

TARACHI GOLD CORP.

(formerly Kal Minerals Corp.)

Condensed Interim Financial Statements
For the nine months ended April 30, 2020 and 2019
Presented in Canadian dollars - unaudited

NOTICE OF NO AUDITOR REVIEW OF 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 financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.

TARACHI GOLD CORP.
(formerly Kal Minerals Corp.)
(An exploration stage company)
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	April 30, 2020 (unaudited)	July 31, 2019
ASSETS		
Current assets		
Cash	\$ 28,532	\$ 111,780
Accounts receivable	4,574	1,480
	33,106	113,260
Exploration and evaluation assets (Notes 3 and 4)	385,299	248,724
	\$ 418,405	\$ 361,984
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 108,829	\$ 32,334
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	987,065	637,065
Contributed surplus (Note 4)	34,070	4,695
Accumulated deficit	(711,559)	(312,110)
	309,576	329,650
	\$ 418,405	\$ 361,984

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 6)

Approved on behalf of the Board of Directors on June 29, 2020:

"Lorne Warner"

Lorne Warner, Director

"Martin Bajic"

Martin Bajic, Director

The accompanying Notes are an integral part of these Condensed Interim Financial Statements

TARACHI GOLD CORP.

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(An exploration stage company)

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars - unaudited)

	Three Months Ended		Nine Months Ended	
	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019
EXPENSES				
Professional fees	\$ 14,746	\$ 28,045	\$ 26,197	\$ 62,966
Consulting fees (Note 5)	19,079	40,296	31,579	68,521
Transfer agent and filing fees	5,778	1,949	15,469	27,377
Stock based compensation (Note 4)	-	-	29,375	-
General and administrative	17,995	22,114	48,105	39,870
Write-down of mineral property (Note 3)	248,724	-	248,724	-
NET AND COMPREHENSIVE LOSS	\$ (306,322)	\$ (92,404)	\$ (399,449)	\$ (198,734)
LOSS PER SHARE (basic and diluted)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
(basic and diluted)	19,405,560	20,142,892	19,112,520	20,142,892

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TARACHI GOLD CORP.
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Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars - unaudited)

	Nine Months Ended April 30, 2020	Nine Months Ended April 30, 2019
OPERATING ACTIVITIES		
Net loss for the year	\$ (399,449)	\$ (198,734)
Item not effecting cash:		
Write-down of mineral property	248,724	-
Stock based compensation	29,375	-
Changes in non-cash working capital items:		
Change in accounts receivable	(3,094)	(11,821)
Change in prepaid expenses	-	3,500
Change in accounts payable and accrued liabilities	76,495	30,269
	(47,949)	(176,786)
INVESTING ACTIVITIES		
Exploration and evaluation assets – acquisition	(35,299)	-
Exploration and evaluation assets – expenditures	-	(151,774)
	(35,299)	(151,774)
NET CHANGE IN CASH	(83,248)	(328,560)
CASH, beginning of year	111,780	463,184
CASH, end of year	\$ 28,532	\$ 134,624
Non-cash Transaction		
Shares issued for exploration and evaluation asset	\$ 350,000	-

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Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars - unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance at July 31, 2018	20,225,000	\$ 637,065	\$ 4,695	\$ (121,521)	\$ 520,239
Shares cancelled (Note 4)	(1,259,000)	-	-	-	-
Loss for the period	-	-	-	(198,734)	(198,734)
Balance at April 30, 2019	18,966,000	\$ 637,065	\$ 4,695	\$ (320,255)	\$ 321,505
Balance at July 31, 2019	18,966,000	\$ 637,065	\$ 4,695	\$ (312,110)	\$ 329,650
Shares issued – exploration and evaluation asset (Note 3 and 4)	5,000,000	350,000	-	-	350,000
Stock based compensation (Note 4)	-	-	29,375	-	29,375
Loss for the period	-	-	-	(399,449)	(399,449)
Balance at April 30, 2020	23,966,000	\$ 987,065	\$ 34,070	\$ (711,559)	\$ 309,576

The accompanying Notes are an integral part of these Condensed Interim Financial Statements

TARACHI GOLD CORP. (formerly Kal Minerals Corp.)

(An exploration stage company)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars - unaudited)

1. Nature of operations and Going Concern

Tarachi Gold Corp (formerly Kal Minerals Corp.) (the "Company") was incorporated under the Business Corporations Act in British Columbia on February 19, 2016. The Company has interests in exploration and evaluation assets in Sonora, Mexico, and in the province of British Columbia, Canada, and its principal business is the exploration and development of those assets. The head office, principal address, registered address, and records office of the Company is located at #907-1030 West Georgia Street, Vancouver, BC.

The Company is in the exploration stage with respect to its exploration and evaluation assets and has not yet determined whether those assets contain ore reserves that are economically recoverable. The carrying amount of these assets represents the total of net costs capitalized and is not intended to reflect either their present or future value.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's legal interest in the assets, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the assets.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and meet its obligations in the ordinary course of business. The Company incurred a net loss of \$399,449 (2019: \$198,734) for the nine months ended April 30, 2020. At April 30, 2020, the Company had an accumulated deficit of \$711,559 (July 31, 2019: \$312,110), which has been funded primarily by the issuance of equity. The Company will need to raise new funds through the sale of shares to maintain operations. These factors together raise substantial doubt about its ability to continue as a going concern. These financial statements do not reflect adjustments for the possible future effect on the recoverability and classification of the assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Realizable values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

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Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars - unaudited)

2. Significant accounting policies

These unaudited condensed interim financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standard (“IFRS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed, and therefore these financial statements should be read in conjunction with the Company’s July 31, 2019 audited annual consolidated financial statements and the notes to such financial statements.

The policies applied in these financial statements are based on the IFRS issued and outstanding as of June 29, 2020, the date the Board of Directors approved these financial statements, and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

New accounting standards and interpretations:

IFRS 16, Leases (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the condensed consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company does not have any leases, and as a result, this standard had no impact on the Company’s financial statements on adoption.

IFRIC 23, Uncertainty over Income Tax Treatments (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company’s financial statements.

Accounting standards issued but not yet adopted:

The Company has not applied the following amendment that has been issued but is not yet effective:

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company has not elected to apply this amendment early.

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Notes to Financial Statements

(Expressed in Canadian Dollars - unaudited)

3. Exploration and evaluation asset – Mineral

	Tarachi	Jack White	Total
Balance, July 31, 2018	\$ -	\$ 96,950	\$ 96,950
Additions	-	151,774	151,774
Balance, July 31, 2019	-	248,724	248,724
Additions	385,299	-	385,299
Abandonment	-	(248,724)	(248,724)
Balance, April 30, 2020	\$ 385,299	\$ -	\$ 385,299

Tarachi

On March 27, 2020 the Company entered into a letter agreement with the option to earn 100% interest in the Tarachi Project located in the Sierra Madre Gold Belt of Eastern Sonora, Mexico. The Company can earn 100% interest in the Property by making aggregate cash payments of USD\$5,000,000 and issuing 10,000,000 common shares as follows:

Cash payments	Common shares to be issued	Date
USD\$25,000	2,500,000	Upon signing of the Agreement (Issued and paid)
USD\$75,000	Nil	5 days after closing the Company's next financing
USD\$100,000	2,500,000	First anniversary
USD\$100,000	2,500,000	Second anniversary
USD\$100,000	2,500,000	Third anniversary
USD\$4,600,000	Nil	Fourth anniversary
USD\$5,000,000	10,000,000	

In addition, the Company paid a finders fee of 2,500,000 common shares in connection with the option agreement.

	Tarachi Project
Acquisition Costs	
Balance, July 31, 2019	\$ -
Additions	385,299
Balance, April 30, 2020	\$ 385,299

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Notes to Financial Statements

(Expressed in Canadian Dollars - unaudited)

3. Exploration and evaluation asset – Mineral (continued)

Jack White

On February 27, 2016 the Company entered into a letter agreement with Raymond Wladichuk for the option to earn 100% interest in the Jack White Property. The agreement was amended on October 27, 2017. The Company could earn 100% interest in the Property, subject to a 2% NSR Royalty of which 50% can be purchased for \$1,000,000 any time prior to commencement of commercial production of the Property, by making the following payments:

- Making total cash payments of \$387,500 as outlined below;
- Issuing a total of 1,300,000 common shares as outlined below; and
- Incurring a total of \$1,850,000 in expenditures as outlined below.

During the three months ended April 30, 2020, the Company abandoned the Jack White Property and incurred a write-down of \$236,224.

		Jack White Property
Acquisition Costs		
Balance, July 31, 2019	\$	12,500
Abandonment		(12,500)
Balance, April 30, 2020	\$	-
Deferred Exploration Costs		
Balance, July 31, 2017	\$	80,701
Geological consulting		3,749
Balance, July 31, 2018		84,450
Geological consulting		1,718
Geophysics		59,328
Field		45,100
Other		45,628
Balance as at July 31, 2019		236,224
Abandonment		(236,224)
Balance, April 30, 2020	\$	-

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Notes to Financial Statements

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4. Share capital

Authorized share capital:

Unlimited common shares without par value.

Issued and outstanding:

On April 7, 2020, the Company completed a forward split of its common shares on a two for one basis. All references to issued and outstanding share capital have been adjusted to account for the split.

Warrants

The fair value of warrants was determined using the Black-Scholes model with the following assumptions:

Stock price	\$ 0.10	
Exercise price	\$ 0.10	
Dividend rate	0.00%	
Expected life	3 years	
Expected annual volatility	100%	Based on comparable entities
Risk free interest rate	1.56%	

A summary of the status of the Company's outstanding and exercisable warrants as at April 30, 2020 is as follows:

Number of Warrants	Exercise Price	Expiry Date
125,000	\$0.05	October 25, 2020

Stock Option Plan

The Directors of the Company adopted a stock option plan on February 28, 2018. The purpose of the Stock Option Plan is to advance the interests of the Company by encouraging the directors, officers, employees, management company employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire Common Shares in the share capital of the Company, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs. 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 the Company's Common Shares issued and outstanding at the time such options are granted. The Stock Option Plan will be administered by the Company's Board of Directors, which will have full and final authority with respect to the granting of all options thereunder.

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Notes to Financial Statements

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4. Share capital (continued)

Stock Option Plan (continued)

Options may be granted under the Stock Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise price of option grants will be determined by the Board of Directors, but after Listing on the Exchange will not be less than the closing market price of the Common Shares on the Exchange less allowable discounts at the time of grant. The Stock Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares, if the individual is a director, officer, employee or consultant, or 1% of the issued Common Shares, if the individual is engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is five years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Stock Options

The fair value of stock options was determined using the Black-Scholes model with the following assumptions:

Stock price	\$ 0.15
Exercise price	\$ 0.15
Dividend rate	0.00%
Expected life	2 years
Expected annual volatility	107%
Risk free interest rate	1.60%

A summary of changes in stock options is summarized below:

Balance, July 31, 2018 and 2019	-
Issued	700,000
Expired	(200,000)
Balance, April 30, 2020	500,000

A summary of the status of the Company's outstanding and exercisable warrants as at January 31, 2020 is as follows:

Number of Options	Exercise Price	Expiry Date
500,000	\$0.075	September 12, 2021

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Notes to Financial Statements

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5. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the exchange amount, being the amount established and agreed upon by the related parties.

The Company's key management personnel consists of directors and executives and companies owned, directly or indirectly, by key management personnel of the Company.

<u>Name</u>	<u>Nature of Transactions</u>
Ray Wladichuk, Former CEO	Property acquisition
Aeron Kawakami, Former CFO	Consulting
Martin Bajic, CFO	Consulting
Michael Konnert, Director	Consulting
Waldo Sciences Inc.	Exploration fees, geological consulting, management fees, rent and general and administrative expenses

As at April 30, 2020, the Company has amounts due to related parties totaling \$Nil (July 31, 2019: \$5,250).

The Company's total related party expenses and other items for the periods ending April 30, 2020 and 2019 are as follows:

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019	Nine Months Ended April 30, 2020	Nine Months Ended April 30, 2019
Consulting	\$ 10,000	\$ 6,500	\$ 22,500	\$ 34,725
Included in exploration and evaluation	-	-	-	1,718

6. Subsequent events

On May 25, 2020, the Company completed a private placement whereby it issued 13,003,664 units at \$0.15 per unit for gross proceeds of \$1,950,550. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share at price of \$0.25 for a period of 24 months. The Company paid finders' fees of \$84,135 and issued 566,233 finders' warrants at the same terms as the private placement warrants.

On June 18, 2020, the Company granted 2,735,000 stock options exercisable at a price of \$0.31 for a period of 60 months from the grant date.