MEXICAN
GOLD MINING CORP

**(formerly Mexican Gold Corp.)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTHS ENDED
MARCH 31, 2020 AND 2019

*(Unaudited - Expressed in Canadian Dollars)*

# NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed consolidated interim financial statements.

**Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**
**Consolidated Interim Statements of Financial Position**
*(Unaudited - Expressed in Canadian Dollars)*

| | Note | March 31, 2020 $ | June 30, 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 76,240 | 318,553 |
| Short-term investments | | 2,000,000 | - |
| Amounts receivable | 4 | 85,479 | 287,825 |
| Related party receivable | 5 | 127,235 | - |
| Prepaid expenses and deposits | | 56,655 | 114,778 |
| **Total current assets** | | 2,345,609 | 721,156 |
| **Total Assets** | | 2,345,609 | 721,156 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 9 | 183,214 | 436,503 |
| Convertible note | 6 | - | 450,000 |
| **Total current liabilities** | | 183,214 | 886,503 |
| **EQUITY** | | | |
| Share capital | 8 | 30,564,912 | 26,564,912 |
| Reserves | 8 | 4,219,562 | 3,743,013 |
| Foreign currency translation | | (19,271) | (3,472) |
| Deficit | | (32,602,808) | (30,469,800) |
| **Total equity** | | 2,162,395 | (165,347) |
| **Total Equity and Liabilities** | | 2,345,609 | 721,156 |

**NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)**
**COMMITMENT (Note 10)**

These consolidated financial statements are authorized for issue by the Board of Directors on May 20, 2020. They are signed on the Company's behalf by:

*"Philip O'Neill"* , Director

"*Ali Zamani*" , Director

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

## Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)

**Consolidated Interim Statements of Loss and Comprehensive Loss**

*(Unaudited - Expressed in Canadian Dollars)*

| | | Three months ended March 31, | | Nine months ended March 31, | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | $ | $ | $ | $ |
| **Expenses** | | | | | |
| Exploration and evaluation | 7 | 205,523 | 53,523 | 694,207 | 1,443,529 |
| General and administrative | 9 | 265,201 | 437,097 | 842,406 | 1,163,321 |
| Professional fees | | 9,137 | 5,806 | 154,284 | 11,856 |
| Share-based payments | 8,9 | - | 51,506 | 476,549 | 221,552 |
| Total expenses | | (479,861) | (547,932) | (2,167,446) | (2,840,258) |
| **Other income** | | | | | |
| Interest income | | 12,606 | - | 34,438 | - |
| **Loss for the period** | | (467,255) | (547,932) | (2,133,008) | (2,840,258) |
| Exchange differences on translation of foreign operations | | (15,703) | (6,161) | (15,799) | 62,172 |
| **Total comprehensive loss for the period** | | (482,958) | (554,093) | (2,148,807) | (2,778,086) |
| **Loss per share – basic and diluted ($)** | | (0.00) | (0.01) | (0.02) | (0.06) |
| **Weighted average number of common shares outstanding – basic and diluted** | | 100,796,303 | 47,512,287 | 100,796,303 | 47,512,287 |

**Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**
**Consolidated Interim Statements of Cash Flows**
*(Unaudited - Expressed in Canadian Dollars)*

| | Nine months ended March 31, 2020 $ | 2019 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | (2,133,008) | (2,840,258) |
| Adjustments for: | | |
| Interest income | (34,438) | - |
| Share-based compensation | 476,549 | 221,552 |
| | (1,690,897) | (2,618,706) |
| Change in non-cash working capital items: | | |
| Decrease (increase) in amounts receivable | 236,784 | (152,776) |
| (Increase) in related party receivable | (127,235) | - |
| Decrease in prepaid expenses and deposits | 58,123 | 236,576 |
| (Decrease) increase in accounts payable and accrued liabilities | (253,289) | 295,612 |
| Net cash used in operating activities | (1,776,514) | (2,239,294) |
| **Cash flows from investing activities** | | |
| Proceeds from the redemption of investments | - | 10,039 |
| Purchase of short-term investments | (2,000,000) | - |
| Net cash (used in) generated from investing activities | (2,000,000) | 10,039 |
| **Cash flows from financing activities** | | |
| Repayment of convertible note | (450,000) | - |
| Issuance of common shares in private placement | 4,000,000 | 2,143,000 |
| Share issue costs | - | (120,557) |
| Net cash generated from financing activities | 3,550,000 | 2,022,443 |
| **Net decrease in cash** | (226,514) | (206,812) |
| Cash at beginning of period | 318,553 | 185,658 |
| Effect of exchange rate on cash held | (15,799) | 62,172 |
| **Cash at end of period** | 76,240 | 41,018 |

**SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Note 11)**

**Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**
**Consolidated Interim Statements of Changes in Equity**
*(Unaudited - Expressed in Canadian Dollars)*

| | Share capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Amount $ | Warrants $ | Equity settled share-based payments $ | Foreign currency translation $ | Deficit $ | Total equity $ |
| Balance at June 30, 2018 | 42,626,758 | 24,590,926 | 166,960 | 3,244,806 | (33,100) | (27,324,413) | 645,179 |
| Shares issued in private placement | 10,715,000 | 2,143,000 | - | - | - | - | 2,143,000 |
| Share-based compensation | - | - | - | 221,552 | - | - | 221,552 |
| Share issuance cost | - | (169,014) | 48,457 | - | - | - | (120,557) |
| Total comprehensive (loss) for the period | - | - | - | - | 62,172 | (2,840,258) | (2,778,086) |
| Balance at March 31, 2019 | 53,341,758 | 26,564,912 | 215,417 | 3,466,358 | 29,072 | (30,164,671) | 111,088 |
| Share-based compensation | - | - | - | 61,238 | - | - | 61,238 |
| Total comprehensive (loss) for the period | - | - | - | - | (32,544) | (305,129) | (337,673) |
| Balance at June 30, 2019 | 53,341,758 | 26,564,912 | 215,417 | 3,527,596 | (3,472) | (30,469,800) | (165,347) |
| Shares issued in private placement | 50,000,000 | 4,000,000 | - | - | - | - | 4,000,000 |
| Share-based compensation | - | - | - | 476,549 | - | - | 476,549 |
| Total comprehensive (loss) for the period | - | - | - | - | (15,799) | (2,133,008) | (2,148,807) |
| Balance at March 31, 2020 | 103,341,758 | 30,564,912 | 215,417 | 4,004,145 | (19,271) | (32,602,808) | 2,162,395 |

## 1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTIANTY

Mexican Gold Mining Corp. (formerly Mexican Gold Corp.) (the "Company") was incorporated under the Business Corporations Act (Alberta) on October 5, 2006. On January 17, 2011 the Company was continued into the jurisdiction of Ontario and on February 10, 2020, was continued as a British Columbia corporation under the Business Corporations Act in the province of British Columbia. The address of the Company's registered office is 2500 – 700 West Georgia Street, Vancouver, BC, Canada V7Y 1B3.

The Company is engaged in the acquisition, exploration and evaluation of resource properties in Mexico. The Company's resource properties presently have no proven or probable reserves, and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable resources. The recovery of expenditures on the resource properties is dependent upon the existence of economically recoverable mineralization, the Company securing and maintaining title and beneficial interest in the properties, and the ability of the Company to obtain the necessary financing to complete the exploration and development and future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

These financial statements have been prepared assuming the Company will continue on a going-concern basis and do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. As at March 31, 2020, the Company had an accumulated deficit of $32,602,808 and shareholder's equity of $2,162,395. In addition, the Company has working capital of $2,162,395, consisting primarily of cash and short-term investments, and negative cash flow from operating activities of $1,776,514. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These items may cast a significant doubt on the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on May 20, 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

### a) Statement of compliance

The Company's condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including International Accounting Standards 34 "Interim Financial Reporting".

These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2019, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and included in Part I of the Handbook of the Chartered Professional Accountants of Canada.

The policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent annual financial statements and were consistently applied to all the periods presented.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary as follows:

| | Place of Incorporation | Principal Activity |
|---|---|---|
| Roca Verde Exploracion Mexico, S.A. de C.V. | Mexico | Exploration company |

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

### d) Significant Accounting Estimates and Judgments

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at year end that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

#### (i) Critical accounting estimates

- The valuation of share based payments. The fair value of common share purchase options granted is determined at the issue date using the Black-Scholes pricing model.

#### (ii) Critical accounting judgments

- Presentation of the condensed consolidated interim financial statements as a going concern which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary company, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

**e) Changes in Accounting Standards and Interpretations**

The Company adopted IFRS 16 - Leases, effective July 1, 2019. There was no material impact to the consolidated financial statements. The Company's current operating lease commitment is disclosed in Note 9.

## 3. SEGMENTED INFORMATION

The Company currently operates in one operating segment, the exploration of resource properties in Mexico. Management of the Company makes decisions about allocating resources based on the one operating segment. The Company's total assets and liabilities are segmented geographically as follows:

| | March 31, 2020 | | |
|---|---|---|---|
| | Canada<br>$ | Mexico<br>$ | Total<br>$ |
| Current Assets | 2,273,996 | 71,613 | 2,345,609 |
| Current Liabilities | (164,901) | (18,313) | (183,214) |
| Total | 2,109,095 | 53,300 | 2,162,395 |

| | June 30, 2019 | | |
|---|---|---|---|
| | Canada<br>$ | Mexico<br>$ | Total<br>$ |
| Current Assets | 452,223 | 268,933 | 721,156 |
| Current Liabilities | (845,066) | (41,437) | (886,503) |
| Total | (392,843) | 227,496 | (165,347) |

## 4. AMOUNTS RECEIVABLE

| | March 31, 2020<br>$ | June 30, 2019<br>$ |
|---|---|---|
| Canadian Goods and Services Taxes recoverable | 15,722 | 5,083 |
| Mexican Value Added Taxes recoverable | 42,141 | 226,457 |
| Other | - | 56,285 |
| Interest receivable | 27,616 | - |
| Total | 85,479 | 287,825 |

## 5. RELATED PARTY RECEIVABLE

On January 28, 2020, the Company announced it had entered into a binding letter agreement with Toronto-based New Found Gold Corp. (“NFGC”), a related company having directors and officers in common, to acquire all of the issued and outstanding shares of NFGC. On February 19, 2020, the Company announced it mutually terminated the binding letter agreement to acquire all of the issued and outstanding shares of NFGC

As at March 31, 2020, $127,235 (June 30, 2019 - $Nil) is included in related party receivable from NFGC for legal fees incurred in connection with the transaction which was terminated.

## 6. CONVERTIBLE NOTE

As at March 31, 2020, the Company did not have any convertible notes outstanding.

On June 17, 2019, the Company entered into a letter agreement for the assignment of royalty rights ("Letter Agreement") (see note 6 - Exploration and Evaluation) with 1198578 B.C. Ltd. ("BC Co.") whereby, as part of entering into the Letter Agreement, B.C. Co. would advance to the Company a cash loan in the amount of $450,000 (the “Loan”) pursuant to the terms of a promissory note ("Promissory Note"). The Promissory Note shall be unsecured, and non-interest bearing and will mature and become due and payable on the first date, following execution of the Letter Agreement, on which the Company completes an equity financing for aggregate proceeds of not less than $1,000,000 (the “Equity Financing”). Furthermore, the Company also received $50,000 from B.C. Co. in exchange for the Company’s right of first refusal on the Las Minas royalties.

At any time on or after the date that is six (6) months after the date of the Promissory Note, BC Co. may, subject to the approval of the TSX Venture Exchange (the “Exchange”), elect on written notice (the “Settlement Notice”) to settle (the “Settlement”) the entire outstanding amount of the Loan in exchange for in the capital of the Company. Each unit will be comprised of:

(a) one common share of the Corporation, at a price per common share (the “Share Price”) equal to a 10% discount to the applicable closing Market Price (as defined in the policies of the Exchange) of the Corporation’s common shares on the Exchange on the date that BC Co. delivered the Settlement Notice to the Corporation, subject to a minimum price of $0.05 per common shares; and
(b) one share purchase warrant exercisable to acquire one common share of the Corporation at a price equal to 150% of the Share Price for a period of two years from the date of issuance.

During the nine months ended March 31, 2020, the Company repaid the convertible note.

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## 7. EXPLORATION AND EVALUATION

The following tables summarize the accumulated costs incurred to date with respect to the Company's interest in resource properties owned, leased or under option that the Company continues to explore as at March 31, 2020 and March 31, 2019:

| **Nine months ended March 31, 2020** | Las Minas<br>$ |
|---|---|
| **Exploration and evaluation expenditures** | |
| Cumulative exploration and evaluation expense – June 30, 2019 | 15,201,488 |
| Drilling | 367,467 |
| Geological and consulting | 116,899 |
| Operational support | 105,215 |
| Other | 13,897 |
| Resource estimation | 90,729 |
| | 694,207 |
| Cumulative exploration and evaluation expense – March 31, 2020 | 15,895,695 |

| **Nine months ended March 31, 2019** | Las Minas<br>$ |
|---|---|
| **Exploration and evaluation expenditures** | |
| Cumulative exploration and evaluation expense – June 30, 2018 | 13,642,702 |
| Acquisition costs/option payments | 1,188,465 |
| Drilling | 59,083 |
| Geological and consulting | 145,660 |
| Operational support | 29,237 |
| Transportation and accommodation | 21,084 |
| | 1,443,529 |
| Cumulative exploration and evaluation expense – March 31, 2019 | 15,086,231 |

*Las Minas Project*

On October 13, 2010, the Company's 100% owned Mexican subsidiary Roca Verde Exploracion de Mexico entered into exclusive Letters of Intent to acquire the Las Minas and La Miqueta properties, collectively named the Las Minas Project. The project is comprised of five privately held mineral concessions in the core of the Las Minas district in the State of Veracruz, Mexico.

Pursuant to the terms of the original Las Minas property agreement the Company was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US$190,000 plus VAT over the next 36 months and a final payment of US$1,000,000 plus VAT upon exercising the option. The Vendors retained a 1.5% Net Smelter Return ("NSR") subject to an exclusive buyback provision allowing the Company to purchase one third or a 0.5% NSR for US$500,000. The Company retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Company also agreed to complete a work program which required $200,000 in expenditures to maintain the concessions in good standing during the three year term of the agreement.

Pursuant to the terms of the original La Miqueta property agreement the Company was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US$95,000 plus VAT over 36 months beginning October 13, 2010 and a final payment of US$500,000 plus VAT upon exercising the option. The Vendors retained a 1.5% NSR subject to an exclusive buyback provision that allowed the Company to purchase one third or a 0.5% NSR for US$500,000. The Company retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Company also agreed to keep the property in good standing with respect to concession taxes. During 2012, an extension agreement was executed to extend the deadline for the final payment by 12 months.

## 7. EXPLORATION AND EVALUATION (continued)

*Option agreement extended to 2016*

On June 6, 2013, the Company extended the option agreement to acquire the Pepe, Pepe Tres, and San Jose concessions located at the Las Minas property in Veracruz State, Mexico, and further revised on November 20, 2013. The amended agreement extended the term of the option agreement by an additional two years to December 5, 2015. Scheduled payments as per the terms of the amended agreement were US$130,000 over a 6 month period ending May 5, 2014, US$150,000 on December 5, 2014, with a final payment of US$1,300,000 on December 5, 2015. All payments are subject to VAT. The Company also retained the right to exercise the option at the latest on December 5, 2013 upon payment of US$1,000,000 as per the terms of the original option agreement on October 13, 2010.

On October 1, 2015, the Company announced the successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property. These concessions are part of the six concessions held under option or wholly owned by the Company at Las Minas, Veracruz State, Mexico.

The new agreement extended the term of the option agreement by an additional one year to December 5, 2016. The payment for granting the extension was US$165,000, payable in equal monthly installments over a six month period and commencing at the latest on December 7, 2015.

On November 21, 2016, the Company announced another successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property.

The new agreement extends the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016 ($246,482).

All other terms of the original agreement of November 30, 2010 and prior extension agreement of May 21, 2013 remained unchanged.

*Extension of Las Minas option agreement to 2017*

On April 23, 2015, the Company signed a two year extension to its option agreement to acquire the Pueblo Nuevo and La Luz 1 concessions located at its Las Minas property. These concessions are part of the concessions held under option or wholly owned by Roca Verde, (the wholly owned subsidiary of Mexican Gold Mining Corp.) at Las Minas, Veracruz State, Mexico.

The new agreement extends the term of the option agreement by an additional two years to May 3, 2017. Scheduled payments per the terms of the agreement are as follows:

- US$12,500 (paid) cash consideration and $12,500 (issued) in common shares of the Company as soon as is practicable following acceptance of the extension of the option agreement by the TSXV;
- US$12,500 (paid) cash consideration and US $12,500 (issued) in common shares of the Company on April 22, 2016; and
- Final option payment due on May 3, 2015 extended to May 3, 2017 and reduced from US $500,000 to US$150,000 (paid) (CAD$195,723).

All payments are subject to VAT. All other terms of the original agreement remain unchanged.

## 7. EXPLORATION AND EVALUATION (continued)

*Acquisition of Pepe, Pepe Tres and San Jose concessions*

On June 8, 2017, the Company through its wholly-owned subsidiary, Roca Verde, entered into a definitive purchase and sale agreement (the "Purchase Agreement") to acquire a 100% interest in the Pepe, Pepe Tres and San Jose concessions (the "Concessions") at its Las Minas property from the current owners (the "Owners"). The Concessions form the core of the Las Minas property and encompass six highly mineralized zones, including the El Dorado/Juan Bran and Santa Cruz zones.

Pursuant to the terms of the Purchase Agreement, Roca Verde has agreed to acquire the Concessions in consideration for the following payments to the Owners:

- an initial payment of US$433,333 (CAD$553,288) plus Value Added Tax, payable upon execution of the Purchase Agreement (the "Initial Payment") (paid);
- six equal payments of US$22,000 plus Value Added Tax, payable monthly commencing on December 5, 2017 with the final payment due on May 7, 2018 (the "Monthly Payments") (paid); and
- a final payment of US$866,666 plus Value Added Tax, payable on or before December 5, 2018 (the "Final Payment" and, together with the Initial Payment and the Monthly Payments, the "Consideration") (paid).

In December 2018 the Company's subsidiary Roca Verde completed the final payment of the Purchase Agreement to acquire the 100% interest in the Pepe, Pepe Tres, and San Jose concessiona at the Las Minas property. Pursuant to the terms of the Purchase Agreement, upon the transfer of the Concessions, the Owners shall retain a 1.5% NSR (the "Royalty"), of which one third may be purchased by Roca Verde for US$500,000 plus Value Added Tax. Roca Verde has a right of first refusal on the Royalty in the event that the Owners intend to transfer all or part of the Royalty.

## 8. SHARE CAPITAL AND RESERVES

*Authorized Share Capital*

At March 31, 2020, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

*Details of Issues of Common Shares in fiscal 2020*

On July 15, 2019, the Company closed a non-brokered private placement comprised of 50,000,000 units of the Company at $0.08 per unit for gross proceeds of $4,000,000. Each Unit consists of one common share and one transferable warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at price of $0.12 per share for a period of five years, expiring July 15, 2024. All securities issued in connection with the private placement were subject to a hold period that expired on November 16, 2019.

*Details of Issues of Common Shares in fiscal 2019*

On March 13, 2019, the Company closed the second and final tranche of non-brokered private placement of 400,000 units at a price of $0.20 per unit for gross proceeds of $80,000. Each Unit consists of one common share one common share purchase warrant, exercisable at a price of $0.30 for a period of thirty-six months, subject to the Company's option to accelerate the expiry date of the Warrants on notice to the holders of the Warrants, if at any time after four months and one day from the closing date of the private placement, the closing price of its common shares on a stock exchange in Canada is greater than $0.45 per common share for a period of 20 consecutive trading days. Share issue costs of $169,014 were deducted from equity.

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## 8. SHARE CAPITAL AND RESERVES (continued)

On November 22, 2018, the Company closed the first tranche of non-brokered private placement of 10,315,000 units at a price of $0.20 per unit for gross proceeds of $2,063,000. Each unit consists of one common share of the Company and one common share purchase warrant, exercisable at a price of $0.30 for a period of thirty-six months, subject to the Company's option to accelerate the expiry date of the warrants on notice to the holders of the warrants, if at any time after four months and one day from the closing date of the private placement, the closing price of its common shares on a stock exchange in Canada is greater than $0.45 per Common Share for a period of 20 consecutive trading days. In connection with the closing of the first tranche, the Company paid to certain eligible finders $76,510 in cash fees in the aggregate and issued a total of 356,300 compensation warrants which are exercisable at a price of $0.30 per common share for thirty-six months, subject to the Company's acceleration option.

*Share Purchase Option Compensation Plan*

The Company has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Company. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Company at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The continuity of share purchase options for the nine months ended March 31, 2020 is as follows:

| Expiry date | Exercise Price | June 30, 2019 | Granted | Exercised | Cancelled/ Expired | March 31, 2020 | Options exercisable |
|---|---|---|---|---|---|---|---|
| March 20, 2020 | $0.800 | 184,000 | - | - | (184,000) | - | - |
| May 24, 2022 | $0.350 | 400,000 | - | - | (400,000) | - | - |
| May 29, 2022 | $0.360 | 100,000 | - | - | (100,000) | - | - |
| July 17, 2024 | $0.105 | - | 4,150,000 | - | - | 4,150,000 | 4,150,000 |
| September 1, 2024 | $0.115 | - | 650,000 | - | - | 650,000 | 650,000 |
| March 07, 2027 | $0.300 | 1,250,000 | - | - | (710,000) | 540,000 | 540,000 |
| May 29, 2027 | $0.360 | 950,000 | - | - | (800,000) | 150,000 | 150,000 |
| May 29, 2027 | $0.550 | 250,000 | - | - | - | 250,000 | 250,000 |
| November 20, 2027 | $0.360 | 200,000 | - | - | (200,000) | - | - |
| December 12, 2027 | $0.350 | 167,466 | - | - | (167,466) | - | - |
| April 20, 2028 | $0.390 | 174,000 | - | - | (110,000) | 64,000 | 42,667 |
| May 16, 2028 | $0.370 | 100,000 | - | - | (100,000) | - | - |
| | | 3,775,466 | 4,800,000 | - | (2,771,466) | 5,804,000 | 5,782,667 |
| Weighted average exercise price $ | | 0.37 | 0.11 | - | 0.37 | 0.15 | 0.15 |
| Weighted average contractual remaining life (years) | | 6.94 | - | - | - | 4.80 | 4.79 |

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## 8. SHARE CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the nine months ended March 31, 2019 is as follows:

| Expiry date | Exercise Price | June 30, 2018 | Granted | Exercised | Cancelled/ Expired | March 31, 2019 | Options exercisable |
|---|---|---|---|---|---|---|---|
| June 20, 2019 | $1.350 | 290,000 | - | - | - | 290,000 | 290,000 |
| March 20, 2020 | $0.800 | 184,000 | - | - | - | 184,000 | 184,000 |
| May 24, 2022 | $0.350 | 400,000 | - | - | - | 400,000 | 400,000 |
| May 29, 2022 | $0.360 | 100,000 | - | - | - | 100,000 | 100,000 |
| March 07, 2027 | $0.300 | 1,250,000 | - | - | - | 1,250,000 | 1,250,000 |
| May 29, 2027 | $0.360 | 950,000 | - | - | - | 950,000 | 633,333 |
| May 29, 2027 | $0.550 | 250,000 | - | - | - | 250,000 | 250,000 |
| November 20, 2027 | $0.360 | 200,000 | - | - | - | 200,000 | 66,667 |
| December 12, 2027 | $0.350 | 167,466 | - | - | - | 167,466 | 55,822 |
| April 20, 2028 | $0.390 | 174,000 | - | - | - | 174,000 | - |
| May 16, 2028 | $0.370 | 100,000 | - | - | - | 100,000 | - |
| | | 4,065,466 | - | - | - | 4,065,466 | 3,229,822 |
| Weighted average exercise price $ | | 0.44 | - | - | - | 0.44 | 0.46 |
| Weighted average contractual remaining life (years) | | 8.05 | - | - | - | 6.94 | 6.20 |

The weighted average fair value of share purchase options granted during the nine months ended March 31, 2020 is $0.097 (March 31, 2019 - $Nil).

Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

| | Nine months ended March 31, 2020 | Nine months ended March 31, 2019 |
|---|---|---|
| Risk-free interest rate | 1.41% | - |
| Expected option life in years | 5.0 | - |
| Expected share price volatility | 148.96% | - |
| Grant date share price | $0.106 | - |
| Expected forfeiture rate | - | - |
| Expected dividend yield | Nil | Nil |

The Company applies the fair value method of accounting for all stock based compensation awards and accordingly, $476,549 was recorded as compensation for the options vested during the period, of which $395,494 relates to the July 17, 2024 options that vested, $67,779 relates to the September 1, 2024 options that vested, $8,626 relates to the April 20, 2028 options that vested, and $4,650 relates to the May 16, 2028 options that vested (2019- $221,552 was recorded as compensation during the period). As at March 31, 2020 there are 21,333 unvested stock options (June 30, 2019- 305,155 unvested).

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## 8. SHARE CAPITAL AND RESERVES (continued)

The continuity of warrants for the nine months ended March 31, 2020 is as follows:

| Expiry date | Exercise Price | June 30, 2019 | Issued | Exercised | Expired/ Forfeited | March 31, 2020 |
|---|---|---|---|---|---|---|
| April 10, 2021 | $0.60 | 3,489,833 | - | - | - | 3,489,833 |
| November 22, 2021 | $0.30 | 10,315,000 | - | - | - | 10,315,000 |
| November 22, 2021* | $0.30 | 356,300 | - | - | - | 356,300 |
| March 13, 2022 | $0.30 | 400,000 | - | - | - | 400,000 |
| March 13, 2022* | $0.10 | 10,500 | - | - | - | 10,500 |
| July 15, 2024 | $0.12 | - | 50,000,000 | - | - | 50,000,000 |
| | | 14,571,633 | 50,000,000 | - | - | 64,571,633 |
| Weighted average exercise price $ | | 0.37 | 0.12 | - | - | 0.18 |

*Finder's warrants.

The continuity of warrants for the nine months ended March 31, 2019 is as follows:

| Expiry date | Exercise Price | June 30, 2018 | Issued | Exercised | Expired/ Forfeited | March 31, 2019 |
|---|---|---|---|---|---|---|
| November 30, 2018 | $0.25 | 4,197,812 | - | - | (4,197,812) | - |
| November 30, 2018* | $0.25 | 270,920 | - | - | (270,920) | - |
| March 03, 2019 | $0.25 | 8,213,068 | - | - | (8,213,068) | - |
| March 03, 2019* | $0.25 | 72,000 | - | - | (72,000) | - |
| May 15, 2019 | $2.00 | 1,025,717 | - | - | - | 1,025,717 |
| May 15, 2019* | $2.00 | 51,738 | - | - | - | 51,738 |
| May 25, 2019 | $0.45 | 5,990,270 | - | - | - | 5,990,270 |
| May 25, 2019* | $0.45 | 75,950 | - | - | - | 75,950 |
| April 10, 2021 | $0.60 | 3,489,833 | - | - | - | 3,489,833 |
| November 22, 2021 | $0.30 | - | 10,315,000 | - | - | 10,315,000 |
| November 22, 2021* | $0.30 | - | 356,300 | - | - | 356,300 |
| March 13, 2022 | $0.30 | - | 400,000 | - | - | 400,000 |
| March 13, 2022* | $0.30 | - | 10,500 | - | - | 10,500 |
| | | 23,387,308 | 11,081,800 | - | (12,753,800) | 21,715,308 |
| Weighted average exercise price $ | | 0.34 | 0.30 | - | 0.25 | 0.47 |

*Finder's warrants.

The fair value of the finder's warrants were estimated using the Black-Scholes option pricing model, with the following assumptions:

| | Nine months ended March 31, 2020 | 2019 |
|---|---|---|
| Risk-free interest rate | - | 2.27% |
| Expected warrant life in years | - | 3.0 |
| Expected share price volatility** | - | 149.11% |
| Expected forfeiture rate | - | - |
| Expected dividend yield | Nil | Nil |

**Volatility was estimated based on the historical share price of the Company.

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## 9. RELATED PARTY BALANCES AND TRANSACTIONS

*Key management personnel compensation*

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

During the nine months ended March 31, 2020, key management personnel compensation totaled $735,820 (March 31, 2019 - $386,777) comprised of salaries and wages of $207,500 paid to the Chief Executive Officer and current Chief Financial Officer, $8,654 paid to the former Chief Financial Officer, $9,086 paid to a company controlled by the former Chief Financial Officer for accounting and management services, $11,250 paid to the Corporate Secretary, $26,500 paid to directors and share-based compensation of $389,554 relating to 4,050,000 stock options granted to directors and officers of the Company and $13,276 relating to the vesting of previously granted stock options to directors and officers of the Company.

As at March 31, 2020, $Nil (June 30, 2019 - $224,026) is included in accounts payable and accrued liabilities for amounts owed to key management personnel.

## 10. COMMITMENT

| | 1 Year<br>$ | 2 Years<br>$ | 3 Years<br>$ | 4-5 Years<br>$ | More than<br>5 Years<br>$ |
|---|---|---|---|---|---|
| Office Lease | 15,420 | 6,425 | - | - | - |

## 11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | Nine months ended March 31, | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Non-cash investing and financing activities: | | |
| Warrants issued for finder's fees | - | 48,457 |
| Cash paid for income taxes | - | - |
| Cash paid for interest | - | - |

## 12. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company's operations include the acquisition and exploration of mineral properties in Mexico. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

**(a) Fair Values**

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy are as follows:

## 12. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have financial instruments carried at fair value.

The Company's financial assets consist of cash and short-term investments. The carrying values of cash, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

**(b) Financial Instrument Risk Exposure**

***Economic risk***

On March 11, 2020, the World Health Organization declared the global outbreak of a novel coronavirus identified as "COVID-19" a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. Significant economic and social impacts have limited the Company's ability to continue its development and exploration activities as intended. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does not have financial instruments that potentially subject the Company to credit risk. Overall the Company's credit risk has not changed significantly from the prior year. The Company places its cash and short-term investments with financial institutions with high credit ratings, the credit risk is minimal.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to fund exploration programs and may require doing so again in the future. The Company has $183,214 in accounts payable and accrued liabilities that are due within one year of the date of the statement of financial position.

## 12. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

***Market risk***

***(i) Currency risk***

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuation include cash accounts and accounts payable and accrued liabilities denominated in Mexican Pesos. The sensitivity of the Company's net earnings and other comprehensive income to a change in the exchange rate between the Mexican Peso and the Canadian dollar at March 31, 2020 would change the company's net loss (income) by $4,433 as a result of a 10% change in the CAD dollar exchange rate relative to the Mexican Peso.

***(ii) Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As the Company deposits its short-term investments into fixed rate guaranteed investment certificates with one year maturities or less, the Company is not exposed to interest rate risk.

***(iii) Price risk***

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly gold. Commodity prices, especially gold, greatly affect the value of the Company and the potential value of its property and investments.

## 13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- To safeguard our ability to continue as a going concern in order to develop and operate our current projects;
- Pursue strategic growth initiatives; and
- To maintain a flexible capital structure which lowers the cost of capital.

In assessing our capital structure, we include in our assessment the components of shareholders' equity. In order to facilitate the management of capital requirements, the Company prepares annual expenditure budgets and continuously monitors and reviews actual and forecasted cash flows. The annual and updated budgets are monitored and approved by the Board of Directors. To maintain or adjust the capital structure, the Company may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets. The Company's current capital resources are insufficient to carry out our exploration plans and support operations through the current operating period. The Company is dependent upon the ability to raise additional funding to meet its obligations and commitments.

The Company is not subject to any capital requirements imposed by any regulator.

There were no changes in the Company's approach to capital management during the nine months ended March 31, 2020.