



MONARCA MINERALS

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MONARCA MINERALS INC.

Condensed Consolidated Interim Financial Statements
For the Three Months Ended February 28, 2022 and February 28, 2021
(Unaudited)
Expressed in Canadian Dollars

MONARCA MINERALS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2022 and FEBRUARY 28, 2021

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MONARCA MINERALS INC.

Notice of Disclosure of Non Auditor Review of the Condensed Consolidated Interim Financial Statements

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

The accompanying unaudited condensed consolidated interim financial statements of Monarca Minerals Inc. (the "Company") have been prepared by, and are the responsibility of, the Company's management and approved by the Board of Directors.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by The Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

April 25, 2022

MONARCA MINERALS INC.
Condensed Consolidated Interim Statements of Financial Position
Expressed in Canadian Dollars

	Note	February 28 2022	November 30 2021
Assets			
Current assets			
Cash		\$ 164,295	\$ 498,659
Amounts receivable		186,151	20,773
Note receivable	6	134,363	134,363
Prepaid expenses		28,921	31,530
Short-term investments		25,000	25,000
Total current assets		538,730	710,325
Non-current assets			
Equipment	3	59,645	11,219
Total assets		\$ 598,375	\$ 721,544
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 1,471,765	\$ 1,458,324
Interest payable	8,9 (c)	267,732	212,732
Promissory notes	7	400,000	400,000
Current portion of long-term debt	8	853,685	853,685
Total liabilities		2,993,182	2,924,741
Shareholders' equity			
Share capital	4(a)	28,862,147	28,862,147
Share purchase warrants reserve	4(c)	944,726	944,726
Share-based payment reserve	5	629,103	629,103
Equity conversion option	8	121,130	121,130
Accumulated deficit		(32,951,913)	(32,760,303)
Total shareholders' equity		(2,394,807)	(2,203,197)
Total liabilities and shareholders' equity		\$ 598,375	\$ 721,544

Commitments and contingencies (Notes 12)

Approved on behalf of the Board:

"Frank Högel"

Director

"Paul Teniere"

Director

MONARCA MINERALS INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss Expressed in Canadian Dollars

For the Three Months Ended	Note	February 28 2022	February 28 2021
Administrative expenses			
Accounting and legal	9	\$ 14,962	\$ 16,979
Amortization	3	6,348	796
Directors fees		30,000	30,000
Exploration expenses		1,647	231,296
Geological consulting		24,000	12,600
Insurance		3,945	1,890
Investor relations		1,133	1,700
Management fees and salaries	9	47,604	61,448
Office expenses		2,492	1,210
Regulatory and filing fees		7,440	7,020
Loss before undernoted items		(139,571)	(364,939)
Other income (expenses)			
Other income		-	-
Interest and bank charges		(60,419)	(59,501)
(Loss) on foreign exchange		8,380	(10,049)
		(52,039)	(69,550)
Net loss and comprehensive loss for the period		\$ (191,610)	\$ (434,489)
Basic and diluted loss per share		\$ (0.0016)	\$ (0.0036)
Weighted average number of shares outstanding - basic and diluted (note 4 (a))		120,235,019	118,789,005

See accompanying notes to the consolidated financial statements.

MONARCA MINERALS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Three Months Ended February 28, 2022 and February 28, 2021
Expressed in Canadian Dollars

	Share Capital		Share Purchase	Share-Based	Equity	Accumulated	Total
	Number	Amount \$	Warrants Reserve \$	Payments Reserve \$	Conversion Option \$	Deficit \$	\$
Balance, November 30, 2021	117,463,405	28,048,888	1,102,655	347,288	121,130	(30,103,192)	(483,231)
Warrants exercised	1,900,000	177,291	(34,791)	-	-	-	142,500
Shares for debt	751,201	135,831	-	-	-	-	135,831
Net loss and comprehensive loss for the period	-	-	-	-	-	(434,489)	(434,489)
Balance, February 28, 2022	120,114,606	28,362,010	1,067,864	347,288	121,130	(30,537,681)	(639,389)
Balance, November 30, 2021	126,554,606	28,862,147	944,726	629,103	121,130	(32,760,303)	(2,203,197)
Net loss and comprehensive loss for the period	-	-	-	-	-	(191,610)	(191,610)
Balance, February 28, 2022	120,554,606	28,862,147	944,726	629,103	121,130	(32,951,913)	(2,394,807)

See accompanying notes to the consolidated financial statements.

MONARCA MINERALS INC.
Condensed Consolidated Interim Statements of Cash Flows
Expressed in Canadian Dollars

For the Three Months Ended	Note	February 28 2022	February 28 2021
Cash provided by (used in):			
Operating			
Loss for the period		\$ (191,610)	\$ (434,489)
Items not affecting cash:			
Amortization	3	6,348	796
		(185,262)	(433,693)
Changes in non-cash operating accounts:			
Amounts receivable		(165,377)	(8,828)
Prepaid expenses		2,609	15,413
Accounts payable and accrued liabilities		13,440	(13,171)
Interest payable		55,000	45,173
Net cash (used in) provided by operating activities		(279,590)	(395,106)
Investing			
Short-term investments		-	(25,000)
Net cash (used in) provided by investing activities		-	(25,000)
Financing			
Capital asset additions		(54,774)	-
Warrants exercised		-	(34,791)
Share issuance		-	313,122
Net cash (used in) provided by financing activities		(54,774)	278,331
(Decrease) increase in cash		(334,364)	(141,775)
Cash, beginning of period		498,659	1,769,640
Cash, end of period		\$ 164,295	\$ 1,627,865

See accompanying notes to the consolidated financial statements.

MONARCA MINERALS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended February 28, 2022 and February 28, 2021
Expressed in Canadian Dollars

1. Nature of Operations and Going Concern

Monarca Minerals Inc. (the "Company" or "Monarca"), was incorporated on March 22, 1995 under the Canada Business Corporations Act. The Company's shares are traded on the TSX Venture Exchange under the trading symbol MMN. The Company is in the process of exploring and evaluating its exploration and evaluation property interests in Mexico. The address of the Company's corporate office and principal place of business is 390 Bay Street, Suite 806, Toronto, Ontario.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The Company presently has no proven reserves, and on the basis of information to date, has not yet determined whether any of its exploration and evaluation property interests contain economically recoverable ore resources. The amounts recorded as exploration and evaluation properties represent deferred exploration costs incurred to date and do not necessarily represent present or future values. The Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake expanded exploration and development of its exploration and evaluation properties and to ultimately realize profits through future production or sale of the exploration and evaluation properties.

At February 28, 2022, the Company had a working capital deficit of \$2,454,452 (November 30, 2021 - \$2,214,416) and had incurred losses since inception, and at February 28, 2022, had an accumulated deficit of \$32,951,913 (November 30, 2021 - \$32,760,303) which has been funded primarily by the issuance of equity. In addition, the Company's long-term debt, secured by certain exploration property interests, was in default as at February 28, 2022 and 2021 (see Note 8). The ability of the Company to continue as a going concern is dependent upon its ability to raise sufficient funds to meet its obligations as they become due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These unaudited condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. They do not reflect adjustments to the carrying values of assets and liabilities which may be necessary should the Company be unable to do so and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements. Such adjustments could be material. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

MONARCA MINERALS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended February 28, 2022 and February 28, 2021
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2. Basis of Presentation

Basis of Presentation and Measurement

The Company prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and under the historical cost method, except for certain financial instruments measured at fair value.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the years ended November 30, 2021 and 2020 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods adopted are consistent with those disclosed in Note 4 to the Company's consolidated financial statements for the years ended November 30, 2021 and 2020. These unaudited condensed consolidated interim financial statements were approved by the board of directors for issue on April 25, 2022.

Critical Judgments and Estimation Uncertainties

Areas of critical accounting judgments and estimation uncertainties that have the most significant effect on the amounts recognized in the unaudited condensed consolidated interim financial statements are disclosed in Note 4 of the Company's consolidated financial statements for the years ended November 30, 2021 and 2020.

3. Equipment

	Software	Leasehold Improvements	Site Vehicles	Total
Cost, November 30, 2020	\$ 17,498	\$ 13,858	\$ -	\$ 31,356
Additions	-	-	-	-
Disposals	-	-	-	-
Cost, November 30, 2021	\$ 17,498	\$ 13,858	\$ -	\$ 31,356
Additions	-	-	54,774	54,774
Disposals	-	-	-	-
Cost, February 28, 2022	\$ 17,498	\$ 13,858	\$ 54,774	\$ 86,130
Accumulated Amortization, November 30, 2020	\$ (12,687)	\$ (6,654)	\$ -	\$ (19,341)
Charge for the year	(490)	(306)	-	(796)
Accumulated Amortization, November 30, 2021	\$ (13,177)	\$ (6,960)	\$ -	\$ (20,137)
Charge for the year	(400)	(250)	(5,698)	(6,348)
Accumulated Amortization, February 28, 2022	\$ (13,577)	\$ (7,210)	\$ (5,698)	\$ (26,485)
Net book value, November 30, 2021	\$ 4,321	\$ 6,898	\$ -	\$ 11,219
Net book value, February 28, 2022	\$ 3,921	\$ 6,648	\$ 49,076	\$ 59,645

MONARCA MINERALS INC.

Notes to the Condensed Consolidated Interim Financial Statements
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4. Share Capital

(a) Common Shares

Authorized: Unlimited number of common shares, without par value

Issued and outstanding common shares:

	Number	Amount
Balance November 30, 2020	117,463,405	\$ 28,048,887
Shares for debt (note 7aiv)	751,201	135,831
Warrants exercised (note 7av)	1,900,000	142,500
Balance February 28, 2021	120,114,606	\$ 28,327,218
Warrants exercised (note 7a(vi))	4,240,000	212,000
Warrants exercised (note 7a(vii))	100,000	7,500
Warrants exercised (note 7a(viii))	1,000,000	75,000
Warrants exercised (note 7a(ix))	1,100,000	82,500
Balance November 30, 2021 and February 28, 2022	126,554,606	\$ 28,862,147

- i. On August 20, 2020, the Company completed a non-brokered private placement of 60,000,000 units at \$0.05 per unit to raise \$3,000,000. Each unit was composed of one common share and one warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.075 for a twenty-four month period commencing at the date of issuance. The Company paid cash finder's fees of \$212,000 and issued 4,416,000 finder warrants in connection with the financing. Each finder warrant is exercisable for one common share at a price of \$0.05 per share for a period of twenty-four months commencing at the date of issuance.

The fair value of the warrants was estimated at \$1,127,591 and the fair value of the finders' warrants was estimated at \$92,600 using the Black-Scholes option pricing model with the following assumptions: expected volatility of 156%; risk-free interest rate of 0.27%, expected dividend yield of 0% and an expected life of 2 years.

- ii. On September 8, 2020, the Company issued 6,026,499 common shares with an estimated fair value of \$0.075 based on a quoted market price per common share to settle \$301,325 of debt pursuant to debt settlement agreements. The amount settled includes \$194,000 out of \$342,000 in accrued directors' fees and management and consulting fees owing to the Company's directors and officers. The company recorded a loss on this debt settlement of \$150,662.
- iii. On October 21, 2020, the Company issued 1,907,600 common shares upon the conversion of \$143,700 of convertible debentures in accordance with the terms of the debenture agreements (note 10). The corresponding equity conversion option was valued at \$19,865.
- iv. On December 16, 2020, the Company issued 751,201 common shares with an estimated fair value of \$0.18 price per common share to settle \$135,831 of debt pursuant to debt settlement agreements.
- v. On February 22, 2021, 1,900,000 warrants were exercised to purchase shares at a price of \$0.075 per share. The fair value of the warrants exercised was originally estimated at \$34,791.

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Notes to the Condensed Consolidated Interim Financial Statements
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4. Share Capital – continued

- vi. On October 29, 2021, 4,240,000 warrants were exercised to purchase shares at a price of \$0.05 per share. The grant date fair value of the warrants exercised was originally estimated at \$88,909.
- vii. On November 1, 2021, 100,000 warrants were exercised to purchase shares at a price of \$0.075 per share. The grant date fair value of the warrants exercised was originally estimated at \$1,683.
- viii. On November 2, 2021, 1,000,000 warrants were exercised to purchase shares at a price of \$0.075 per share. The grant date fair value of the warrants exercised was originally estimated at \$16,834.
- ix. On November 9, 2021, 1,100,000 warrants were exercised to purchase common shares at a price of \$0.075 per share. The grant date fair value of the warrants exercised was originally estimated at \$18,518.

(b) Share Purchase Options

The Company has a 10% rolling share purchase option plan (the “Plan”) whereby options may not exceed 10% of the total number of shares issued and outstanding of the Company from time to time on a non-diluted basis. Options granted under the Plan have an exercise price equal to the quoted market price of the Company’s shares and vest at the discretion of the Board.

A summary of the status of the Company’s stock option plan for the three months ended February 28, 2022 and for the year ended November 30, 2021 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance November 30, 2020 and February 28, 2021	3,325,000	0.116
Issued	4,650,000	0.085
Balance November 30, 2021 and February 28, 2022	7,975,000	0.102

The weighted average remaining contractual life of the options as at February 28, 2022 is 2.13 years (November 30, 2021 – 2.38 years).

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Notes to the Condensed Consolidated Interim Financial Statements
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4. Share Capital – continued

(c) Share Purchase Warrants Reserve:

Transactions involving the Company's share purchase warrants have been summarized as follows:

	Number of warrants	Grant Date Fair Value -net of issue costs (\$)	Weighted Average Exercise Price
Balance, November 30, 2020	64,416,000	1,102,655	0.073
Exercised (note 7av)	(1,900,000)	(34,791)	0.075
Balance, February 28, 2021	62,516,000	1,067,864	0.071
Exercised (note 7a(v))	(1,900,000)	(31,985)	0.075
Exercised (note 7a(vi))	(4,240,000)	(88,909)	0.050
Exercised (note 7a(vii))	(100,000)	(1,683)	0.075
Exercised (note 7a(viii))	(1,000,000)	(16,834)	0.075
Balance, November 30, 2021 and February 28, 2022	56,076,000	944,726	0.0746

The following warrants are outstanding at February 28, 2022:

Number of Warrants	Exercise Price (\$)	Expiry Date
55,900,000	0.075	August 20, 2022
176,000	0.050	August 20, 2022

5. Share-Based Payment Reserve

Transactions involving the Company's share-based payments have been summarized as follows:

	Period Ended February 28, 2022	Year Ended November 30, 2021
Balance, beginning of period	\$ 629,103	\$ 347,288
Options issued	-	281,815
Balance, end of period	\$ 629,103	\$ 629,103

6. Note Receivable

On August 3, 2020, the Company sold its 100% interest in the El Sol property located in Durango State, Mexico. The property was sold for US\$300,000 that is payable in three equal instalments to a subsidiary of Southern Silver Exploration Corp;

- i) on signing (received)
- ii) twelve months after signing
- iii) eighteen months after signing

In connection with this agreement, the Company has retained a 2% Net Smelter Return ("NSR") on production from the claim with the acquirer holding an option to purchase the royalty at any time for US\$1,000,000.

7. Promissory Notes

During 2016 and 2017, the Company received \$400,000 from a company controlled by a Director of the Company. The loans are unsecured, bear interest at 5% and are due on demand.

8. Long-Term Debt

On October 9, 2012, the Company closed a convertible debenture financing for gross proceeds of \$727,500 through the issue of 72.75 units with each unit consisting of \$10,000 in convertible debentures and 100,000 common share purchase warrants, at a purchase price of \$10,000 per unit. Each warrant was exercisable into one common share of the Company at a price of \$0.10, expiring five years from the date of issue.

The debentures were convertible into shares at a price of \$0.10 per common share at the option of the holder. If the average closing price of the Company's shares exceeds \$0.35 for every trading day for 120 consecutive trading days (with the 120th day referred to as the "Triggering Date"), then, (i) the Company ceased to have an obligation to pay any interest that accrues after the Triggering Date and, (ii) before the first anniversary of the Triggering Date, the holder must convert.

The debentures bear interest at 16% per year; 8% is payable in cash and, at the option of the Company, 8% is payable in shares. Interest is payable annually on October 15th of each year. Upon the occurrence of a default the interest rate shall increase to 21% per annum. Certain covenants of this loan were not met as at November 30, 2021. As a result, the loan has been reclassified to current liabilities. Effective April 1, 2020, the Company issued new debentures in settlement of mature debentures and accrued interest.

The debentures matured on October 9, 2017 and on April 1, 2020, the debentures along with all accrued interest were rolled into new debentures. The outstanding amount of the new debentures was \$727,500 plus accrued interest of \$287,945 for a total of \$1,015,445.

As a result of the issuance of the new debentures, a gain of \$312,980 was recorded during the year ended November 30, 2020.

From April 1, 2020 until the maturity date of October 9, 2022, each convertible debenture will be convertible into common shares of the company at the option of the holder at a conversion price of \$0.075 per share for the first 12 months from closing, being an amount of 133,333 shares per \$10,000 principal amount; and at \$0.10 per share thereafter until maturity, being an amount of 100,000 shares per \$10,000 principal amount.

The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the debentures assuming a market interest rate of 18%, which was the estimated rate for the debentures without the equity component of the conversion feature. The residual of the principal less the present value of the liability component was allocated to the conversion option based on their relative fair value, resulting in an allocation of \$140,995 to the conversion option.

Interest shall be paid annually in arrears on each anniversary of the issue date of the debentures and on the maturity date. The rate of interest will be 12% per annum increasing to 21% if certain covenants are not met. The Company will have the option, in its sole discretion, to pay the interest in shares based on the market price of the Company in accordance with the policies of the TSX Venture Exchange.

On October 21, 2020, the Company issued 1,907,600 common shares upon the conversion of \$143,070 of convertible debentures in accordance with the terms of the debenture agreements.

Certain covenants of this loan were not met as at November 30, 2021. As a result, the loan has been reclassified to current liabilities. See Note 1.

MONARCA MINERALS INC.

Notes to the Condensed Consolidated Interim Financial Statements
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8. Long-Term Debt (continued)

During 2022, interest of \$55,000 (2021 - \$45,172) was incurred of which \$nil (2021 - \$nil) was paid in cash. Included in interest payable on the consolidated statement of financial position as at February 28, 2022 is \$362,907 relating to this debt (November 30, 2021 - \$307,907). Payments on the principal amount owing equal to \$nil were made during the year ended February 28, 2022 (November 30, 2021 - \$nil).

9. Related Party Transactions

During the three-month period ended February 28, 2022 and February 29, 2021 the Company entered into the following transactions with related parties that are not subsidiaries of the Company and are not disclosed elsewhere in these condensed consolidated interim financial statements.

- (a) Key management includes the Executive Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, the Vice President of Exploration, and the Directors. During the period ended February 29, 2022, the cash compensation paid or payable to key management for services and directors fees was \$91,704 (2021 - \$86,072). Included in accounts payable and accrued liabilities at February 28, 2022 is \$200,000 (November 30, 2021 - \$120,000) due to Directors and Officers for management fees and expense reimbursements. This amount is unsecured, non-interest bearing and has no specific terms of repayment.
- (b) Companies controlled by a director of the Company hold \$751,243 of the long-term debt as at February 28, 2022 (November 30, 2021 - \$751,243). During the period ended February 28, 2022, interest of \$55,000 (2021 - \$39,752) was payable to these companies and as at February 28, 2022, \$263,486 (November 30, 2021 - \$186,468) is included in interest payable on the condensed consolidated interim statement of financial position. This amount is unsecured, non-interest bearing and has no specific terms of repayment.
- (c) During the period ended February 28, 2022, interest accrued on the promissory notes (Note 7) totaled approximately \$5,041 (2021 - \$5,041). Included in interest payable on the condensed consolidated interim statement of financial position as at February 28, 2022 is \$151,664 (November 30, 2021 - \$146,623) related to this interest. The interest is paid or payable to directors of the Company. This amount is unsecured, non-interest bearing and has no specific terms of repayment.
- (c) During the period ended February 28, 2022, legal fees were incurred of \$612 (2021 - \$1,979) with a law firm of which a partner is a director of the Company. This amount is included in cost of share issue within equity, or as accounting and legal fees on the consolidated statement of operations. Included in accounts payable and accrued liabilities at February 28, 2022 is \$692 (November 30, 2021 - \$1,450) relating to these fees. This amount is unsecured, non-interest bearing and has no specific terms of repayment.
- (d) See Notes 7 and 8.

10. Segmented Information

The Company operates in a single industry segment. Assets by geographic location are as follows:

	February 28, 2022	November 30, 2021
Mexico	\$ 424,708	\$ 213,844
Canada	173,667	507,779

11. Management of Capital Risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity, as well as the cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the

Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company has not changed its approach to capital management during fiscal 2022 or 2021. The Company and its subsidiaries are not subject to any external capital restrictions. The Company expects that it will be necessary to raise additional capital during the current fiscal year to meet its budgeted exploration and development plans and fund operations.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at February 28, 2022 and November 30, 2021 management believes the Company was compliant with the requirement.

12. Financial Risk Management

Fair Value Hierarchy and Liquidity Risk Disclosure:

The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At February 28, 2022 and November 30, 2021, the Company had no financial instruments carried at fair value to classify in the fair value hierarchy.

The fair value of cash, amounts receivable, accounts payable and accrued liabilities, interest payable, promissory notes and current portion long-term debt approximate their carrying value due to their short-term to maturity.

The Company is exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk, and price risk. The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during the periods ended February 28, 2022 and November 30, 2021.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended February 28, 2022 and February 28, 2021
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12. Financial Risk Management - continued**(a) Currency Risk:**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a portion of its expenses are incurred in Mexican Pesos. A significant change in the currency exchange rates between the Canadian dollar relative to the Mexican Peso could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At February 28, 2022 and November 30, 2021, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

	February 28 2022		November 30 2021	
Cash	MP\$	251,783	MP\$	685,771
Amounts receivable and prepaid expenses		4,846,734		481,956
Accounts payable and accrued liabilities		(1,557,985)		(824,562)
Total	MP\$	3,540,532	MP\$	343,165
Canadian dollar equivalent	CAD\$	219,757	CAD\$	20,315

At February 28, 2022 and November 30, 2021, the Company is exposed to currency risk through the following assets and liabilities denominated in United States Dollars ("US\$"):

	February 28 2021		November 30 2021	
Cash	US\$	1,739	US\$	8,159
Amounts receivable and prepaid expenses		100,000		100,000
Total	US\$	101,739	US\$	108,159
Canadian dollar equivalent	CAD\$	136,571	US\$	138,357

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The majority of the Company's cash is held through large Canadian financial institutions. The Company is also exposed to credit risk on its amounts receivable, which are unsecured. The Company considers the risk of loss to be low. There have been no significant changes to how management manages credit risk during the period ended February 28, 2022 and November 30, 2021.

(c) 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 manages liquidity risk through the management of its capital structure. Accounts payable, accrued liabilities, interest payable, promissory notes and long-term debt are due within the current operating period.

12. Financial Risk Management - continued

The Company's expected sources of cash flow in the upcoming year are equity financings. The Company will require additional cash to finance operations. There have been no changes to how management manages liquidity risk during the period ended February 28, 2022 and November 30, 2021.

(d) Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company has cash balances maintained in Canada. The Company's current policy is to invest excess cash in GICs issued by Canadian banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank. The Company's interest-bearing debt is at a fixed interest rate and is therefore not impacted by changes in interest rates.

(e) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company does not actively manage this risk as it is considered a low risk area given the Company is not a producing entity.

(f) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period.

- Based on the net exposures as at February 28, 2022 (as seen in Note 11(a)), and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso would not result in a material change to the Company's loss.
- Price risk is remote since the Company is not a producing entity.
- A change in interest rates of 1% would result in a corresponding change in net loss for the year of approximately \$1,643 based on the cash balance at February 28, 2022.

13. Commitments and Contingencies**Environmental**

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Consulting Contracts

The Company has granted a consultant a silver purchase option whereby the consultant may purchase 100,000 ounces of silver per year at a price of USD \$27.50 for the first five years of production at any producing mine of the Company.

13. Commitments and Contingencies - continuedLegal Proceedings

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the normal course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the

financial condition or future results of operations. As at February 28, 2022 and November 30, 2021, no amounts have been accrued related to such matters.

The Company has discontinued mining operations in various jurisdictions and has written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor or indemnifier, is not determinable, nor expected to be material, and no amount has been provided for in these consolidated statements.

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Exploration and Evaluation Properties

In order to maintain the Company's mineral concessions and titles in good standing the Company will be required to pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum annual commitments of approximately \$35,000 are due within one year.