



MONARCA MINERALS

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MONARCA MINERALS INC.

Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
(Unaudited)
Expressed in Canadian Dollars

MONARCA MINERALS INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED AUGUST 31, 2021 and 2020

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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.

October 26, 2021

MONARCA MINERALS INC.

Condensed Consolidated Interim Statements of Financial Position Expressed in Canadian Dollars

	Note	August 31 2021	November 30 2020
Assets			
Current assets			
Cash		\$ 1,213,170	\$ 1,769,640
Amounts receivable		32,505	56,888
Current portion of Note receivable	6	134,363	134,363
Prepaid expenses		43,935	50,108
Short-term investments		25,000	-
Total current assets		1,448,973	2,010,999
Non-current assets			
Note receivable	6	-	134,363
Equipment	3	11,219	12,015
Total assets		\$ 1,460,192	\$ 2,157,377
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 1,399,235	\$ 1,372,329
Interest payable	8,9(b),9(c)	159,473	14,595
Promissory notes	7	400,000	400,000
Current portion of long-term debt	8	853,685	853,685
Total liabilities		2,812,393	2,640,609
Shareholders' equity (deficiency)			
Share capital	4(a)	28,362,009	28,048,887
Share purchase warrants reserve	4(a),4(c)	1,067,864	1,102,655
Share-based payment reserve	5	347,288	347,288
Equity conversion option	8	121,130	121,130
Accumulated deficit		(31,250,492)	(30,103,192)
Total shareholders' equity (deficiency)		(1,352,201)	(483,232)
Total liabilities and shareholders' equity (deficiency)		\$ 1,460,192	\$ 2,157,377

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 13)

Approved on behalf of the Board:

"Frank Högel"

Director

"Carlos Espinosa"

Director

MONARCA MINERALS INC.

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

	Note	Three Months Ended		Nine Months Ended	
		August 31	August 31	August 31	August 31
		2021	2020	2021	2020
Administrative expenses					
Accounting and legal		\$ 19,335	26,141	\$ 95,175	62,934
Amortization	3	-	-	796	936
Business development		523	-	532	-
Exploration expenses (recovery)		167,236	74,387	495,756	(130,745)
Geological consulting		12,600	-	51,100	-
Insurance		3,382	1,620	8,090	5,648
Investor relations		7,168	752	11,213	6,510
Management fees and salaries		94,976	149,695	284,920	234,761
Office expenses		7,738	-	10,468	-
Regulatory and filing fees		4,099	9,968	21,389	18,456
Loss before undernoted items		(317,057)	(262,563)	(979,439)	(198,500)
Other income (expenses)					
Other income		-	-	-	50,000
Gain on sale of mineral property	6	-	404,948	-	404,948
Interest and bank charges	7	(56,041)	(5,839)	(169,169)	(16,423)
Stock compensation expense	4(b), 5, 9(a)	-	(85,500)	-	(85,500)
Gain (loss) on foreign exchange		(1,173)	(18,564)	1,308	(24,061)
Total other income (expenses)		(57,214)	295,045	(167,861)	328,964
Gain (loss) for the period before income taxes		(374,271)	32,482	(1,147,300)	130,464
Current income tax expense		-	(27,134)	-	(27,134)
Net income (loss) and comprehensive income (loss) for the period		\$ (374,271)	5,348	\$ (1,147,300)	103,330
Basic and diluted income (loss) per share		\$ (0.0031)	0.0000	\$ (0.0096)	0.0009
Weighted average number of shares outstanding - basic and diluted (note 4)		120,114,606	109,709,306	118,789,005	109,709,306

See accompanying notes to the consolidated financial statements.

MONARCA MINERALS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity For the Nine Months Ended August 31, 2021 and 2020 Expressed in Canadian Dollars

	Share Capital		Share Purchase Warrants Reserve	Share-Based Payments Reserve	Equity Conversion Option	Accumulated Deficit	Total
	Number	Amount \$	\$	\$	\$	\$	\$
Balance, November 30, 2019	49,529,306	25,775,730	857,647	261,788	39,370	(30,066,131)	(3,131,596)
Share issue (note 4(a))	60,000,000	1,447,235	-	-	-	-	1,447,235
Warrants issued (note 4(c))	-	-	1,098,655	-	-	-	1,098,655
Warrants expired (note 4(c))	-	-	(857,647)	-	-	857,647	-
Stock based compensation (note 5)	-	-	-	85,500	-	-	85,500
Net income and comprehensive income for the period	-	-	-	-	-	103,330	103,330
Balance, August 31, 2020	109,709,306	27,222,965	1,098,655	347,288	39,370	(29,105,154)	(396,876)
Balance, November 30, 2020	117,463,405	28,048,887	1,102,655	347,288	121,130	(30,103,192)	(483,232)
Warrants exercised (note 4(a)(c))	1,900,000	177,291	(34,791)	-	-	-	142,500
Shares for debt (note 4(a))	751,201	135,831	-	-	-	-	135,831
Net income and comprehensive income for the period	-	-	-	-	-	(1,147,300)	(1,147,300)
Balance, August 31, 2021	120,114,606	28,362,009	1,067,864	347,288	121,130	(31,250,492)	(1,352,201)

See accompanying notes to the consolidated financial statements.

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

For the Nine Months Ended	Note	August 31 2021	August 31 2020
Cash provided by (used in):			
Operating			
(Loss) gain for the period		\$ (1,147,300)	\$ 103,330
Items not affecting cash:			
Amortization	3	796	936
Stock based compensation		-	85,500
		(1,146,504)	189,766
Changes in non-cash operating accounts:			
Amounts receivable		24,383	146
Prepaid expenses		6,173	(39,472)
Note receivable		134,363	(268,726)
Accounts payable and accrued liabilities		26,903	151,449
Interest payable	8	144,878	(538,443)
Net cash provided by (used in) operating activities		(809,801)	(505,280)
Investing			
Short-term investments		(25,000)	-
Net cash (used in) provided by investing activities		(25,000)	-
Financing			
Share capital	4(a)	313,122	1,447,235
Share purchase warrants	4(c)	(34,791)	1,098,655
Reissuance of convertible debentures	8	-	1,015,445
Repayment of convertible debentures	8	-	(727,500)
Net cash provided by financing activities		278,331	2,833,835
Increase (decrease) in cash		(556,470)	2,328,555
Cash, beginning of period		1,769,640	3,657
Cash, end of period		\$ 1,213,170	\$ 2,332,212

See accompanying notes to the consolidated financial statements.

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 18 King Street E, Suite 902, 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 August 31, 2021, the Company had a working capital deficit of \$1,363,420 (November 30, 2020 – \$629,610) and had incurred losses since inception, and at August 31, 2021, had an accumulated deficit of \$31,250,492 (November 30, 2020 - \$30,103,192) which has been funded primarily by the issuance of equity. 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 Nine Months Ended August 31, 2021 and 2020
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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, 2020 and 2019 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 3 to the Company's consolidated financial statements for the years ended November 30, 2020 and 2019. These unaudited condensed consolidated interim financial statements were approved by the board of directors for issue on October 26, 2021.

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 3 of the Company's consolidated financial statements for the years ended November 30, 2020 and 2019.

3. Equipment

	Computer Equipment	Office Furniture and Equipment	Software	Leasehold Improvements	Site Vehicles	Total
Cost,						
November 30, 2019	\$ 10,477	\$ 21,542	\$ 17,498	\$ 13,858	\$ 27,856	\$ 91,231
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost,						
November 30, 2020	\$ 10,477	\$ 21,542	\$ 17,498	\$ 13,858	\$ 27,856	\$ 91,231
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost,						
August 31, 2021	\$ 10,477	\$ 21,542	\$ 17,498	\$ 13,858	\$ 27,856	\$ 91,231
Accumulated Amortization,						
November 30, 2019	\$ (10,477)	\$ (21,542)	\$ (12,110)	\$ (6,295)	\$ (27,856)	\$ (78,280)
Charge for the year	-	-	(389)	(547)	-	(936)
Accumulated Amortization,						
November 30, 2020	\$ (10,477)	\$ (21,542)	\$ (12,687)	\$ (6,654)	\$ (27,856)	\$ (79,216)
Charge for the year	-	-	(490)	(306)	-	(796)
Accumulated Amortization,						
August 31, 2021	\$ (10,477)	\$ (21,542)	\$ (13,177)	\$ (6,960)	\$ (27,856)	\$ (80,012)
Net book value,						
November 30, 2020	\$ -	\$ -	\$ 4,811	\$ 7,204	\$ -	\$ 12,015
Net book value,						
August 31, 2021	\$ -	\$ -	\$ 4,321	\$ 6,898	\$ -	\$ 11,219

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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, 2019	49,709,306	\$ 25,775,730
Share issue (note 4ai)	60,000,000	3,000,000
Warrants	-	(1,127,591)
Share issue (note 4aia)	6,026,499	451,987
Share issue (note 4aiii)	1,907,600	143,070
Equity conversion (note 4aiii)	-	19,865
Cost of share issue	-	(214,174)
Balance November 30, 2020	117,463,405	\$ 28,048,887
Shares for debt (note 4aiv)	751,201	135,831
Warrants exercised (note 4av)	1,900,000	177,291
Balance August 31, 2021	120,114,606	\$ 28,362,009

- 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 8). 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.

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4. Share Capital - continued

- 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.

(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 six months ended August 31, 2021 and for the year ended November 30, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, November 30, 2019	2,075,000	0.140
Issued	1,250,000	0.075
Balance November 30, 2020 and August 31, 2021	3,325,000	0.116

The weighted average remaining contractual life of the options as at August 31, 2021 is 1.82 years (November 30, 2020 – 2.32 years).

(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, 2019	17,473,322	857,647	0.180
Expired	(17,473,322)	(857,647)	0.180
Granted	64,416,000	1,102,655	0.073
Balance, August 31, 2020 and November 30, 2020	64,416,000	1,102,655	0.073
Exercised (note 4av)	(1,900,000)	(34,791)	0.075
Balance, August 31, 2021	62,516,000	1,067,864	0.071

The following warrants are outstanding at August 31, 2021:

Number of Warrants	Exercise Price (\$)	Expiry Date
58,100,000	0.075	August 20, 2022
4,416,000	0.050	August 20, 2022

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5. Share-Based Payment Reserve

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

	Period Ended August 31, 2021	Year Ended November 30, 2020
Balance, beginning of period	\$ 347,288	\$ 261,788
Options issued	-	85,500
Balance, end of period	\$ 347,288	\$ 347,288

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 (received)
- 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, 2020. As a result, the loan has been reclassified to current liabilities

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 debentures was \$727,500 plus accrued interest of \$287,945 for a total of \$1,015,445.

8. Long-Term Debt - continued

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 \$143,700 of convertible debentures in accordance with the terms of the debenture agreements.

Certain covenants of this loan were not met as at August 31, 2021 and November 30, 2020. As a result, the loan has been reclassified to current liabilities. See Note 1.

During the period, interest of \$144,877 (2020 – recovery of \$366,898) was incurred of which \$nil (November 30, 2020 - \$94,645) was paid in cash. Included in interest payable on the consolidated statement of financial position as at August 31, 2021 is \$159,473 relating to this debt (November 30, 2020 - \$14,595).

9. Related Party Transactions

During the nine-month periods ended August 31, 2021 and 2020, 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 and Directors. During the period ended August 31, 2021, the cash compensation paid or payable to key management for services was \$259,545 (2020 – \$143,801). Included in accounts payable and accrued liabilities at August 31, 2021 is \$162,891 (November 30, 2020 - \$50,000) 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. Stock based compensation for the period ended August 31, 2021 was \$nil (2020 - \$85,500) (note 5).
- (b) Companies controlled by a director of the Company hold \$767,690 of the long-term debt as at August 31, 2021 and \$751,243 as at November 30, 2020. During the period ended August 31, 2021, interest of \$127,492 (2020 - \$61,031) was payable to these companies and as at August 31, 2021, \$140,335 (November 30, 2020 - \$12,843) is included in interest payable on the consolidated statement of financial position. This amount is unsecured, non-interest bearing and has no specific terms of repayment.
- (c) During the period ended August 31, 2021, interest accrued on the promissory notes totaled approximately \$15,123 (2020 - \$15,123). Included in interest payable on the consolidated statement of financial position as at August 31, 2021 is \$141,582 (November 30, 2020 - \$126,459) related to this interest. This amount is unsecured, non-interest bearing and has no specific terms of repayment.

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Notes to the Condensed Consolidated Interim Financial Statements
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9. Related Party Transactions - continued

(d) During the period ended August 31, 2021, legal fees incurred of \$13,885 (2020 - \$24,544) with a law firm of which a partner is a director of the Company. This amount is included in cost of share issue on the balance sheet and accounting and legal fees on the consolidated statement of operations. Included in accounts payable and accrued liabilities at August 31, 2021 is \$1,509 (November 30, 2020 - \$3,254) relating to these fees. This amount is unsecured, non-interest bearing and has no specific terms of repayment.

(e) See Notes 7 and 8.

10. Segmented Information

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

	August 31, 2021	November 30, 2020
Mexico	\$ 571,671	\$ 415,313
Canada	888,522	1,747,364

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 2021 or 2020. 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 of August 31, 2021 and November 30, 2020, 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 August 31, 2021 and November 30, 2020, 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 August 31, 2021 and November 30, 2020.

(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 August 31, 2021 and at November 30, 2020, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		August 31 2021		November 30 2020
Cash	MP\$	5,952,444	MP\$	216,454
Amounts receivable and prepaid expenses		2,982,750		844,788
Accounts payable and accrued liabilities		(1,601,620)		(2,014,129)
Total	MP\$	7,333,574	MP\$	(952,887)
Canadian dollar equivalent	CAD\$	459,991	CAD\$	(61,461)

(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 amount's 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 August 31, 2021 and November 30, 2020.

12. Financial Risk Management - continued

(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 and interest payable are due within the current operating period. The Company's investment in an associated company may not be easily liquidated as it is an investment in a public company which is currently cease traded.

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 August 31, 2021 and November 30, 2020.

(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 long-term 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 as 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 August 31, 2021 (as seen in Note 12(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 \$12,132 based on the cash balance at August 31, 2021.

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.

13. Commitments and Contingencies - continuedConsulting 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.

Legal 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 August 31, 2021 and November 30, 2020, 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.

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.

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.