of \$152,500 towards a non-brokered private placement of common shares at a price of \$0.10 per shares. Please refer to note 11, *Subsequent events*.

d) Warrants:

The following warrants were issued during the nine months ended September 30, 2019:

	Number of Warrants	Weighted Average Exercise Price
	#	\$
Balance, beginning of year	-	-
Issued for cash (i)	3,600,000	0.10
Issued for exploration and evaluation assets (ii)	2,000,000	0.10
Balance, end of period	5,600,000	0.10

As at September 30, 2019, the following share purchase warrants are outstanding:

Issue date	Warrants issued for	Expiry date	Exercise price	Warrants outstanding
			\$	#
February 15, 2019	Cash	October 17, 2023	0.10	3,600,000
August 12, 2019	Exploration & evaluation assets	August 12, 2024	0.10	2,000,000
			0.10	5,600,000

The fair value of the 3,600,000 warrants issued as part of the founders' units was \$nil. The fair value of the 2,000,000 warrants issued for the acquisition of a mineral property was calculated using the Black-Scholes option pricing model and resulted in a value of \$61,249 and charged as Exploration and Evaluation assets. The parameters used were as follows: risk-free interest rate: 1.26%; expected share price volatility: 100%; expected life of the warrants in years: 4.5; and expected dividend yield: 0%.

e) Stock options:

There were no stock options outstanding as of December 31, 2018 and September 30, 2019.



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**6. Transactions with related parties and key management personnel**

Key management personnel comprise the Chief Executive Officer, the Chief Financial Officer & Corporate Secretary and the Directors of the Company.

The following transactions took place with key management personnel and other related parties of the Company:

Nine months ended September 30:	2019	2018
	\$	\$
Management fees paid to a company controlled by the Chief Financial Officer of the Company:	3,917	-
Fees paid to a ProDeMin, a company controlled by a director of the Company, under the ProDeMin Option (note 7):	33,545	-
Shares subscribed by directors or officers through private placements (note 5(b)):	13,450	-
Shares issued to a ProDeMin for acquisition of mineral property under the ProDeMin Option (notes 5(b) and 7):	100,000	-
Warrants component of units issued to ProdeMin for acquisition of property under the ProDeMin Option (notes 5(d) and 7):	61,249	-
Shares issued to a ProDeMin as payment for work completed on mineral property under the ProDeMin Option (notes 5(b) and 7):	25,000	-

The ProDeMin Option (note 7) is a related party transaction, as ProDeMin is controlled by a director of the Company. See note 11, *Subsequent events*.

As at September 30, 2019, an amount of \$1,418 remained payable to related parties for administration and accounting services and paid subsequently.

**7. Exploration and evaluation assets**

On May 7, 2019, the Company entered into an Option Agreement with ProDeMin, a company incorporated under the laws of Mexico and carrying mineral exploration contracting activities and controlled by a director of the Company) (the "ProDeMin Option"). Pursuant to the terms of the ProDeMin Option, ProDeMin granted the Company an option to earn up to 75% interest in the Palos Verdes property, located in the state of Sinaloa, Mexico, over a period of five years, as follows:

- on May 10, 2019, the Company paid ProDeMin US \$25,000 in cash (paid);
- on August 12, 2019, the Company issued ProDeMin 2,000,000 units with a fair value of \$0.05 per unit; each unit consisted of one common share and one share purchase warrant of the Company; each warrant being exercisable at a price of \$0.10 per share, expiring of the fifth anniversary of the date of issuance of these units (issued);

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**7. Exploration and evaluation assets (cont'd...)**

- on August 12, 2019, the Company reimbursed ProDeMin for expenditures already incurred in the amount of \$25,000 by the issuance of 500,000 common shares with a fair value of \$0.05 per share (issued); and
- the Company is required to incur US \$1,500,000 in exploration expenses over the five-year period of the ProDeMin Option, pay an additional US \$21,823 and issue ProDeMin an additional 2,000,000 common shares, as follows:
  - pay ProDeMin an amount of US \$21,823 on the date of the Company's closing of its first financing following the listing of its common shares on a recognized Canadian stock exchange;
  - incurring a minimum of \$100,000 in exploration expenditures within the first two years of the date of the ProDeMin Option, and by paying all fees and duties required to maintain the mineral concessions in good standing;
  - paying US \$25,000 to ProDeMin and incurring a minimum of US \$100,000 in exploration expenditures on the property for each of the third and fourth year following the date of the ProDeMin Option, and also paying during such period all fees and duties required to maintain the mineral concession in good standing;
  - Issuing to ProDeMin, or as directed by ProDeMin, 2,000,000 common shares and incurring a minimum of US \$500,000 in expenditures on the Property in the fifth year following the date of the ProDeMin Option, and also paying during such period all fees and duties required to maintain the mineral concession in good standing; and
  - the following payments are to be made:

	USD
	\$
On or before May 20, 2019 (paid)	15,000
6 months from the above date (paid subsequently)	25,000
12 months from the above date	25,000
18 months from the above date	25,000
24 months from the above date	25,000
30 months from the above date	25,000
36 months from the above date	50,000
42 months from the above date	50,000
Total payments	240,000

During the nine months ended September 30, 2019, the Company incurred the following exploration and evaluation investments:

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	CAD	(USD)
	\$	\$
ProDeMin option - cash	33,545	25,000
ProDeMin option - shares	125,000	
ProDeMin option - warrants	61,249	
Concession payments under the ProDeMin Option	20,070	15,000
Work towards preparation of NI 43-101 report	16,205	
Assays and laboratory	310	
Other	494	
	256,873	

## 8. Financial instruments

The Company classifies cash, receivables, accounts payable and accrued liabilities, and due to related parties at amortized cost. At present, the Company does not have any FVTPL or FVTOCI financial assets.

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- 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 exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

### *Currency Risk*

As at September 30, 2019, all of the Company's cash was held either in Canadian dollars or US dollars. The Company incurs expenditures in Canada and Mexico, and as such is exposed to currency risk associated with these costs. However, at this stage, the Company believes that the currency risks are immaterial.

### *Interest rate and credit risk*

The Company has no loans and is therefore not subject to interest rate or credit risk.

### *Liquidity risk*

The Company will depend on the advances provided by public and/or private investors. The liquidity risk relates to the low cash position and the dependence on these investments. See Note 1 for further discussion regarding liquidity risks.

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**9. Capital disclosures**

The Company's objective when managing capital is to maintain a flexible capital structure for its projects for the benefit of its stakeholders. Capital is comprised of the Company's shareholders' equity (deficiency). The Company's main source of funds is from the funds received from private and or public investors (Notes 1 and 5).

The Company manages the capital structure and makes appropriate adjustments to it based upon 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, issue new debt, acquire or dispose of assets.

The Company's investment policy is to invest its available cash in Canadian chartered banks and from time to time in guaranteed term deposits at fixed interest rates established at the time of investment. All its funds are available for project and corporate objectives.

The Company considers cash to include amounts held in banks. The Company will place its cash with institutions of high credit worthiness. On September 30, 2019, the Company had cash of \$222,732 (December 31, 2018 – \$nil) (see Note 11, *Subsequent events*).

The Company is not subject to any externally imposed capital requirements.

**10. Income Taxes**

The reconciliation of income tax attributable to operations computed at the statutory tax rate to income tax expense (recovery), using a 27% statutory tax rate, at September 30, 2019 and December 31, 2018 is as follows:

	September 30 2019 \$	December 31 2018 \$
Earnings (loss) for the period	(31,676)	(4,366)
Expected income tax (recovery)	(9,000)	(1,000)
Share issue cost	(2,000)	-
Change in statutory, foreign tax, foreign exchange rates and other	11,000	1,000
<b>Total income tax expense (recovery)</b>	<b>-</b>	<b>-</b>

As at September 30, 2019, the Company has Canadian federal net operating loss carry forwards of approximately \$38,000 expiring in 2038.

Future income tax benefits which may arise as a result of non-capital losses and unclaimed foreign exploration and development expenditures have not been recognized in these financial statements as their realization is uncertain.

The significant components of the Company's future income tax assets are as follows:

	September 30 2019 \$	December 31 2018 \$
Deferred tax assets (liabilities):		
Share issue costs	(6,000)	-
Non-capital losses available for future period	(38,000)	(4,366)
	(44,000)	(4,366)
Unrecognized deferred tax assets	44,000	4,366
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

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**11. Subsequent events**

Subsequent to September 30, 2019, the Company:

- (a) entered into an Option Agreement with Minera Cascabel, S.A. de C.V. (“Cascabel” – a company incorporated under the laws of Mexico and carrying mineral exploration contracting) (the “Cascabel Option”). Pursuant to the terms of the Cascabel Option, Cascabel grants the Company an option to earn up to 100% in the Los Pavitos concession, located in the state of Sonora, Mexico, over a period of five years, as follows:

- o on October 11, 2019, the Company issued Cascabel 2,000,000 units with a fair value of \$0.05 per unit; each unit consisting of one common share and one share purchase warrant of the Company; each warrant being exercisable at a price of \$0.10 per share, expiring of the fifth anniversary of the date of issuance of these units (issued); these units will be held in escrow pursuant to the terms outlined in the prospectus (note 11(c))
- o the Company will make a cash payment to Cascabel of US \$10,710 in cash to cover taxes owed by Cascabel related to the 2018 fiscal year;
- o the Company will make a cash payment of US \$27,489 to the Mexican Authorities, as directed by Cascabel, related to taxes owed for the 2019 fiscal year;
- o for the exercise of the option, the Company will be required to incur US \$1,500,000 in exploration expenses over the five-year period of the Cascabel Option, pay an additional US \$500,000 and issue Cascabel an additional 2,000,000 common shares. The yearly minimum expenditures, payments and issuance of shares to Cascabel are as follows:

Period	Work Commitment	Cash Payment	Shares issued	Other requirements
First two years	\$75,000	Nil	Nil	Deliver technical report to NI 43-101 standards
Third and fourth years	\$100,000	US \$100,000	Nil	Nil
Fifth year	\$500,000	US \$300,000	2,000,000 shares	Drilling program of at least 2,500 metres

- o Prismo will perform sufficient assessment work to satisfy the applicable government work commitment costs on the Property through the end of each tax period; and
  - o Prismo will maintain the mineral concessions in good standing.
- (b) issued 1,525,000 common shares at a price of \$0.10 for cash proceeds of \$152,500 (the cash subscriptions of which were received prior to September 30, 2019) pursuant to the partial closing of a non-brokered private placement; and

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(An exploration-stage company)

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(Expressed in Canadian dollars except where indicated)

**11. Subsequent events** (cont'd...)

- c) on January 17, 2020, the Company entered into an Engagement Letter (“Engagement”) with Haywood Securities Inc. (“Haywood”) in connection with the Company’s proposed initial public offering of common shares of the Company by way of a long-form prospectus (the “IPO”) and stock exchange listing.

In consideration for their services, the Company has agreed to pay Haywood:

- i. A cash fee equal to 7.5% of the gross proceeds raised through the IPO.
- ii. Issue the agents a number of compensation options equal to 7.5% of the aggregate number of common shares issued by the Company through the IPO, with an exercise price equal to the issue price for a term of 24 months from the closing of the IPO.
- iii. Pay Haywood a corporate finance fee of \$25,000, of which \$20,000 will be payable in cash (of which \$10,000 has been paid) and \$5,000 in common shares of the Company.

In addition, the Company will pay expenses and fees of Haywood in connection with the IPO.

The proceeds of the IPO will be used to fund exploration and development of the Company’s mineral projects, and for working capital and general corporate purposes.

The IPO will be subject to all regulatory approvals.

\* \* \* \* \*

**CERTIFICATE OF PRISMO METALS INC.**

Dated: March 10, 2020

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

*“Craig Gibson”*

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Craig Gibson  
President and Chief Executive Officer

*“Salvador Miranda”*

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Salvador Miranda  
Chief Financial Officer and Secretary

**ON BEHALF OF THE BOARD OF DIRECTORS OF PRISMO METALS INC.**

*“Jean-François Meilleur”*

\_\_\_\_\_  
Jean-François Meilleur  
Director

*“Jorge Rafael Gallardo-Romero”*

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Jorge Rafael Gallardo-Romero  
Director

## **CERTIFICATE OF THE PROMOTER**

Dated: March 10, 2020

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

*“Craig Gibson”*

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Craig Gibson



**CERTIFICATE OF THE AGENT**

Dated: March 10, 2020

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

**HAYWOOD SECURITIES INC.**

Per: "Don Wong"  
Don Wong, Vice-President, Investment  
Banking