

ACAPULCO GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Acapulco Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Acapulco Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

May 2, 2022

ACAPULCO GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	December 31, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 16,732	\$ 15,171
Deferred financing costs (Note 7)	63,240	-
Restricted cash	3,828,030	-
Receivables (Note 7 and 12)	<u>153,045</u>	<u>1,309</u>
	<u>\$ 4,061,047</u>	<u>\$ 16,480</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 236,057	\$ 178,495
Promissory note (Note 5, 11)	125,000	15,000
Loan (Note 5)	21,177	-
Subscriptions received in advance (Note 7)	<u>4,043,000</u>	<u>-</u>
	<u>4,425,234</u>	<u>193,495</u>
Shareholders' deficiency		
Share capital (Note 7)	685,946	685,946
Deficit	<u>(1,050,133)</u>	<u>(862,961)</u>
	<u>(364,187)</u>	<u>(177,015)</u>
	<u>\$ 4,061,047</u>	<u>\$ 16,480</u>

Nature and continuance of operations (Note 1)

Proposed transaction (Note 11)

Subsequent events (Note 12)

Approved and authorized by the Board on April 29, 2022.

"Michael Williams"

Director

Michael Williams

"John Larson "

Director

John Larson

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

ACAPULCO GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year Ended December 31, 2021	Year Ended December 31, 2020
EXPENSES		
Foreign exchange	\$ 419	\$ (1,362)
Office expense	7,245	26,791
Professional fees (Note 6)	137,045	84,541
Property investigation (Note 4)	32,491	25,491
Transfer agent and filing fees	<u>9,972</u>	<u>5,912</u>
Operating expense	(187,172)	(141,373)
Management income (Note 4)	<u>-</u>	<u>7,327</u>
Loss and comprehensive loss for the year	<u>\$ (187,172)</u>	<u>\$ (134,046)</u>
Basic and diluted loss per common share	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	<u>6,744,104</u>	<u>6,661,091</u>

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

ACAPULCO GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (187,172)	\$ (134,046)
Non-cash working capital item changes:		
Receivables	(21,736)	(534)
Accounts payable and accrued liabilities	<u>57,562</u>	<u>48,909</u>
Net cash used in operating activities	<u>(151,346)</u>	<u>(85,671)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred financing costs	(63,240)	-
Loan	21,177	-
Promissory note	110,000	15,000
Subscriptions received in advance	<u>3,913,000</u>	<u>-</u>
Net cash provided by financing activities	<u>3,980,937</u>	<u>15,000</u>
Change in cash for the year	3,829,591	(70,671)
Cash, beginning of year	<u>15,171</u>	<u>85,842</u>
Cash and restricted cash, end of year	<u>\$ 3,844,762</u>	<u>\$ 15,171</u>
Cash and restricted cash represented by:	\$ 16,732	\$ 15,171
Restricted cash	<u>\$ 3,828,030</u>	<u>\$ -</u>
Cash and Restricted cash	<u>\$ 3,844,762</u>	<u>\$ 15,171</u>
Non-cash financing and investing activities		
Issuance of shares related to subscriptions received in advance	\$ -	\$ 15,000
Subscriptions receivable included in receivables	<u>\$ 130,000</u>	<u>\$ -</u>

No cash was paid for interest or taxes for the year ended December 31, 2021 and 2020.

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

ACAPULCO GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

	Share Capital		Subscriptions received in advance	Deficit	Total
	Number	Amount			
Balance, December 31, 2019	6,644,104	\$ 670,946	\$ 15,000	\$ (685,845)	\$ (101)
Shares issued for cash	100,000	15,000	(15,000)	-	-
Loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,046)</u>	<u>(134,046)</u>
Balance, December 31, 2020	6,744,104	685,946	-	(862,961)	(177,015)
Loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,172)</u>	<u>(187,172)</u>
Balance, December 31, 2021	6,744,104	\$ 685,946	\$ -	\$ (1,050,133)	\$ (364,187)

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

ACAPULCO GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020

1. NATURE AND CONTINUANCE OF OPERATIONS

Acapulco Gold Corp. (the “Company”) is a privately held exploration company incorporated in Canada under the British Columbia Corporations Act on February 1, 2011. The Company is principally engaged in the acquisition and exploration of resource properties. The head office, records office, and principal address of the Company is 103-145 15th Street West, West Vancouver, British Columbia, V7M 1R9. The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company has entered into a proposed reverse takeover transaction (“RTO”) as disclosed in Note 11.

ACAPULCO GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their value.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Acagold S.A. de C.V. incorporated in Mexico.

A subsidiary is an entity over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. A subsidiary is fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The accounts of the Company subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated.

Basis of Measurement

These consolidated financial statements are presented in Canadian dollars, which is also the Company’s and its subsidiary’s functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

ACAPULCO GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

The following is the Company's accounting policy for financial assets and liabilities:

Financial assets:

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), or at amortized cost.

The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in profit or loss. The Company has classified cash and restricted cash as FVTPL.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) as they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment. The Company has classified its receivables as amortized cost.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Financial liabilities at FVTPL: This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Financial liabilities at amortized cost: This category includes accounts payable and accrued liabilities, loan, subscriptions received in advance and promissory note which are recognized at amortized cost using the effective interest method.

Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled or they expire. On derecognition, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability obtained) is recognized in profit or loss.

Transaction costs in respect of financial instruments at FVTPL are recognized in profit or loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration costs are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning provision

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation for the years presented.

ACAPULCO GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments including options, warrants, and convertible debt, if any. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

Significant judgments, estimates and assumptions

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount;
- The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets; and

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- The determination of functional currency of the Company and its subsidiary.

ACAPULCO GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020

4. EXPLORATION AND EVALUATION ASSETS

Mexico Properties

On April 13, 2017, the Company entered into an option agreement (“Option Agreement”) with OZ Exploration Pty Ltd. (“OZ Minerals”) and Minera Zalamera S.A. de C.V. (“Zalamera”), a company related by virtue of common directors, pursuant to which Zalamera granted an exclusive option to the Company and OZ Minerals, together as optionees, to acquire the Zaachila, Riqueza Marina and Zapotitlan Projects in Oaxaca, southern Mexico.

Under the Option Agreement, the Company and OZ Minerals can earn up to a 100% interest in the projects for cash and share consideration. The Company issued 350,000 common shares, valued at \$21,000 and placed 650,000 common shares into escrow (Note 7). These shares were cancelled during the year ended December 31, 2021 (Note 7).

During the year ended December 31, 2019, OZ Minerals withdrew from the Option Agreement with the Company and Zalamera as a result the Company recorded an impairment of exploration and evaluation assets in the amount of \$21,000. During the year ended December 31, 2020, the Company received \$7,327 as management income equal to 10% of all expenditures incurred on the properties as the Company acted as the manager associated with the properties.

During the year ended December 31, 2020, the Company incurred exploration and evaluation expenditures of \$134,785 and received \$142,112 as recoveries and management income and applied \$82,507 of exploration advances in fiscal 2019, received in prior years. Additionally, the Company incurred property investigation costs of \$25,491.

During the year ended December 31, 2021, the Company incurred exploration and evaluation expenditures of \$Nil and received \$Nil as recoveries. Additionally, the Company incurred property investigation costs of \$32,491.

Exploration cost and recoveries for the year ended December 31, 2020.

	Riqueza Marina Property	Zaachila Property	Zapotitlan Property	Total
Exploration Costs				
For the year ended December 31, 2020				
Assay	3,840	1,616	872	6,328
Drilling permitting	54,096	4,254	-	58,350
Equipment, field supplies, and other	10,095	406	-	10,501
Geological	43,085	10,249	1,633	53,334
Geophysical	440	-	-	440
Travel	4,199	-	-	4,199
Recoveries, excluding management income	(115,755)	(16,525)	(2,505)	(134,785)
Total, December 31, 2020	-	-	-	-

On March 16, 2022, the Company entered into an amended and restated agreement of purchase and sale with Zalamera in relation to the Riqueza Marina Project, Zaachila Project and the El Rescate Project each located in Mexico. Immediately proceeding the completion of the RTO with Vortex Metals Inc. (formerly, Victory Capital Corp.) (“Vortex”) (Note 11) the Company will issue a total of 25,000,000 common shares and will pay \$200,000 and settle \$32,000 in expenses incurred in relation to the properties. Upon completion of the environmental impact assessment study and receipt of drill permits the Company will pay \$300,000 over 38 months and once the first set of core samples are obtained the Company will pay an additional \$150,000. The Company will grant a 3% net smelter returns royalty (“NSR”) over the properties.

ACAPULCO GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020

4. EXPLORATION AND EVALUATION ASSETS (continued)

Mexico Properties (continued)

Property investigation costs for the year ended December 31, 2021 and 2020.

	Riqueza Marina Property	Zaachila Property	Total
Property Investigation Costs			
For the year ended December 31, 2020			
Assay	2,070	1,242	3,312
Geological	18,925	3,254	22,179
Total, December 31, 2020	20,995	4,496	25,491
For the year ended December 31, 2021			
Assay	2,520	1,680	4,200
Equipment, field supplies, and other	1,372	46	1,418
Geological	23,619	3,254	26,873
Total, December 31, 2021	27,511	4,980	32,491

Concession fees on the Riqueza Marina, Zaachila and El Rescate projects owned by Minera Zalamera SA de CV were \$120,032, \$71,983 and \$18,609 respectfully for the year ended December 31, 2021. These concession fees are not paid or accrued as at December 31, 2021 as the Company had no obligation to accrue or pay such fees subsequent to the termination of the Option Agreement.

Concession fees on the Riqueza Marina, Zaachila and El Rescate projects owned by Minera Zalamera SA de CV were \$94,597, \$76,334 and \$9,543 respectfully for the year ended December 31, 2020. These concession fees are not paid or accrued as at December 31, 2020 as the Company had no obligation to accrue or pay such fees subsequent to the termination of the Option Agreement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. PROMISSORY NOTE AND LOAN

Promissory Note

On November 27, 2020, the Company issued a promissory note to Vortex and received \$15,000. The promissory note bears an interest of 6% per annum, and the outstanding principal plus accrued interest shall be repaid upon receipt of final approval of the TSX Venture Exchange (“TSXV”) for the Proposed Transaction (Note 11).

During the year ended December 31, 2021, the Company received additional funds relating to the promissory note in the amount of \$110,000 and accrued interest of \$3,382 (2020 - \$Nil) included in accounts payable and accrued liabilities. Subsequent to year ended December 31, 2021, the Company received an additional advance of \$50,000 from Vortex.

Loan

On September 8, 2021, the Company entered into a loan agreement with Valsequillo Silver S.A de C.V and received \$21,177 (MXN \$333,500). The loan bears an interest of 7% per annum, and the outstanding principal plus accrued interest shall be repaid on the extended maturity date of July 2022.

6. RELATED PARTY TRANSACTIONS

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company’s Chief Executive Officer and Chief Financial Officer.

The Company entered into the following transactions with related parties, not disclosed elsewhere in these consolidated financial statements:

	For the year ended December 31,	
	2021	2020
	\$	\$
Professional fees	15,500	18,000
Exploration and evaluation fees netted against recoveries	-	19,774
	<u>15,500</u>	<u>37,774</u>

As at December 31, 2021, \$61,675 (2020 - \$50,400) was included in accounts payable and accrued liabilities owing to directors of the Company.

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7. SHAREHOLDERS' DEFICIENCY

Authorized

An unlimited number of common shares without par value.

Issued share capital

During the year ended December 31, 2021, the Company:

- a) Cancelled 650,000 common shares from escrow pursuant to a property agreement (Note 4). These shares were previously treated as treasury shares and were previously excluded from total shares outstanding.
- b) Closed a non-brokered private placement of subscription receipts for aggregate gross proceeds of \$4,043,000 (of which \$130,000 is included in receivables) through the issuance of 20,215,000 subscription receipts at a price of \$0.20. Upon the closing of the RTO, the Company's subscription receipts will be automatically exchanged for one common share of the Company (a "Company Common Share"), and subsequently each Company Common Share will be automatically exchanged for one common share in the capital of the Company referred to as the "Resulting Issuer" (a "Resulting Issuer Share"). In the event that the RTO does not close, the Company will be obligated to return the subscription receipt. Subsequent to December 31, 2021, the Company received the receivable of \$130,000 and all subscriptions were converted (Note 11).

In connection with the Company's private placement, the Company agreed to pay aggregate fees of \$323,440 (\$63,240 paid and recorded as deferred financing costs as at December 31, 2021 subsequently paid in full) and issued finders' warrants to purchase 1,617,200 Resulting Issuer Shares (issued) at a price of \$0.20 per Resulting Issuer Share exercisable for a period of 24 months from the date of closing of the Company's private placement to certain qualified finders upon closing of the RTO.

During the year ended December 31, 2020, the Company:

- c) Completed a non-brokered private placement, issuing a total of 100,000 common shares at a price of \$0.15 for cash proceeds of \$15,000 which was received in the year ended December 31, 2018 and recorded as subscriptions received in advance.

Escrow Shares

As at December 31, 2021, the Company had no common shares in escrow.

As at December 31, 2020, the Company had advanced 650,000 common shares into escrow pursuant to a property agreement (Note 4). These shares have been treated as treasury shares and have been excluded from total shares outstanding. During the year ended December 31, 2021 these shares were cancelled.

No stock options or share purchase warrants were issued during the years ended December 31, 2021 and 2020.

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8. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Loss before income taxes	\$ (187,172)	\$ (134,046)
Expected income tax (recovery)	\$ (51,000)	\$ (37,000)
Change in unrecognized deductible temporary differences	<u>51,000</u>	<u>37,000</u>
Income tax recovery	\$ -	\$ -

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2021	Expiry Date Range	2020
Exploration and evaluation assets	\$ 21,000	N/A	\$ 21,000
Non-capital losses	<u>736,000</u>	2032-2042	<u>570,000</u>
	\$ 757,000		\$ 591,000

9. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in Mexico (Note 4).

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables, accounts payable and accrued liabilities, loan, promissory note and subscriptions received in advance approximates fair value due to the short-term nature of the financial instruments. Cash and restricted cash are valued at a level 1 fair value measurement.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Risk management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

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 Company's cash is held at a large financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist of goods and services tax receivable from the government of Canada and subscription receivable.

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 its capital management as outlined below. Accounts payable and accrued liabilities are due within one year. The Company is exposed to liquidity risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any demand deposit included in cash as they are generally held with large financial institutions. The Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral 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 its components of shareholders' deficiency.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Capital management (cont'd...)

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 debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements other than disclosed in Note 7. There were no changes in the Company's approach to capital management.

11. PROPOSED TRANSACTION

On February 5, 2021, Vortex and 1287878 B.C. Ltd., a wholly-owned subsidiary of Vortex, entered into a binding agreement with the Company, in respect of the completion of an arm's length RTO of Vortex by the Company, which will constitute the completion of Vortex's Qualifying Transaction.

On April 27, 2022, the Company and Vortex closed Vortex's Qualifying Transaction resulting in the RTO of Vortex by the Company. All of the issued and outstanding securities of the Company were exchanged for securities (the "Securities Exchange") of the Resulting Issuer on a one-to-one basis.

Concurrent with the closing of the Qualifying Transaction, the subscription receipts (Note 7) were converted into common shares in the capital of the Resulting Issuer ("Resulting Issuer Shares") on a one to one basis.

The Resulting Issuer also issued 25,000,000 Resulting Issuer Shares issued to Paradex Inc. and various other parties, upon the completion of the purchase of the Riqueza Marina-Zaachila projects.

The Resulting Issuer issued 1,587,205 Resulting Issuer Shares as finder's fee upon completion of the Qualifying Transaction.

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company:

- Entered into an amended and restated agreement of purchase and sale with Zalamera in relation to the Riqueza Marina Project, Zaachila Project and the Rescate Project each located in Mexico. The Company will issue a total of 25,000,000 common shares (issued as per Note 11) and will pay \$200,000 and settle \$32,000 in expenses incurred in relation to the properties. Upon completion of the environmental impact assessment study and receipt of drill permits the Company will pay \$300,000 over 38 months from the Qualifying Transaction. Once the first set of core samples are obtained the Company will pay \$150,000. The Company will grant a 3% NSR over the properties.
- Received \$130,000 receivable related to a private placement (Note 7).