



Condensed Interim Consolidated Financial Statements
For the six months ended January 31, 2022, and 2020
Presented in Canadian dollars

NOTICE TO READER

NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim 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 condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements.

TARACHI GOLD CORP.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	January 31, 2022	July 31, 2021
ASSETS			
Current assets			
Cash		\$ 58,953	\$ 1,467,649
Accounts receivable	3	989,309	853,423
Prepaid expenses		52,068	276,902
Total current assets		\$ 1,100,330	\$ 2,597,974
Exploration and evaluation assets	4	23,036,825	22,094,865
TOTAL ASSETS		\$ 24,137,155	\$ 24,692,839
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 334,726	\$ 983,157
Short-term loan	6	71,457	-
Shares to be issued	7	560,000	2,255,500
Total current liabilities		\$ 966,183	\$ 3,238,657
Contingent consideration	8	5,598,060	6,603,844
Total liabilities		\$ 6,564,243	\$ 9,842,501
SHAREHOLDERS' EQUITY			
Share capital	8	18,897,611	17,025,164
Contributed surplus	8	2,957,426	2,871,240
Accumulated deficit		(4,282,125)	(5,046,066)
Total shareholders' equity		\$ 17,572,912	\$ 14,850,338
Total liabilities and shareholders' equity		\$ 24,137,155	\$ 24,692,839

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved on behalf of the board of directors on March 30, 2022:

"Michael Konnert"

Michael Konnert, Chairman of the Board

"Lorne Warner"

Lorne Warner, Director

TARACHI GOLD CORP.

Condensed Interim Consolidated Statements of Operations and Comprehensive Income / (Loss)
(Expressed in Canadian Dollars)

	Note	Three Months Ended January 31, 2022	Three Months Ended January 31, 2021	Six Months Ended January 31, 2022	Six Months Ended January 31, 2021
EXPENSES					
Consulting fees	11	\$ 72,005	\$ 401,510	\$ 135,422	\$ 575,167
General and administrative costs		43,655	79,340	94,468	188,394
Insurance		14,640	468	28,508	42,346
Management fees	11	37,603	-	73,853	-
Professional fees		3,439	36,043	6,007	42,688
Project investigation		19,816	8,735	38,316	34,162
Shareholder information and investor relations		124,444	79,242	286,109	439,036
Stock-based compensation		177,987	376,628	177,987	1,289,449
Transfer agent and filing fees		13,747	6,801	22,884	28,093
		\$ (507,336)	\$ (988,767)	\$ (863,554)	\$ (2,639,335)
Other income (expenses)					
Foreign exchange loss		(379,529)	-	(25,344)	-
Interest expense		(24)	-	(24)	-
Interest income		10	2,089	183	2,089
Fair value gain of shares issued	8	212,257	-	732,257	-
Contingent consideration revaluation gain	8	640,374	-	854,826	-
NET AND COMPREHENSIVE INCOME / (LOSS)		\$ (34,248)	\$ (986,678)	\$ 698,344	\$ (2,637,246)
INCOME / (LOSS) PER SHARE (basic and diluted)		\$ (0.00)	\$ (0.02)	\$ 0.01	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (basic and diluted)		84,303,226	61,738,079	81,072,357	59,710,927

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

TARACHI GOLD CORP.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Six Months Ended January 31, 2022	Six Months Ended January 31, 2021
OPERATING ACTIVITIES	\$	\$
Net income / (loss) for the year	698,344	(2,637,246)
Item not effecting cash:		
Stock based compensation	177,987	1,289,449
Foreign exchange loss	25,344	-
Shares issued for services	-	8,532
Fair value gain of shares issued	(854,826)	-
Contingent consideration revaluation gain	(732,257)	-
Changes in non-cash working capital items:		
Change in tax and other receivable	(135,886)	-
Change in prepaid expenses	224,834	(63,713)
Change in accounts payable and accrued liabilities	(648,432)	(21,844)
	(1,244,892)	(1,424,822)
INVESTING ACTIVITIES		
Exploration and evaluation assets - acquisition	-	(53,172)
Exploration and evaluation assets - expenditures	(821,804)	(1,750,052)
	(821,804)	(1,803,224)
FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of share issuance cost	650,500	7,550,940
Proceeds from options exercised	7,500	13,600
Proceeds from warrant exercised	-	102,500
	658,000	7,667,040
NET CHANGE IN CASH	(1,408,696)	4,438,994
CASH, beginning of the period	1,467,649	2,568,358
CASH, end of the period	58,953	7,007,352

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

TARACHI GOLD CORP.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common shares		Contributed	Accumulated	
	Number of shares	Share capital	Surplus	Deficit	Total
		\$	\$	\$	\$
Balance, July 31, 2020	37,094,664	3,408,892	932,379	(1,775,312)	2,565,959
Shares issued - exploration and evaluation asset, net of share issuance	500,000	335,000	-	-	335,000
Shares issued on private placement	23,718,605	9,487,442	-	-	9,487,442
Options exercised	150,000	24,450	(10,850)	-	13,600
Warrants exercised	410,000	147,500	(45,000)	-	102,500
Share issuance costs - warrants	-	(740,374)	425,007	-	(315,367)
Share issued for services	13,126	8,532	-	-	8,532
Stock based compensation	-	-	1,289,449	-	1,289,449
Net loss and comprehensive loss for the year	-	-	-	(2,637,246)	(2,637,246)
Balance, January 31, 2021	61,886,395	12,671,442	2,590,985	(4,412,558)	10,849,869
Shares issued - exploration and evaluation asset, net of share issuance	14,094,728	4,213,367	-	-	4,213,367
Options exercised	250,000	24,390	(5,640)	-	18,750
Warrants exercised	663,333	132,197	33,635	-	165,832
Share issuance costs - warrants	-	(48,768)	48,768	-	-
Share issued for services	95,154	32,536	-	-	32,536
Stock based compensation	-	-	203,492	-	203,492
Net loss and comprehensive loss for the year	-	-	-	(633,508)	(633,508)
Balance, July 31, 2021	76,989,610	17,025,164	2,871,240	(5,046,066)	14,850,338
Shares issued - exploration and evaluation asset, net of share issuance	7,038,528	1,188,243	-	-	1,188,243
Shares issued on private placement	4,396,667	659,500	-	-	659,500
Options exercised	100,000	7,500	(65,597)	65,597	7,500
Share issuance costs - warrants	-	26,204	(26,204)	-	-
Share issuance costs - cash	-	(9,000)	-	-	(9,000)
Stock based compensation	-	-	177,987	-	177,987
Net loss and comprehensive loss for the period	-	-	-	698,344	698,344
Balance, January 31, 2022	88,524,805	18,897,611	2,957,426	(4,282,125)	17,572,912

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

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021
(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Tarachi Gold Corp. (the "Company") was incorporated under the Business Corporations Act in British Columbia on February 19, 2016. On April 6, 2020, the Company changed its name from Kal Minerals Corp. to Tarachi Gold Corp. The Company has interests in exploration and evaluation assets, tailings and production facility in Mexico, and its principal business includes the exploration, development of those assets to move towards commercial production. The shares of the Company are trading on the Canadian Security Exchange (the "CSE") under the symbol "TRG".

The head office, principal address, registered address, and records office of the Company are located at #700-1090 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 condensed interim consolidated financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern. At January 31, 2022, the Company has not yet achieved profitable operations, the Company had working capital of \$134,147 (July 31, 2021 – deficit of (\$640,683)), and has an accumulated deficit of \$4,282,125 (July 31, 2021 - \$5,046,066). The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business.

These condensed interim consolidated financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported expenses, and classification used, that would be necessary if the Company were unable to continue as a going concern.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities as it can result in operating, supply chain and project development delays that can materially adversely affect the operations of the Company. Operations at Magistral and other projects could be further suspended as actions are taken in an effort to combat the spread of COVID-19. If the exploration or development of the Magistral and other projects are further suspended or delayed, it may have a material adverse impact on Tanachi's results of operations, financial condition and the trading price of its common shares. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021
(Expressed in Canadian Dollars)

2. Significant Accounting Policies

The significant accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

a) Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting other than the consolidated statements of cash flows. The consolidated financial statements were approved by the Board of Directors of the Company on March 30, 2022.

b) Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company.

The principal subsidiaries of the Company, which are accounted for under the consolidation method, are as follows:

Entity	Principal activities	Country of incorporation and operation	Ownership interest as at January 31, 2022	Ownership interest as at July 31, 2021
TGMEX Silver S.A. DE C.V.	Gold production and development	Mexico	100%	100%
Tarachi Gold S.A. DE C.V.	Exploring evaluating mineral properties	Mexico	100%	100%

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company 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 Company. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

c) Reclassification

Certain comparative numbers have been reclassified to reflect the current year presentation.

d) Accounting standards issued but not yet adopted

The new standards or amendments issued but not yet effective are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

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Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021

(Expressed in Canadian Dollars)

3. Tax and other receivable

	January 31, 2022	July 31, 2021
	\$	\$
Tax receivable	989,309	839,868
Other receivable	-	13,555
	<u>989,309</u>	<u>853,423</u>

4. Exploration and evaluation asset

	Tarachi and Juliana Property	Jack White Property	Magistral Project	Total
Acquisition Costs	\$	\$	\$	\$
Balance, July 31, 2019	-	12,500	-	12,500
Issuance of shares	1,000,000	-	-	1,000,000
Shares to be issued	150,357	-	-	150,357
Write-off	-	(12,500)	-	(12,500)
Balance, July 31, 2020	1,150,357	-	-	1,150,357
Issuance of shares	1,047,500	-	3,500,866	4,548,366
Shares to be issued	-	-	2,815,500	2,815,500
Cash payments	676,057	-	9,916,003	10,592,060
Balance, July 31, 2021	2,873,914	-	16,232,369	19,106,283
Issuance of shares	225,000	-	963,243	1,188,243
Cash payments	30,000	-	187,838	217,838
Reversal of shares to be issued	-	-	(2,255,500)	(2,255,500)
Fair value of shares issued	-	-	1,292,257	1,292,257
Balance, January 31, 2022	3,128,914	-	16,420,207	19,549,121

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Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021
(Expressed in Canadian Dollars)

4. Exploration and evaluation asset (continued)

	Tarachi and Juliana Property	Jack White Property	Magistral Project	Total
Deferred Exploration Costs	\$	\$	\$	\$
Balance, July 31, 2020	351,491	-	-	351,491
Aircraft and Helicopters	20,309	-	-	20,309
Analysis	143,465	-	-	143,465
Camp and support	77,375	-	675,897	753,272
Data management and maps	40,822	-	-	40,822
Drilling and trenching	796,791	-	-	796,791
Engineering services	-	-	113,268	113,268
Field costs	35,179	-	26,307	61,486
Geological services	354,971	-	13,200	368,171
Materials and supplies	11,164	-	-	11,164
Recording and filing	-	-	-	-
Travel	111,017	-	1,877	112,894
Balance	1,942,584	-	830,549	2,773,133
Exchange difference	9,886	-	205,563	215,449
Balance, July 31, 2021	1,952,470	-	1,036,112	2,988,582
Aircraft and Helicopters	-	-	-	-
Analysis	4,703	-	-	4,703
Camp and support	94,152	-	146,436	240,588
Data management and maps	-	-	-	-
Drilling and trenching	578	-	-	578
Engineering services	-	-	341,671	341,671
Ejido rights	3,066	-	-	-
Field costs	-	-	42,860	42,860
Geological services	65,691	-	13,300	78,991
Materials and supplies	13,768	-	-	13,768
Recording and filing	-	-	-	-
Rent of land	27,072	-	-	27,072
Travel	769	-	-	769
Balance	2,162,269	-	1,580,379	3,739,582
Exchange difference	(53,694)	-	(201,250)	(254,944)
Balance, January 31, 2022	2,108,575	-	1,379,129	3,487,704
Total exploration and evaluation assets				
Balance, July 31, 2020	1,501,848	-	-	1,501,848
Balance, July 31, 2021	4,826,384	-	17,268,481	22,094,865
Balance, January 31, 2022	5,237,489	-	17,799,336	23,036,825

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021
(Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)**a) Tarachi and Juliana Property****i) Juliana and Las Moritas Property**

On September 3, 2020, the Company announced it entered into an option agreement to acquire 100% of Juliana and Las Moritas concessions in Sonora, Mexico. The Company has the right to acquire the concessions by making aggregate cash payments of \$2,000,000 USD to the optionor over the following 60 months, as well as through the issuance of 4,000,000 total common shares.

Cash payments (USD)	Common shares	Date
\$ 40,000	500,000	Execution date (paid and issued)
\$ 30,000	Nil	Six months anniversary of the execution date (paid)
\$ 30,000	1,000,000	Twelve months anniversary of the execution date (paid)
\$ 30,000	Nil	Eighteen months anniversary of the execution date
\$ 60,000	1,000,000	Twenty-four months anniversary of the execution date
\$ Nil	1,500,000	Twenty-six months anniversary of the execution date
\$ 60,000	Nil	Thirty months anniversary of the execution date
\$ 150,000	Nil	Thirty-six months anniversary of the execution date
\$ 50,000	Nil	Forty-two months anniversary of the execution date
\$ 150,000	Nil	Forty-eight months anniversary of the execution date
\$ 700,000	Nil	Fifty-four months anniversary of the execution date
\$ 700,000	Nil	Sixty months anniversary of the execution date
\$ 2,000,000	4,000,000	

ii) Tarachi Project

On March 27, 2020, the Company entered into a letter agreement with the option to earn 100% interest in the Tarachi Project. The Company can earn 100% interest in the Property by making the following payments:

- Making total cash payments of US\$5,000,000 as outlined below; and
- Issuing a total of 10,000,000 common shares as outlined below.

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

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021
(Expressed in Canadian Dollars)

4. Exploration and evaluation asset (continued)**b) Acquisition of Magistral del Oro mill and tailings project**

On February 8, 2021, the Company signed a purchase agreement (the “APA Agreement”) with Manto Resources S.A. de C.V. (“Manto”) to acquire Magistral del Oro mill and tailings project (“Magistral”) located in the State of Durango, Mexico. The acquisition was closed on March 17, 2021 (the “Closing Date”).

Pursuant to the APA Agreement, 100% interest in Magistral project was acquired and the consideration is composed of the following:

- 4,000,000 common shares issued respectively upon execution and 60 days after the Closing Date of the APA Agreement; (issued at the fair value of \$2,560,000) (Note 7)
- US\$1,179,500 upon execution of the APA Agreement; (paid)
- Certain obligations have been assumed by the Company
 - US\$1,245,230 has been paid and 2,594,728 common shares with fair value of \$670,868 have been issued during the year ended July 31, 2021 (Note 7);
 - US\$314,940 (C\$392,478) has been paid in cash and US\$333,333 (C\$383,243) of the Company’s common shares has been issued at 15% discount to the 10-day volume weighted average trading price (2,038,528 shares at \$0.188) on November 10, 2021 (Note 8);
 - 4,000,000 common shares to be issued respectively on 180 days (issued on Jan 28, 2022 at \$0.145) (Note 8) and 365 days after the Closing Date (Recorded as shares to be issued with fair value of \$1,200,000 as at the Closing date and revaluated to \$560,000 on January 31, 2022. The gain of \$640,000 has been recorded in the fair value gain of shares issued) (Note 7).
- Contingent considerations to be paid upon achieving certain milestones:
 - 15% net profits royalty on the earnings before interest and taxes (“EBIT”);
 - US\$500,000 respectively on 180 days and 365 days after commercial production which was defined as the EBIT exceeds \$100,000 in a calendar month; and
 - US\$1,000,000 upon revenue equaling or exceeding US\$15,000,000.

On January 19, 2022, the Company has completed the Preliminary Economic Assessment (“PEA”) to assess whether the Company can bring the project into commercial production. For the six months ended January 31, 2022, a probability weighted expected value calculation was utilized to value the contingent consideration. The calculation was based on the management’s best estimate on the assumptions used in EBIT projection. The probability weightings assigned were based on the likelihood of occurrence of different scenarios. The Company has revalued the estimated royalty and recalculated the contingent considerations based on the available results from the PEA.

The pre-tax discount rate applied to EBIT projection is 12.4%, which represent the current market assessment of the risk specific to the Company, taking into consideration of the time value. A 1% decrease/increase in the discount rate would increase/decrease the contingent consideration balance as at January 31, 2022, by approximately \$93,000.

As at the Closing Date, the contingent considerations were fair valued at \$6,575,097. The provision has been revaluated to \$5,598,060 on January 31, 2022, the gain of \$977,037 has been recorded in the contingent consideration revaluation gain.

In addition, during the year ended July 31, 2021, the Company has issued a finder’s fee of 1,000,000 common shares with fair value of \$270,000 related to the Magistral acquisition (Note 8).

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021

(Expressed in Canadian Dollars)

5. Accounts payable and accrued liabilities

	January 31, 2022	July 31, 2021
	\$	\$
Accounts payable and accrued liabilities	193,261	590,679
Property acquisition cost (Note 4)	-	392,478
Due to related party (Note 11)	141,465	-
	<u>334,726</u>	<u>983,157</u>

6. Short-term loan

On January 26, 2022, \$71,433 was loaned to the Company by an arm's length company for exploration and evaluation expenses at an annual interest rate of 2.45%.

The detail of the loan is as follows:

	January 31, 2022	July 31, 2021
	\$	\$
Opening balance	71,433	-
Interest expense	24	-
Repayment	-	-
Ending balance	<u>71,457</u>	<u>-</u>

On March 16, 2022, the Company repaid the loan plus interest in full (See Note 13).

7. Shares to be issued

As at January 31, 2022, the Company recorded \$560,000 for the 4,000,000 shares to be issued under the APA Agreement with Manto 365 days after the Closing Date to acquire the Magistral mill and tailings project (Note 4(b)).

8. Share capital

Authorized share capital:

Unlimited common shares without par value.

Issued and outstanding:

88,524,805 (July 31, 2021 – 76,989,610) common shares, of which no common shares are held in escrow (July 31, 2021 – 838,200).

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Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021
(Expressed in Canadian Dollars)

8. Share capital (continued)

Shares issued during the six months period ended January 31, 2022

On August 11, 2021, 100,000 stock options were exercised for total proceeds of \$7,500.

On September 8, 2021, 1,000,000 of shares have been issued pursuant to the option agreement to acquire the Juliana and Las Moritas property.

On October 28, 2021, the Company completed a private placement (the "Private Placement") whereby the Company issued a total of 4,396,667 common shares at a price of \$0.15 per share for gross proceeds of \$659,500. The Company paid cash finder's fees equal to \$9,000 and issued 60,000 broker warrants of the Company, exercisable at any time on or before October 28, 2022, at an exercise price of \$0.35. The fair value of the finders' warrants is \$4,902.

On November 10, 2021, 2,038,528 shares have been issued at \$0.188 under the APA Agreement for the Magistral mill and tailings project as the \$383,243 (US\$333,333) of the Company's common shares at 15% discount to the 10-day volume weighted average trading price (See Note 4(b));

On January 28, 2022, 4,000,000 shares have been issued at \$0.145 under the APA Agreement for the Magistral mill and tailings project as part of the shares to be issued on 180 days after the Closing Date (See Note 4(b)).

Shares issued during the year ended July 31, 2021

On August 14, 2020, the Company closed a non-brokered private placement for gross proceeds of \$9,487,442 through the issuance of 23,718,605 units at a price of \$0.40 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of \$0.70 per share for a period of 24 months. The Company paid finder's fees of \$304,938, \$10,429 of related costs and issued 755,610 finder's warrants at the same terms as the warrants described above. The fair value of the finders' warrants is \$473,775.

The Company issued 500,000 common shares with a fair value of \$335,000 pursuant to the option agreement to acquire the Juliana and Las Moritas property, 2,500,000 common shares with a fair value of \$712,500 pursuant to the option agreement to acquire the Tarachi property and 11,594,728 common shares with a fair value of \$3,500,867 pursuant to the purchase agreement to acquire the Magistral project (Note 4).

The Company issued 108,280 (July 31, 2020 – Nil) common shares with a fair value of \$41,068 pursuant to a geological consulting agreement during the year ended July 31, 2021.

The Company issued 1,473,333 (July 31, 2020 – 125,000) common shares for exercise of options and warrants during the year ended July 31, 2021, for total proceeds of \$300,683 (July 31, 2020 - \$6,250).

Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the granted options are fixed by the Board of Directors and are not to exceed ten years. The exercise price of options is determined by the Board of Directors but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the options are granted, less any discount permitted by the TSX Venture Exchange (the "Exchange"). Options granted under the plan may vest immediately on grant, or over a period as determined by the Board of Directors or, in respect of options granted for investor relations services, as prescribed by the Exchange.

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Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021
(Expressed in Canadian Dollars)

8. Share capital (continued)*Options (continued)*

On January 25, 2022, The Company has granted 1,500,000 options to directors, officers, and consultants under the Company's stock option plan. The options have an exercise price of \$0.16 and will vest immediately. They are exercisable for a period of five years from the date of the grant.

A continuity schedule of the Company's outstanding stock options for the six months ended January 31, 2022, and 2021 are as follows:

	January 31, 2022		July 31, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
		\$		\$
Outstanding, beginning of the period	6,855,000	0.37	3,535,000	0.31
Granted	1,500,000	0.16	4,885,000	0.40
Cancelled	(550,000)	0.36	(1,165,000)	0.43
Exercised	(100,000)	0.08	(400,000)	0.08
Outstanding and exercisable, end of the period	7,705,000	0.33	6,855,000	0.37

During the six months ended January 31, 2022, the share prices on the dates of option exercise are \$0.14 - \$0.23.

At January 31, 2022, the Company had outstanding and exercisable stock options as follows:

Expiry date	Options outstanding	Exercise price \$	Weighted average remaining contractual life (in years)
18-Jun-20	1,750,000	0.31	3.38
15-Oct-21	300,000	0.66	3.47
26-Aug-24	1,000,000	0.69	2.57
21-Jan-26	1,408,000	0.28	3.98
08-Feb-26	380,000	0.29	4.02
17-Mar-26	167,000	0.30	4.13
27-Apr-26	1,200,000	0.27	4.24
25-Jan-27	1,500,000	0.16	4.99
	7,705,000		3.88

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8. Share capital (continued)*Options (continued)*

The fair value of the options granted was calculated using the Black-Scholes option pricing model with the following assumptions:

	January 31, 2022	July 31, 2021
Share price on grant date	\$0.16-\$0.67	\$0.27-\$0.67
Risk Free Interest Rate	0.19%-1.64%	0.19%-0.99%
Forfeiture rate	-	-
Expected Dividend Yield	-	-
Expected Volatility	106%-182%	106%-182%
Expected Term in Years	1-5 years	1-5 years

The Company recorded total fair value of \$177,987 as share-based compensation for the six months ended January 31, 2022 (July 31, 2021 - \$1,492,941).

Warrants

A continuity schedule of the Company's outstanding common share purchase warrants for the six months ended January 31, 2022, and 2020 is as follows:

	January 31, 2022		July 31, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
		\$		\$
Outstanding, beginning of the period	25,167,727	0.48	13,569,897	0.25
Issued	60,000	0.35	12,671,163	0.70
Exercised	-		(1,073,333)	0.25
Expired	(56,250)	0.40	-	-
Outstanding, end of the period	25,171,477	0.48	25,167,727	0.48

At January 31, 2022, the Company had outstanding warrants exercisable to acquire common shares of the Company as follows:

Expiry date	Warrants outstanding	Exercise price \$	Weighted average remaining contractual life (in years)
22-May-22	12,010,331	0.25	0.15
22-May-22	486,233	0.25	0.01
14-Aug-22	11,859,303	0.70	0.25
14-Aug-22	755,610	0.70	0.02
28-Oct-22	60,000	0.35	0.00
	25,171,477		0.42

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8. Share capital (continued)*Warrants (continued)*

The fair value of the warrants granted was calculated as of the grant date using the Black-Scholes option pricing model with the following assumptions:

	January 31, 2022	July 31, 2021
Share price on grant date	\$0.74	\$0.74
Risk Free Interest Rate	0.30%	0.30%
Expected Dividend Yield	-	-
Expected Volatility	175%-185%	175%-185%
Expected Term in Years	1 year	1 – 2 years

During the six months ended January 31, 2022, the Company recorded fair value of \$4,902 (July 31, 2021 - \$473,775) against reserves.

During the six months ended January 31, 2022, the Company reversed the fair value of warrants expired and recorded \$31,106 (July 31, 2021 - \$Nil) against reserves.

9. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to continue its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company's capital includes the components of its shareholders' equity. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash. In order to preserve cash, the Company does not pay any dividends.

The Company is not subject to any externally imposed capital requirements. The Company did not change its capital management approach during the six-month period ended January 31, 2022. The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements.

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Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021

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10. Financial instruments**a) Categories of financial instruments and fair value measurements**

The Company's financial assets and liabilities are as follows:

	January 31, 2022	July 31, 2021
Financial assets:	\$	\$
<i>FVTPL</i>		
Cash	58,953	1,467,649
<i>Amortized cost</i>		
Other receivables (exclude tax receivable)	-	13,555
	<u>58,953</u>	<u>1,481,204</u>
Financial liabilities:		
<i>FVTPL</i>		
Contingent consideration	5,598,060	6,603,844
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	<u>334,726</u>	<u>983,157</u>

b) Fair value information

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels as defined below:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash is carried at fair value using a level 1 fair value measurement. Contingent consideration is carried at fair value using a level 3 fair value measurement (Note 4).

The fair value of the Company's other receivables (exclude tax receivable) and accounts payable and accrued liabilities approximate the carrying amount due to the short-term nature of this instrument.

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10. Financial instruments (continued)**c) Management of financial risks**

The Company's financial instruments expose the Company to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Company's cash is primarily held with high credit quality financial institutions in Canada, management believes credit risk is low given the good credit ratings of the banks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

As at January 31, 2022, the Company had cash of \$58,953 (July 31, 2021 - \$1,467,649) and accounts payable and accrued liabilities of \$334,726 (July 31, 2020 - \$983,157) with contractual maturities of less than one year. The Company does not have sufficient cash to meet its current liabilities but can continue to raise funds through private placements (see Note 13); therefore, management assessed the liquidity risk is low.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity.

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar, United states dollar, and the Mexican Peso will affect the Company's operations and financial results. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. A 10% decrease/increase in foreign exchange rate of USD to Peso would increase/decrease the net and comprehensive loss for the three-month ended January 31, 2022, by approximately \$67,000.

Price risk

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

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Notes to Condensed Interim Consolidated Financial Statements for the six months ended January 31, 2022, and 2021
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11. Related party balances and transactions

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

As at January 31, 2022, the Company has amounts due to/from related parties totaling \$141,465 (July 31, 2021: \$Nil).

During the six months ended January 31, 2022, the Company has granted 950,000 stock options in total to officers and directors of the Company (July 31, 2021: 3,305,000) (Note 7).

During the six months ended January 31, 2022, and 2020, the Company has the following related party transactions:

	For the three month ended		For the six month ended	
	January 31, 2022	January 31, 2021	January 31, 2022	January 31, 2021
	\$	\$	\$	\$
Consulting fee	55,500	56,000	111,000	107,000
Management fee	37,189	-	73,439	-
Rent and administration services	45,000	21,818	90,000	53,137
Stock based compensation (Note 7)	109,759	1,018,000	991,728	1,523,495
Total	247,448	1,095,818	1,266,167	1,683,632

These 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.

12. Segment information

The Company has one operating segment, being principally mineral exploration. The Company's non-current assets are all located in Mexico.

13. Subsequent events

On December 13, 2021, the Company announces positive results of Magistral Preliminary Economic Assessment and Mineral Resource Estimate. The report outlines a potential low capex, low operating cost, and low environmental impact tailings reprocessing operation that can be brought into production in a 12-month time frame.

On March 11, 2022, the Company has closed the non-brokered private placement financing for 23,227,005 units at a price of C\$0.18 per Unit for gross proceeds of \$4,180,861. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of C\$0.30 for a period of 24 months. The Company paid cash finder's fees equal to C\$81,796 and issued 454,422 broker warrants of the Company at the same terms as the warrants described above.

On March 16, 2022, the Company repaid the full short-term private loan plus interest expenses up to the repayment date (See Note 6).

On March 23, 2022, the Company signed a new land lease, water rights and tailings purchase agreements with the local Magistral Ejido community. These new agreements will allow the Company to continue with Magistral's development in 2022 with the goal of producing gold at Magistral in 2023.

On March 24, 2022, the Company has granted 200,000 options to the new Vice President of Operations under the Company's stock option plan. The options have an exercise price of \$0.165 and will vest immediately. They are exercisable for a period of five years from the date of the grant.