



**SABLE RESOURCES LTD.**

**Condensed Interim Consolidated Financial Statements  
As at and for the three and nine months ended September 30, 2021 and 2020**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

**SABLE RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

	Note	September 30 2021	December 31 2020
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	6	\$ 24,412,600	\$ 17,068,469
Marketable securities	7	1,766,073	3,368,947
Receivables	8,18	33,858	183,444
Prepaid expenses and deposits	9	781,995	41,083
		<b>26,994,526</b>	20,661,943
Property and equipment	10	319,317	189,800
Mineral property interests	11	4,188,845	3,805,600
		<b>\$ 31,502,688</b>	\$ 24,657,343
<b>Liabilities</b>			
Current Liabilities			
Payables and accruals	12,18	\$ 322,337	\$ 632,939
Income tax payable		-	819,606
Current portion of lease liability	13	28,901	26,968
		<b>351,238</b>	1,479,513
Lease liability	13	95,686	117,551
Deferred exploration recovery	22	1,169,831	-
		<b>1,616,755</b>	1,597,064
<b>Shareholders' equity</b>			
Issued capital	14	53,029,568	40,504,571
Accumulated other comprehensive loss		(765,624)	(145,510)
Contributed surplus	14	4,356,305	4,167,555
Deficit		(26,734,316)	(21,466,337)
		<b>29,885,933</b>	23,060,279
		<b>\$ 31,502,688</b>	\$ 24,657,343

Nature of operations (Note 1)  
Subsequent events (Note 24)

**APPROVED ON BEHALF OF THE BOARD:**

*Signed: "Thomas Obradovich"*

Thomas Obradovich  
Director

*Signed: "Andres Tinajero"*

Andres Tinajero  
Director

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

**SABLE RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
<b>Property related expenses</b>					
Exploration expenditures	15	\$ 1,328,229	\$ 474,883	\$ 5,156,688	\$ 1,853,735
General and administrative expenses	18	353,882	225,255	998,030	714,261
Property investigation and evaluation		-	10,638	-	13,887
Share-based expense	14	-	-	-	130,450
		<b>1,682,111</b>	<b>710,776</b>	<b>6,154,718</b>	<b>2,712,333</b>
<b>Other expenses (income)</b>					
Write-down of mineral property interests		-	87,301	-	87,301
Provision for value-added tax receivable	8	316,669	13,067	1,157,910	27,289
Interest income		(14,682)	(1,925)	(33,569)	(27,433)
Foreign exchange		90,882	(42,246)	33,492	(82,369)
Gain on disposal of marketable securities	7	(27,865)	-	(27,042)	-
Gain on use of marketable securities	19	(709,586)	-	(2,062,530)	-
<b>Net loss from continuing operations</b>		<b>1,337,529</b>	<b>766,973</b>	<b>5,222,979</b>	<b>2,717,121</b>
Net loss from discontinued operations		-	-	-	14,577
<b>Net loss</b>		<b>\$ 1,337,529</b>	<b>\$ 766,973</b>	<b>\$ 5,222,979</b>	<b>\$ 2,731,698</b>
<b>Items that may be reclassified subsequently to profit and loss:</b>					
Change in fair value of marketable securities	7	435,470	6,550	854,288	-
Foreign currency translation adjustment		(280,605)	64,539	(189,174)	(198,100)
<b>Other comprehensive loss (income)</b>		<b>154,865</b>	<b>71,089</b>	<b>665,114</b>	<b>(198,100)</b>
<b>Net comprehensive loss</b>		<b>\$ 1,492,394</b>	<b>\$ 838,062</b>	<b>\$ 5,888,093</b>	<b>\$ 2,533,598</b>
<b>Loss per share</b>					
Basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding		<b>247,396,225</b>	<b>176,924,054</b>	<b>247,396,225</b>	<b>165,786,812</b>

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

**SABLE RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)

	Note	Number of shares	Share Capital	Accumulated Other Comprehensive Loss	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2019		162,141,897	\$ 31,313,479	\$ (206,134)	\$ 3,391,324	\$ (25,874,751)	\$ 8,623,918
Net loss		-	-	-	-	(2,731,698)	(2,731,698)
Other comprehensive income		-	-	198,100	-	-	198,100
Shares issued from private placements	14	65,914,707	9,887,206	-	-	-	9,887,206
Shares issued in acquisition of claims	11,14	100,000	9,000	-	-	-	9,000
Share issue costs	14	-	(917,317)	-	128,534	-	(788,783)
Share-based expense	14,18	-	-	-	130,450	-	130,450
Balance, September 30, 2020		228,156,604	\$ 40,292,368	\$ (8,034)	\$ 3,650,308	\$ (28,606,449)	\$ 15,328,193
Net income		-	-	-	-	7,140,112	7,140,112
Other comprehensive loss		-	-	(137,476)	-	-	(137,476)
Exercise of options	14	1,600,000	230,000	-	-	-	230,000
Share issue costs	14	-	(17,797)	-	17,797	-	-
Share-based expense	14,18	-	-	-	499,450	-	499,450
Balance, December 31, 2020		229,756,604	\$ 40,504,571	\$ (145,510)	\$ 4,167,555	\$ (21,466,337)	\$ 23,060,279
Net loss		-	-	-	-	(5,222,979)	(5,222,979)
Other comprehensive loss		-	-	(665,114)	-	-	(665,114)
Shares issued from private placements	14	41,666,600	12,499,980	-	-	-	12,499,980
Shares issued in acquisition of claims	11,14	200,000	44,000	-	-	-	44,000
Exercise of options	14	325,000	48,750	-	-	-	48,750
Exercise of warrants	14	4,750,028	1,071,100	-	-	-	1,071,100
Share issue costs	14	-	(1,138,833)	-	188,750	-	(950,083)
<b>Balance, September 30, 2021</b>		<b>276,698,232</b>	<b>\$ 53,029,568</b>	<b>\$ (810,624)</b>	<b>\$ 4,356,305</b>	<b>\$ (26,689,316)</b>	<b>\$ 29,885,933</b>

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

**SABLE RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

For the nine month periods ended September 30,	Note	2021	2020
<b>Operating Activities</b>			
Net loss		\$ (5,222,979)	\$ (2,731,698)
Items not involving cash:			
Amortization	10	33,413	21,646
Write-down of mineral property interests		-	87,301
Share-based expense	14,18	-	130,450
Provision for value-added tax receivable	8	1,157,910	27,289
Gain on sale of marketable securities	7	(27,042)	-
Interest income		(33,569)	(27,433)
		<b>(4,092,267)</b>	<b>(2,492,445)</b>
Changes in non-cash working capital	21	<b>(2,879,444)</b>	<b>(225,005)</b>
<b>Total cash flows used in operating activities</b>		<b>(6,971,711)</b>	<b>(2,717,450)</b>
<b>Financing Activities</b>			
Principle payments on lease liability	13	(19,932)	(19,284)
Proceeds from issuance of shares pursuant to private placement	14	12,499,980	9,887,206
Share issuance costs	14	(950,083)	(788,783)
Proceeds from option exercise	14	48,750	-
Proceeds from warrant exercise	14	1,071,100	-
<b>Total cash flows from financing activities</b>		<b>12,649,815</b>	<b>9,079,139</b>
<b>Investing Activities</b>			
Acquisition of mineral claims	11	(335,206)	(131,865)
Proceeds from deferred exploration recovery	22	1,169,831	-
Proceeds from sale of investments	7	775,627	-
Interest income		33,569	27,433
<b>Total cash flows from (used in) investing activities</b>		<b>1,643,821</b>	<b>(104,432)</b>
Effect of foreign exchange on cash		22,206	-
Increase in cash and cash equivalents		7,344,131	6,257,257
Cash and cash equivalents, beginning of period		17,068,469	4,780,176
<b>Cash and cash equivalents, end of period</b>		<b>\$ 24,412,600</b>	<b>\$ 11,037,433</b>
<b>Supplemental cash flow information:</b>			
Broker warrants issued as share issuance costs	14	\$ 188,750	\$ 146,331
Shares issued in acquisition of mineral claims	11,14	\$ 44,000	\$ 9,000

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

**SABLE RESOURCES LTD.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS**

Sable Resources Ltd. (the "Company") is incorporated under the Business Corporation Act (British Columbia). The Company is engaged in the acquisition, exploration and development of mineral resource properties in Argentina and Mexico. The address of the Company's corporate office and principal place of business is Suite 900, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2. The Company's shares are listed on the TSX Venture Exchange ("TSXV") and on the OTC Venture Market ("OTCQB") under the symbols SAE and SBLRF, respectively.

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as mineral property interests is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and future profitable production or proceeds from the disposition of its properties. There is no assurance that The Company funding initiatives will continue to be successful. The underlying value of the mineral properties is dependent upon the existence and economic recovery of mineral reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material write-downs of the carrying value of mineral properties and deferred exploration.

These condensed interim consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on November 22, 2021.

**2. BASIS OF PRESENTATION**

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements represent the Company's presentation of its results and financial position under IFRS. These accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all presented unless otherwise noted.

b) Basis of Measurement

These condensed interim consolidated financial statements were prepared on an accrual basis, are based on historical costs except for financial instruments measured at fair value and are presented in Canadian dollars, which is the functional currency of the Company's Canadian entity. The functional currency of the Company's foreign subsidiaries is US dollars.

**Amendments to IAS 16**

Amendments to IAS 16, Property, Plant and Equipment—Proceeds before Intended Use. Effective on January 1, 2022, the amendments to IAS 16 require that entities are no longer able to deduct the net proceeds from selling any items from an asset's carrying amount before it is capable of operating in the manner intended by management. Instead, the proceeds should be recognised in accordance with applicable standards and in particular applying the measurement requirements of IAS 2 for the cost of those items. The Amendments to IAS 16 may impact the Company's development projects. The Company early adopted the amendment in January 2021. There was no impact to the current period or comparative periods presented as a result of the amendment.

## SABLE RESOURCES LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

## 2. BASIS OF PRESENTATION (continued)

### c) Subsidiaries

Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

These condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2021 and 2020 include the financial position, financial performance and cash flows of the Company and its subsidiary detailed below:

Name	Location	Ownership	Status	Functional Currency
Sable Resources Ltd.	Canada	Parent	Consolidated	\$CAD
Exploraciones Sable, S.de R.L. de C.V.	Mexico	100%	Consolidated	\$USD
Exploraciones Tres Cordilleras, S.A. de C.V.	Mexico	100%	Consolidated	\$USD
Exploraciones Calalinas, S.A. de C.V.	Mexico	100%	Consolidated	\$USD
Exploraciones Vientos de Sur, S.A. de C.V.	Mexico	100%	Consolidated	\$USD
Sable Argentina S.A.	Argentina	100%	Consolidated	\$USD
Olivares S.A.	Argentina	100%	Consolidated	\$USD

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Accounting policies

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020 which includes information necessary for useful to understanding the Company's business and financial statement presentation. Foremost, the Company's significant accounting policies are presented as Note 3 in the audited consolidated financial statements as at and for the year ended December 31, 2020 and have been consistently applied in the preparation of these unaudited condensed interim financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND UNCERTAINTIES

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements and estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2020 other than as stated below.

**Deferred exploration recoveries** - Management considered the facts and circumstances surrounding the receipt of deferred exploration recoveries (note 22) in determining that it represents a liability to the Company. The payment represents a portion of the funding that will form the consideration for South32 Limited's ("South32") investment in Olivares S.A. ("Olivares"), should South32 exercise its right to acquire a 65% direct interest in Olivares. In management's view, as the Company continues to operate the Don Julio Project, this payment for the future sale of a controlling interest in Olivares is considered to be a present obligation of the Company.

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

**4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND UNCERTAINTIES (continued)**

**COVID-19** - The outbreak of the novel coronavirus ("COVID-19"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. It is management's assumption that the Company will continue to operate as a going concern.

**5. SALE OF MINERAL PROPERTY INTERESTS**

On November 18, 2020, the Company announced that it had completed the sale of its option to acquire the Margarita Silver Project, located in Chihuahua State, Mexico, to Molimentales del Noroeste, S.A. de C.V., a subsidiary of Magna Gold Corp. ("Magna").

The Company received total compensation of \$1,500,000 in cash and 3,219,278 Magna common shares at a deemed price of \$1.0872 per Magna share equal in value to \$3,500,000, calculated based on the volume weighted average price of Magna shares on the TSX Venture Exchange for the 15 trading days prior to the date of the option acquisition agreement.

The gain on the sale of the option to acquire the Margarita Silver Project was calculated as follows:

Consideration received:	
Fair value of common shares	\$ 3,500,000
Cash consideration	1,500,000
<b>Total consideration received</b>	<b>\$ 5,000,000</b>
Mineral property interests	1,345,118
Net assets sold	1,345,118
<b>Gain on sale of mineral properties, net</b>	<b>\$ 3,654,882</b>

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on deposit with major Canadian, Argentinian and Mexican banks in general interest-bearing accounts totaling \$24,412,600 (December 31, 2020 - \$17,068,469).

Cash and cash equivalents include a \$40,000 (December 31, 2020 - \$40,000) one-year cashable guaranteed investment certificate (GIC) held with the Royal Bank of Canada with an interest rate of 0.5% and maturing on July 1, 2022.

**7. MARKETABLE SECURITIES**

The Company's marketable securities are as follows:

	<b>September 30, 2021</b>	December 31, 2020
<i>FVTPL</i>		
<u>Talisker Resources Ltd.</u>		
Nil shares (December 31, 2020 - 62,382 shares)	\$ -	\$ 20,898
<u>Magna Gold Corp.</u>		
2,419,278 shares (December 31, 2020 - 3,219,278 shares)	<b>1,766,073</b>	3,348,049
	<b>\$ 1,766,073</b>	\$ 3,368,947

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

**7. MARKETABLE SECURITIES (CONTINUED)**

The Company's marketable securities consist of common shares held in Canadian publicly traded companies. Fair value of shares was determined at the closing price on September 30, 2021.

During the period ended September 30, 2021, the Company:

- Sold a total of 62,382 common shares of Talisker Resources Ltd. for net proceeds of \$19,762 which resulted in a net loss on the sale of \$823.
- Sold a total of 800,000 common shares of Magna Gold Corp. for net proceeds of \$755,865 which resulted in a net gain on the sale of \$27,865.

**8. RECEIVABLES**

	<b>September 30, 2021</b>	December 31, 2020
Receivables	\$ 10,057	\$ 1,690
Goods and services tax	23,801	36,324
Value added tax	1,196,782	184,303
Less: Provision for value added tax	(1,196,782)	(38,873)
	<b>\$ 33,858</b>	<b>\$ 183,444</b>

The valued added tax receivables ("VAT") includes \$1,109,971 (December 31, 2020 - \$145,430) due from the Argentinian tax authorities, and \$86,811 (December 31, 2020 - \$38,873) due from the Mexican tax authorities. The Company assesses the recoverability of the amount's receivable at each reporting date.

As at September 30, 2021, the Company has recorded a provision for the entire value added tax receivable upon consideration of the Company's history of collection and the uncertainty that the properties in Argentina and Mexico will enter into production in the future. The provision for value-added tax of \$1,157,910 has been recognized in the consolidated statement of net loss and comprehensive loss.

**9. PREPAID EXPENSES AND DEPOSITS**

	<b>September 30, 2021</b>	December 31, 2020
Prepaid expenses	\$ 122,779	\$ 20,722
Advances to vendors	659,216	20,361
	<b>\$ 781,995</b>	<b>\$ 41,083</b>

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

**10. PROPERTY AND EQUIPMENT**

<u>Cost</u>	<u>Machinery &amp; equipment</u>	<u>Right-of-Use Asset</u>	<u>Total</u>
Balance at September 30, 2020	\$ -	\$ 187,599	\$ 187,599
Additions	50,304	-	50,304
Balance at December 31, 2020	50,304	187,599	237,903
Additions	162,895	-	162,895
Currency translation adjustment	35	-	35
Balance at September 30, 2021	\$ 213,234	\$ 187,599	\$ 400,833

  

<u>Accumulated amortization</u>	<u>Machinery &amp; equipment</u>	<u>Right-of-Use Asset</u>	<u>Total</u>
Balance at September 30, 2020	\$ -	\$ 40,888	\$ 40,888
Amortization	-	7,215	7,215
Balance at December 31, 2020	-	48,103	48,103
Amortization	11,728	21,685	33,413
Balance at September 30, 2021	\$ 11,728	\$ 69,788	\$ 81,516

  

Net book value at:			
December 31, 2020		\$	189,800
<b>September 30, 2021</b>		<b>\$</b>	<b>319,317</b>

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

**11. MINERAL PROPERTY INTERESTS**

	<u>Argentina</u>	<u>Mexico</u>	<u>Peru</u>	<u>Total</u>
Balance at December 31, 2019	\$ 203,806	\$ 4,863,928	\$ 87,301	\$ 5,155,035
Cost of Acquisition	168,949	-	-	168,949
Write-down of assets	-	-	(87,301)	(87,301)
Sale of Royalty	(3,357)	(51,124)	-	(54,481)
Disposal of Asset (note 5)	-	(1,345,118)	-	(1,345,118)
Currency Translation Adjustment	-	(31,484)	-	(31,484)
Balance at December 31, 2020	369,398	3,436,202	-	3,805,600
Cost of Acquisition	379,206	-	-	379,206
Currency Translation Adjustment	1,609	2,430	-	4,039
<b>Balance at September 30, 2021</b>	<b>\$ 750,213</b>	<b>\$ 3,438,632</b>	<b>\$ -</b>	<b>\$ 4,188,845</b>

**Argentina**

## a) Don Julio and Don Julio Regional Project

On December 6, 2017 the Company entered into an agreement to acquire up to a 100% interest in the Don Julio and Don Julio Regional Project located in the San Juan Province of Argentina, subject to a 2% net smelter royalty, of which one half may be purchased by the Company for US\$2,500,000 anytime after 12 months from which commercial production has been declared for any part of the project. This was subsequently amended on June 1, 2020, whereby the remaining 1% net smelter royalty can be purchased by the Company for US\$5,000,000.

On May 31, 2018, the Company received the environmental impact assessment permit for the Project.

To earn the initial 50% interest of the Project the Company must:

- Make payment of US\$25,000 upon signing of the letter of intent (\$31,988 or US\$25,000 equivalent paid during the year ended December 31, 2017);
- Issue 200,000 common shares (issued) and make payment of US\$25,000 (\$32,640 or US\$25,000 equivalent was paid during the year ended December 31, 2018);
- Issue 100,000 common shares and make payment of US\$50,000 prior to the one-year anniversary of the receipt of an environmental impact assessment permit (\$67,191 or US\$50,000 equivalent was paid, and 100,000 common shares valued at \$10,000 were issued during year ended December 31, 2019);
- Issue 100,000 common shares and make payment of US\$60,000 prior to the second anniversary of the permit date (\$82,500 or US\$60,000 equivalent was paid, and 100,000 common shares valued at \$9,000 were issued during the year ended December 31, 2020);
- Issue 200,000 common shares and make payment of US\$120,000 prior to the third anniversary of the permit date (\$152,892 or US\$120,000 equivalent was paid, and 200,000 common shares valued at \$44,000 were issued during the period ended September 30, 2021);
- Issue 400,000 common shares and make payment of US\$120,000 prior to the fourth anniversary of the permit date; and
- Issue 200,000 common shares and make payment of US\$200,000 prior to the fifth anniversary of the permit date.

**SABLE RESOURCES LTD.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

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**11. MINERAL PROPERTY INTERESTS (continued)**

To earn additional interest in the project up to 100%, the Company must:

- To earn an additional 10% for 60% ownership in the project; issue 500,000 common shares and make payment of US\$600,000 prior to the sixth anniversary of the permit date;
- To earn an additional 10% for 70% ownership in the project; issue 800,000 common shares, make payment of US\$900,000, and complete an additional US\$1,500,000 of exploration work prior to the seventh anniversary of the permit date; and
- To earn an additional 30% for 100% ownership in the project; issue 1,000,000 common shares, make payment of US\$1,900,000, and complete an additional US\$1,500,000 of exploration work prior to the eighth anniversary of the permit date.

See Note 22.

b) El Fierro Project

On February 25, 2020, the Company entered into option agreements to acquire 100% interest in the El Fierro project ("El Fierro") located in the San Juan Province of Argentina. To earn 100% interest in El Fierro, the Company must:

- Make payment of US\$30,000 on the signing of the agreement (\$40,365 or US\$30,000 equivalent paid during the year ended December 31, 2020);
- Make payment of US\$70,000 prior to March 1, 2021 (\$88,291 or US\$70,000 equivalent paid during the period ended September 30, 2021);
- Make payment of US\$150,000 prior to March 1, 2022;
- Make payment of US\$200,000 prior to March 1, 2023; and
- Make payment of US\$1,660,000 prior to March 1, 2024.

There is a 1.5% net smelter royalty on a portion of the project, which can be purchased by the Company for US\$1,000,000.

c) Laspina Project

On September 17, 2020, the Company entered into option agreements to acquire 100% interest in the Laspina project ("Laspina") located next to El Fierro in the San Juan Province of Argentina. To earn 100% interest in Laspina, the Company must:

- Make payment of US\$8,000 on the signing of the agreement (\$10,818 or US\$8,000 equivalent paid during year ended December 31, 2020);
- Make payment of US\$13,000 prior to September 17, 2021 (\$15,189 or US\$13,000 equivalent paid during the period ended September 30, 2021);
- Make payment of US\$25,000 prior to September 17, 2022; and
- Make payment of US\$35,000 prior to September 17, 2023;

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

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**11. MINERAL PROPERTY INTERESTS (continued)**

## d) El Fierrazo Project

On October 1, 2020, the Company entered into option agreements to acquire 100% interest in the El Fierrazo project ("El Fierrazo") located next to El Fierro in the San Juan Province of Argentina. To earn 51% interest in El Fierrazo, the Company must:

- Make payment of US\$20,000 on the signing of the agreement (\$26,266 or US\$20,000 equivalent paid during year ended December 31, 2020);
- Make payment of US\$40,000 prior to October 1, 2021 (\$51,024 or US\$40,000 equivalent paid during the period ended September 30, 2021);
- Make payment of US\$80,000 prior to October 1, 2022;
- Make payment of US\$100,000 prior to October 1, 2023; and
- Make payment of US\$400,000 prior to October 1, 2024.

To earn additional interest in the project up to 100%, the Company must make payment of US\$900,000 before October 1, 2025. There is a 1.5% net smelter royalty on the project, which may be purchased by the Company for US\$1,500,000.

## e) La Poncha Project

On July 17, 2020, the Company entered into a Letter of Intent ("LOI") to acquire a 100% interest in the La Poncha project ("La Poncha") located in the San Juan Province of Argentina. On March 15, 2021, the Company exercised its right under the letter of intent to enter into an option agreement for the La Poncha Project located in the San Juan Province of Argentina. To earn 100% interest in La Poncha the Company must:

- Make payment of US\$20,000 on the signing of the option agreement (\$27,053 or US\$20,000 equivalent paid during period ended September 30, 2021);
- Make payment of US\$40,000 and complete US\$100,000 in exploration work prior to March 15, 2022;
- Make payment of US\$80,000 and complete an additional US\$200,000 in exploration work prior to March 15, 2023;
- Make payment of US\$150,000 and complete an additional US\$500,000 in exploration work prior to March 15, 2024; and
- Make payment of US\$1,210,000 and complete an additional US\$800,000 in exploration work prior to March 15, 2025.

There is a 1% net smelter royalty on the project, which may be purchased by the Company for US\$1,000,000.

**Mexico**

## a) Margarita Silver Project

The Company had the option to acquire 100% of the Margarita Silver project located in Chihuahua State, Mexico. During the year ended December 31, 2020, the option agreement was disposed. See Note 5.

## b) BlueJoint Mineral Applications

On January 29, 2018, the Company acquired five mineral applications in Mexico in connection with the acquisition of BlueJoint. Each mineral application contains exploration targets consistent to the Company's exploration methodology. The mineral applications are subject to a 1% net smelter royalty, which may be purchased by the Company for US\$3,000,000.

The Company has identified two initial targets, Vinata and El Escarpe. On July 9, 2019, the Company announced it had received permits for Vinata to conduct its drilling campaign.

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**11. MINERAL PROPERTY INTERESTS (continued)****Peru**

## a) Scorpius Project

On September 15, 2018 the Company entered into an agreement to acquire up to a 100% interest in the Scorpius Project located in central Peru, which agreement was subject to a 1% net smelter royalty purchasable by the Company for US\$1,500,000 any time after 12 months from which commercial production had been declared on any portion of the project. During the year ended December 31, 2020, the Company terminated the agreement.

## b) Kirio Project

On July 24, 2019, the Company entered into an agreement to acquire 100% interest in the Kirio Project, located in the Miocene Gold Belt, Central Peru, from Teck Peru S.A. ("Teck") which agreement was subject to the Company expending a minimum of US\$150,000 in exploration work prior to October 22, 2020, or paying Teck in cash the difference between the US\$150,000 and the actual amount of exploration expenditures incurred. During the year ended December 31, 2020, the Company terminated the agreement, with Teck agreeing to waive the owed difference between the actual amount of exploration expenditures incurred and US\$150,000.

**12. PAYABLES AND ACCRUALS**

	<b>September 30, 2021</b>	December 31, 2020
Trade payables	\$ 139,982	\$ 269,248
Accruals and other	<b>182,355</b>	363,691
	<b>\$ 322,337</b>	\$ 632,939

**13. LEASE LIABILITY**

The Company's lease liability relates to its lease for the office premises. The lease comprises only fixed payments over the lease term.

	<b>September 30, 2021</b>	December 31, 2020
Opening balance	\$ 144,519	\$ 170,345
New obligation under finance lease	-	-
Repayments	<b>(19,932)</b>	(25,826)
Ending balance	<b>124,587</b>	144,519
Less current portion	<b>(28,901)</b>	(26,968)
Non-current obligation	<b>\$ 95,686</b>	\$ 117,551
Gross lease obligation - minimum lease payments		
1 year	\$ 32,511	\$ 31,255
2-3 years	<b>65,302</b>	65,302
4-5 years	<b>35,372</b>	59,860
6+ years	-	-
Future interest expense on lease obligations	<b>(8,598)</b>	(11,898)
	<b>\$ 124,587</b>	\$ 144,519

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

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**13. LEASE LIABILITY (continued)**

During the nine month period ended September 30, 2021, the Company recognized \$3,300 in interest expense on its lease liability. During the nine month period ended September 30, 2021, the Company expensed \$914,255 related to leases that did not meet the definition of a contractual lease and \$14,298 for leases of low-value assets. The incremental borrowing rate applied to the lease liabilities was 3.24%.

**14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS**

## a) Issued Capital

**Authorized**

The Company is authorized to issue an unlimited number of common shares.

**Issued and outstanding:**

	<u>Number of Shares</u>	<u>\$ Value</u>
Balance at December 31, 2019	162,141,897	\$ 31,313,479
Shares issued in private placement	65,914,707	9,887,206
Shares issued in acquisition of mineral properties	100,000	9,000
Exercise of options	1,600,000	230,000
Share issuance costs	-	(935,114)
Balance at December 31, 2020	229,756,604	40,504,571
Shares issued in private placement	41,666,600	12,499,980
Shares issued in acquisition of mineral properties	200,000	44,000
Exercise of options	325,000	48,750
Exercise of warrants	4,750,028	1,071,100
Share issuance costs	-	(1,138,833)
<b>Balance at September 30, 2021</b>	<b>276,698,232</b>	<b>\$ 53,029,568</b>

During the period ended September 30, 2021:

- On April 1, 2021, the Company issued 200,000 common shares at a price of \$0.22 per common share, the fair value of the common shares on grant date, for a gross value of \$44,000 in connection with the Don Julio Project (Note 11).
- On June 15, 2021, the Company completed a private placement of 41,666,600 common shares at a price of \$0.30 per unit for gross proceeds of \$12,499,980.

The Company incurred \$1,138,833 in issue costs, including an agent cash commission of \$749,999, representing 6% of the gross proceeds of the offering and issued 1,249,998 broker warrants with each broker warrant entitling the agent to purchase one common share at a price of \$0.30 until June 15, 2023.

The fair value of the 1,249,998 broker warrants was estimated at \$188,750 using the Black Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest rate 0.20%; volatility 77% and an expected life of two years.

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

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**14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)**

During the year ended December 31, 2020:

- On May 31, 2020, the Company issued 100,000 common shares at a price of \$0.09 per common share, the fair value of the common shares on grant date, for a gross value of \$9,000 in connection with the Don Julio Project (Note 11).
- On September 10, 2020, the Company completed a private placement of 65,914,707 units at a price of \$0.15 per unit for gross proceeds of \$9,887,206. Each unit was comprised of one common share and one half of one common share purchase warrant entitling the holder thereof to purchase a common share at a price of \$0.20 until September 10, 2023.

The Company incurred \$935,114 in issue costs, including an agent cash commission of \$593,232, representing 6% of the gross proceeds of the offering and issued 1,977,441 broker warrants with each broker warrant entitling the agent to purchase one unit at a price of \$0.15 until September 10, 2022.

The fair value of the 1,977,441 broker warrants was estimated at \$146,331 using the Black Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest rate 0.21%; volatility 83% and an expected life of two years.

**Diluted Weighted Average Number of Shares Outstanding**

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Basic weighted average shares outstanding	247,396,225	176,924,054	247,396,225	247,396,225
Effect of outstanding securities	-	-	-	-
Diluted weighted average shares outstanding	247,396,225	176,924,054	247,396,225	247,396,225

During the three and nine month periods ended September 30, 2021 and 2020, the Company had a net loss, as such, the diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

**b) Stock options**

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with regulatory policies.

The option exercise price is decided by the Board of Directors but may not be less than the discounted market price of the Company's shares in accordance with regulatory requirements.

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

**14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)**

	<u>Number of stock options</u>	<u>Weighted average exercise price</u>
Balance at December 31, 2019	12,500,000	\$ 0.19
Options issued during the year	7,100,000	0.18
Options exercised during the year	(1,600,000)	(0.14)
Options cancelled during the year	(1,750,000)	(0.22)
Balance at December 31, 2020	16,250,000	\$ 0.18
Options exercised during the year	(325,000)	(0.15)
Options cancelled during the year	(525,000)	(0.21)
<b>Balance at September 30, 2021</b>	<b>15,400,000</b>	<b>\$ 0.18</b>

During the year ended December 31, 2020:

- On March 11, 2020, the Company granted an aggregate of 1,700,000 options to purchase common shares of the Company exercisable at a price of \$0.10 per common share for a period of five years to certain directors, officers, and consultants.

The fair value of the 1,700,000 options was estimated at \$69,700 using the Black Scholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.44%; volatility 84% and an expected life of five years.

- On May 13, 2020, the Company granted an aggregate of 1,350,000 options to purchase common shares of the Company exercisable at a price of \$0.10 per common share for a period of five years to certain directors and officers.

The fair value of the 1,350,000 options was estimated at \$60,750 using the Black Scholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.29%; volatility 86% and an expected life of five years.

- On October 1, 2020, the Company granted an aggregate of 4,050,000 options to purchase common shares of the Company exercisable at a price of \$0.20 per common share for a period of five years to certain directors, officers, and consultants.

The fair value of the 4,050,000 options was estimated at \$510,300 using the Black Scholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.17%; volatility 91% and an expected life of five years.

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**14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)**

As at September 30, 2021, the following stock options were outstanding and exercisable:

<u>Expiry date</u>	<u>Number of options outstanding</u>	<u>Number of stock options vested</u>	<u>Weighted average Exercise Price</u>	<u>Weighted average number of years to expiry</u>
October 24, 2021	400,000	400,000	\$ 0.10	0.07
May 3, 2022	1,900,000	1,900,000	0.15	0.59
November 9, 2022	700,000	700,000	0.17	1.11
March 26, 2023	2,300,000	2,300,000	0.25	1.48
October 26, 2023	800,000	800,000	0.30	2.07
February 26, 2024	450,000	450,000	0.25	2.41
June 26, 2024	2,150,000	2,150,000	0.15	2.74
March 11, 2025	1,300,000	1,300,000	0.10	3.45
May 13, 2025	1,350,000	1,350,000	0.10	3.62
October 1, 2025	4,050,000	4,050,000	0.20	4.01
<b>Balance at September 30, 2021</b>	<b>15,400,000</b>	<b>15,400,000</b>	<b>\$ 0.18</b>	<b>2.57</b>

As at September 30, 2021, there were no RSUs issued or outstanding.

## c) Share Purchase Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of share purchase warrants issued and outstanding:

	<u># of warrants</u>	<u>Weighted average exercise price</u>
Balance at December 31, 2019	20,618,617	\$ 0.28
Share warrants issued	32,957,353	0.20
Broker warrants issued	1,977,441	0.15
Share warrants expired	(5,600,000)	(0.34)
Balance at December 31, 2020	49,953,411	\$ 0.21
Broker warrants issued	1,249,998	\$ 0.30
Share warrants issued	142,389	0.20
Broker warrants exercised	(284,779)	(0.15)
Share warrants exercised	(4,465,249)	(0.23)
Share warrants expired	(4,311,950)	(0.35)
<b>Balance at September 30, 2021</b>	<b>42,283,820</b>	<b>\$ 0.20</b>

During the period ended September 30, 2021:

- On January 18, 2021, in connection with the exercise of 284,779 broker warrants, the Company granted 142,389 warrants to purchase common shares of the Company exercisable at a price of \$0.20 per common share for period up to September 10, 2023.

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**14. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)**

- On June 15, 2021, the Company granted 1,249,998 warrants to purchase common shares of the Company exercisable at a price of \$0.30 per common share for a period of two years.

During the year ended December 31, 2020:

- On September 10, 2020, the Company granted 32,957,354 warrants to purchase common shares of the Company exercisable at a price of \$0.20 per common share for a period of three years.
- On September 10, 2020, the Company granted 1,977,441 warrants to purchase common shares of the Company and one half warrant to purchase one common share of the Company exercisable at a price of \$0.15 per common share for a period of two years.

The Company has the following share purchase warrants outstanding and exercisable:

<u>Expiry date</u>	<u>Number of warrants outstanding</u>	<u>Weighted average exercise price</u>	<u>Weighted average number of years to expiry</u>
August 29, 2022	8,000,000	\$ 0.21	0.91
September 10, 2022	1,692,662	0.15	0.95
June 15, 2023	1,249,998	0.30	1.71
September 10, 2023	31,341,160	0.20	1.95
<b>Balance at September 30, 2021</b>	<b>42,283,820</b>	<b>\$ 0.20</b>	<b>1.70</b>

**15. PROPERTY RELATED EXPENSES**

	<b>Three months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Exploration expenditures		
Employee compensation	\$ 91,250	\$ 74,750
Camp and transportation	113,587	4,542
Consultants, geochemistry, and geophysics	547,210	242,074
Maintenance	-	68
Fuels	41,738	1,968
Field supplies	182,055	29,251
Lease and rentals	145,264	30,206
Office and general and administrative	100,918	81,807
Insurance, bank fees and taxes (non-income)	106,207	10,217
<b>Total exploration expenditures</b>	<b>\$ 1,328,229</b>	<b>\$ 474,883</b>

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

**15. PROPERTY RELATED EXPENSES (continued)**

	Nine months ended September 30,	
	2021	2020
Exploration expenditures		
Employee compensation	\$ 252,503	\$ 174,300
Camp and transportation	435,307	157,066
Consultants, geochemistry, and geophysics	1,591,763	922,649
Drilling	732,660	29,322
Maintenance	-	4,384
Fuels	192,258	26,104
Field supplies	434,601	115,148
Lease and rentals	932,024	79,150
Office and general and administrative	309,616	240,968
Insurance, bank fees and taxes (non-income)	275,956	104,644
<b>Total exploration expenditures</b>	<b>\$ 5,156,688</b>	<b>\$ 1,853,735</b>

**16. FINANCIAL INSTRUMENTS**

Financial assets and liabilities as at September 30, 2021 and December 31, 2020 are as follows:

	Assets at fair value through profit and loss	Amortized cost	Other financial liabilities	Total
<b>As at September 30, 2021</b>				
Cash and cash equivalents	\$ -	\$ 24,412,600	\$ -	\$ 24,412,600
Marketable securities	1,766,073	-	-	1,766,073
Receivables	-	10,057	-	10,057
Payables and accruals	-	-	322,337	322,337
<b>As at December 31, 2020</b>				
Cash and cash equivalents	\$ -	\$ 17,068,469	\$ -	\$ 17,068,469
Marketable securities	3,368,947	-	-	3,368,947
Receivables	-	1,690	-	1,690
Payables and accruals	-	-	632,939	632,939

The Company classifies its financial instruments carried at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data

As at September 30, 2021 and December 31, 2020, cash and cash equivalents and marketable securities were recorded at fair value under level 1 within the fair value hierarchy.

The carrying value of cash and cash equivalents, marketable securities, amounts receivable, and accounts payable and accrued liabilities approximate fair value because of the limited terms of these instruments.

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine month periods ended September 30, 2021 and 2020**

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**17. SEGMENTED INFORMATION**

The Company considers itself to operate in a single operating segment, being resource exploration and development. It holds mineral interests in Argentina and Mexico.

<u>Period ended September 30, 2021</u>	<u>Canada</u>	<u>Argentina</u>	<u>Mexico</u>	<u>Peru</u>	<u>Total</u>
Exploration expenditures	\$ -	\$ 4,984,387	\$ 172,301	\$ -	\$ 5,156,688
General and administrative expenses	919,330	50,981	27,719	-	998,030
<u>As at September 30, 2021</u>					
Total assets	\$ 25,745,564	\$ 1,957,066	\$ 3,800,058	\$ -	\$ 31,502,688
Total liabilities	409,111	1,207,644	-	-	1,616,755
<u>Period September 30, 2020</u>	<u>Canada</u>	<u>Argentina</u>	<u>Mexico</u>	<u>Peru</u>	<u>Total</u>
Exploration expenditures	\$ -	\$ 1,330,979	\$ 438,762	\$ 83,994	\$ 1,853,735
General and administrative expenses	665,669	10,827	37,765	-	714,261
<u>As at December 31, 2020</u>					
Total assets	\$ 22,319,640	\$ 317,293	\$ 2,020,410	\$ -	\$ 24,657,343
Total liabilities	669,724	7,781	919,559	-	1,597,064

## SABLE RESOURCES LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 18. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the periods ended September 30, 2021 and 2020:

- The Company incurred exploration costs in the amount of \$nil (September 30, 2020 - \$37,664) paid to Talisker Exploration Services Ltd., a private company with shared directors and officers.
- The Company incurred general and administrative expenses in the amount of \$10,020 (September 30, 2020 - \$nil) paid to JDS Energy & Mining Inc., a private company with a shared director. Included in payables and accruals at September 30, 2021 are \$312 (December 31, 2020 - \$369).
- The Company was remunerated for shared exploration and general and administrative costs of \$nil (September 30, 2020 - \$49,984) by Talisker Resources Ltd., a public company with shared directors and officers, for expenses relating to the Baker Project and shared administrative costs. Included in receivables at September 30, 2021 are \$nil (December 31, 2020 - \$1,610).
- The Company was remunerated for general and administrative costs of \$10,057 (September 30, 2020 - \$nil) by TDG Gold Corp., a public company with a shared director, for expenses relating to the Baker Project. Included in receivables at September 30, 2021 are \$10,057 (December 31, 2020 - \$nil).

#### *Compensation of key management personnel of the Company*

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the three and nine month periods ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Salaries and director fees	\$ 238,751	\$ 173,507	\$ 667,086	\$ 569,592
Share based payments	-	-	-	99,700
	\$ 238,751	\$ 173,507	\$ 667,086	\$ 669,292

As at September 30, 2021, an amount of \$12,775 (December 31, 2020 - \$158,142) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

Transactions with related parties are recorded at fair value.

#### 19. USE OF MARKETABLE SECURITIES

From time to time, the Company may acquire and transfer marketable securities to facilitate intragroup funding transfers between the Canadian parent and its Argentine operating subsidiaries.

The Company does not acquire marketable securities or engage in these transactions for speculative purposes. In this regard, under this strategy, the Company generally uses marketable securities of large and well established companies, with high trading volumes and low volatility. Nonetheless, as the process to acquire, transfer and ultimately sell the marketable securities occurs over several days, some fluctuations are unavoidable.

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**19. USE OF MARKETABLE SECURITIES (continued)**

As the marketable securities are acquired with the intention of a near term sale, they are considered financial instruments that are held for trading, all changes in the fair value of the instruments, between acquisition and disposition, are recognized through profit or loss. The Company conducts such transactions on an intra-period basis and does not hold the equity instruments at period end.

As a result of having utilized this mechanism for intragroup funding for the nine month period ended September 30, 2021, the Company realized a net gain of \$2,062,530 (September 30, 2020: \$nil), comprised of a favorable foreign currency impact of \$2,078,094 (September 30, 2020: \$nil) and a trading loss of \$15,564 (September 30, 2020: \$nil).

**20. CAPITAL MANAGEMENT**

The Company's capital management objectives are to raise the necessary equity financing to fund its exploration projects and mining activities and to manage the equity funds raised to best optimize its exploration and mining programs in the interests of its shareholders and other stakeholders at an acceptable risk.

In management of capital, the Company includes shareholders' equity and cash and cash equivalents in the definition of capital.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may raise additional equity funds and acquire new exploration properties as circumstances dictate.

The Company's capital consists of the following:

	<b>September 30, 2021</b>	December 31, 2020
Working capital surplus	<b>\$ 26,643,288</b>	\$ 19,182,430
Share capital	<b>53,029,568</b>	40,504,571
Share-based payment reserve (included in contributed surplus)	<b>4,356,305</b>	4,167,555
Accumulated deficit	<b>(26,689,316)</b>	(21,466,337)
	<b>\$ 57,339,845</b>	\$ 42,388,219

**21. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in non-cash working capital items during the nine month periods ended September 30, 2021 and 2020 are as follows:

	<b>September 30, 2021</b>	September 30, 2020
Receivables	<b>\$ (1,008,324)</b>	\$ 6,050
Prepays and deposits	<b>(740,912)</b>	67,739
Payables and accruals	<b>(310,602)</b>	(298,794)
Income tax payable	<b>(819,606)</b>	-
	<b>\$ (2,879,444)</b>	\$ (225,005)

## **SABLE RESOURCES LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three and nine month periods ended September 30, 2021 and 2020**

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## **22. SOUTH32 EARN-IN AGREEMENT**

During the period ended September 30, 2021, the Company and its wholly owned subsidiary Olivares signed an earn-in agreement ("EIA") with a wholly-owned subsidiary of South32, to jointly explore the Don Julio and Don Julio Regional Project.

### **Earn-in Agreement**

The EIA grants South32 the right to acquire 65% of the shares of Olivares by providing US\$8.5 million in exploration funding over a period of five years (the "EIA Period") and assuming responsibility for paying 100% of the cash option payments due to the underlying owners of the Project during the EIA Period. At South32's election the EIA Period can be extended by one year to a total period of six years in consideration for South32 providing an additional US\$1.5 million in exploration funding. The Company will operate all exploration programs during the EIA Period, and will receive a 7.5% operator fee on all qualifying exploration expenditures. Pursuant to the terms of the EIA, to maintain the option to acquire a 100% interest in the Project in good standing, the Company retains the obligation to issue shares to the underlying owners.

During the nine month period ended September 30, 2021, Olivares received payments of \$1,169,831 or US\$983,387 equivalent. These payments have been deferred as a liability and represent a portion of the funding that will form the consideration for South32's investment in Olivares, should South32 exercise its right to acquire a 65% direct interest in Olivares as discussed above.

### **Shareholders' Agreement**

On satisfying the exploration funding and cash option payment requirements under the EIA, South32 may elect to subscribe for 65% of the shares of Olivares. The Company, Olivares and South32 would then enter into a Shareholders' Agreement, on terms agreed and appended to the EIA.

During the period governed by the Shareholders' Agreement (the "Joint Venture Period"), Sable and South32 will contribute their proportionate share of further exploration and development expenditures or dilute on a straight-line basis. Other key terms of the Shareholders' Agreement include:

- If South32 elects not to contribute to the first approved program and budget of the Joint Venture Period (which budget must be a minimum of US\$4,000,000), then its interest in Olivares will be immediately reduced to 49%, with Sable's interest immediately increasing to 51%;
- At any time, South32 may elect to sole fund a Preliminary Economic Assessment ("PEA") in exchange for an additional 10% interest in Olivares, such PEA to be delivered within five years of South32's election;
- The Shareholder with the larger interest in Olivares will have the right to act as Operator either directly or through an affiliate;
- For as long as South32 continues to hold the larger interest in Olivares, South32 will have the right to appoint an affiliate to act as the worldwide marketing and distribution agent for product produced;
- In the event that Sable or South32 dilute below a 10% interest in Olivares, then the non-diluted party is entitled to buy out the diluted party's participating interest; and
- At any time, should the surrender or abandonment of part of the Project be authorized by Olivares, each shareholder will have the right to elect to take an assignment of the surrendered or abandoned portion, subject to any prior rights of third parties.

**SABLE RESOURCES LTD.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**For the three and nine month periods ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars)

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**23. COMMITMENTS AND CONTINGENCIES**

As of September 30, 2021, the Company is committed to spending approximately \$133,186 over the next four years on its Toronto office lease (note 13).

Due to the size, complexity and nature of the Company's operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**24. SUBSEQUENT EVENTS**

On October 14, 2021, the Company granted an aggregate of 4,250,000 options to purchase common shares of the Company exercisable at a price of \$0.25 per share for a period of five years to certain directors, officers, employees and consultants.