

**SAN LORENZO GOLD CORP.**

Consolidated Financial Statements

For the Years ended December 31, 2020 and 2019

To the Shareholders of San Lorenzo Gold Corp.:

## Opinion

We have audited the consolidated financial statements of San Lorenzo Gold Corp. and its subsidiary (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits 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 Corporation in accordance with the ethical requirements that are relevant to our audits 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 is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Corporation reported a net loss and negative cash flows from operations during the year ended December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Corporation'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 comprises 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 audits 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 audits 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 on this other information, 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 International Financial Reporting Standards, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

Calgary, Alberta  
April 30, 2021

  
Chartered Professional Accountants

**SAN LORENZO GOLD CORP.**  
**Consolidated Statements of Financial Position**  
**As at:**  
*(Canadian Dollars)*

	Notes	2020	2019
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,728,810	\$ 2,000
Due from related party	7	150,391	33,398
Other receivables		-	1,049
Total current assets		1,879,201	36,447
VAT receivable		17,025	17,072
Mineral properties	5	2,327,425	3,318,539
<b>Total Assets</b>		<b>\$ 4,223,651</b>	<b>\$ 3,372,058</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		\$ 296,500	\$ 95,545
Due to shareholder	7	41,412	35,000
Due to related parties	7	64,417	35,477
Notes payable	6	1,000,000	3,516,071
Total current liabilities		1,402,329	3,682,093
<b>Total Liabilities</b>		<b>1,402,329</b>	<b>3,682,093</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>			
Share capital	8	3,190,395	1,045
Contributed surplus		2,302,601	839,936
Accumulated other comprehensive loss		4,354	(73,104)
Deficit		(2,676,028)	(1,077,912)
<b>Total shareholders' equity (deficit)</b>		<b>2,821,322</b>	<b>(310,035)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>		<b>\$ 4,223,651</b>	<b>\$ 3,372,058</b>

Nature of operations and going concern	1
Commitments	5
Subsequent event	13

Approved on behalf of the Board of Directors

Signed "Kevin Baker"

Kevin Baker

Signed "Ken Booth"

Ken Booth

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

**SAN LORENZO GOLD CORP.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the years ended December 31,**  
*(Canadian Dollars)*

	<i>Notes</i>	2020	2019
<b>REVENUE</b>			
Interest		\$ 6,087	\$ -
<b>EXPENSES</b>			
General and administrative		\$ 362,572	\$ 141,364
Public company listing expense	4	1,158,579	-
Unrealized loss on foreign exchange		548,584	60,378
Accretion of notes payable	6	172,864	558,178
Interest	6	32,808	74,145
Gain on settlement of note payable	6	(671,204)	-
Total expenses		1,604,203	834,065
<b>Net loss</b>		<b>(1,598,116)</b>	<b>(834,065)</b>
<b>Other comprehensive gain (loss)</b>			
Foreign exchange translation adjustment		77,458	(73,104)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>\$ (1,520,658)</b>	<b>\$ (907,169)</b>
<b>Net loss per share - basic and diluted</b>	<b>8</b>	<b>(0.16)</b>	<b>(0.42)</b>
<b>Weighted average number of shares outstanding</b>	<b>8</b>	<b>10,146,428</b>	<b>2,000,000</b>

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

**SAN LORENZO GOLD CORP.**  
**Consolidated Statement of Changes in Equity (Deficit)**  
*(Canadian Dollars)*

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balance, December 31, 2018</b>		\$ 1,045	\$ 839,936	\$ -	\$ (243,847)	\$ 597,134
Net loss and comprehensive loss		-	-	(73,104)	(834,065)	(907,169)
<b>Balance, December 31, 2019</b>		\$ 1,045	\$ 839,936	\$ (73,104)	\$ (1,077,912)	\$ (310,035)
Shares issued on debt settlement	7	300,000	-	-	-	300,000
Amalgamation	4	1,422,352	-	-	-	1,422,352
Private placement	8	1,581,960	-	-	-	1,581,960
Share issuance costs	8	(114,962)	38,000	-	-	(76,962)
Gain on property re-transfer	6	-	1,424,665	-	-	1,424,665
Net loss and comprehensive loss		-	-	77,458	(1,598,116)	(1,520,658)
<b>Balance, December 31, 2020</b>		\$ 3,190,395	\$ 2,302,601	\$ 4,354	\$ (2,676,028)	\$ 2,821,322

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

**SAN LORENZO GOLD CORP.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31,**  
*(Canadian Dollars)*

	Note	2020	2019
<b>Cash provided by (used in)</b>			
<b>OPERATING</b>			
Net loss and comprehensive loss		\$ (1,520,658)	\$ (907,169)
Add (deduct) items not affecting cash flow:			
Other comprehensive income (loss)		(77,458)	73,104
Public company listing expense	4	1,158,578	-
Gain on settlement of note payable	6	(671,204)	-
Interest accrued on notes payable		32,808	74,145
Accretion of notes receivable	6	172,864	558,178
Foreign exchange loss		508,866	60,378
Trade and other payables		(233,335)	65,371
Other receivables		1,049	(1,049)
<b>Cash flow used in operating activities</b>		<b>(628,490)</b>	<b>(77,042)</b>
<b>INVESTING</b>			
Paid exploration and evaluation expenditures	5	(99,324)	(767,286)
Cash acquired through RTO	4	731,221	-
VAT receivable		46	(17,072)
<b>Cash flow provided by (used in) investing activities</b>		<b>631,943</b>	<b>(784,358)</b>
<b>FINANCING</b>			
Advance from shareholder	7	6,412	35,000
Advance from (to) related party	7	211,947	(33,398)
Issuance of common shares, net cash share issue costs	8	1,504,998	-
<b>Cash flow provided by financing activities</b>		<b>1,723,357</b>	<b>1,602</b>
Increase (decrease) in cash		1,726,810	(859,798)
Cash, beginning of year		2,000	861,798
<b>Cash, end of year</b>		<b>\$ 1,728,810</b>	<b>\$ 2,000</b>

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

**SAN LORENZO GOLD CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(expressed in Canadian dollars)*

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**1. Nature of operation and going concern**

On December 16, 2020, Kairos Meals Corp. (“Kairos”) and Tailwind Capital Corporation (“Tailwind”) were amalgamated to form San Lorenzo Gold Corp. (the “Corporation” or “San Lorenzo”) which completed Tailwind’s qualifying transaction (Note 4) in accordance with the policies of the TSX Venture Exchange Inc.

The Corporation’s principle business activities is the acquisition and development of mining properties in Chile and its common shares trade on the TSX Venture Exchange under the symbol SLG.

The head office is located at 900, 903 – 8<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 0P7.

*Going concern*

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis. The going concern basis contemplates the realization of assets and the settlement of liabilities in the ordinary course of business. If the Corporation is unable to raise funds to pay its liabilities as they become due and successfully finance its current and future exploration projects, it may not be able to realize its assets and discharge its liabilities in the normal course of operations.

For the year ended December 31, 2020, the Corporation reported a net loss of \$1,598,116 (2019 - \$834,065) and negative cash flows from operations of \$628,490 (2019 - \$77,042). These conditions indicate the existence of a material uncertainty which may cast significant doubt related to the Corporation’s ability to continue as a going concern. If the going concern assumption is not appropriate, adjustments may be necessary to the carrying amounts and classification of the Corporation’s assets and liabilities. The accompanying financial statements do not include any adjustments that may result if the Corporation is unable to continue as a going concern, and, such adjustments could be material.

The outbreak of the novel coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization on March 11, 2020. Global financial markets experienced significant volatility and weakness as a consequence of the pandemic and governments worldwide enacted emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, temporary business closures, self-imposed quarantine periods, social distancing and restrictions on public gatherings, have caused material disruption to businesses globally resulting in an economic slowdown. Second and third waves of the outbreak are underway in several countries and new restrictions are being imposed as COVID-19 case counts rise. The duration and full extent of the impact of COVID-19 is uncertain as information surrounding the pandemic continues to evolve. New variants of the virus have emerged globally adding to this uncertainty. The uncertainty caused by COVID-19 may impact the Corporation’s ability to raise the necessary funds to meet its short-term exploration objectives.

**2. Basis of Presentation**

**a) Basis of measurement**

These consolidated financial statements, including required comparative information, have been prepared in accordance and compliance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Reporting Interpretations Committee (“IFRIC”) in effect at January 1, 2020.

These financial statements, and the policies applied herein, were authorized for issue by the Board of Directors on April 30, 2021.

**b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost method except for share-based transactions and certain financial instruments which are measured at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency. The functional currency of the Corporation’s 99% owned subsidiary, Compañía Minera San Lorenzo Limitada (“San Lorenzo”) is the Chilean Peso.

**2. Basis of Presentation** *(continued)*

**c) Consolidation**

The consolidated financial statements include the accounts of the Corporation and San Lorenzo (hereafter referred to as the "Corporation"), which is a limited liability partnership of which the Corporation owns 99%. The Corporation has consolidated the assets, liabilities and expenses of San Lorenzo after the elimination of inter-company transactions and balances. The subsidiary was incorporated in Chile on May 17, 2016 and the principal business is the acquisition and development of mineral properties.

**d) Comparative period**

Unless otherwise stated, the comparative period used in these Consolidated Financial Statements is December 31, 2019 of Kairos.

**e) Use of judgments and estimates**

Management is required to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Management reviews these judgments, estimates and assumptions on an ongoing basis, including those related to fair values of financial instruments, recoverability of assets and income taxes. Actual results may differ from these estimates.

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

***Judgments***

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments that management has made in the process of applying the Corporation's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Property Title

The Corporation's properties reside in Chile. Although the Corporation takes steps to verify title of exploration and evaluation assets in which it has an interest, however, these procedures do not guarantee the Corporation's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Taxes

The Corporation applies judgment in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain due to interpretations of complex tax regulations, changes in tax laws, and the amounts and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded.

Provisions

Management's determination of no material restoration, rehabilitation and environmental exposure is based on the facts and circumstances that existed during the year.

Mineral Properties

The application of the Corporation's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely to arise from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

**2. Basis of Presentation** *(continued)*

Exploration and evaluation assets are reviewed for changes in facts and circumstances suggesting the carrying amount exceeds the recoverable amount at each consolidated statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and interruptions in exploration activities. The Corporation's review considers the following:

- The period for which the Corporation has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Deferred Taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Corporation operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Corporation is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

**3. Summary of Significant Accounting Policies**

**a) Cash**

Cash and cash equivalents, defined as being cashable within 90 days, is comprised of cash on deposit and highly liquid investments at a Canadian and a Chilean financial institution.

**b) Mineral property expenditures**

Exploration and evaluation expenditures include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Corporation has obtained legal rights to explore an area are recognized in net loss. Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount. Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Actual costs incurred upon settlement of the decommissioning liability are charged against the provision to the extent the provision was established.

**3. Summary of Significant Accounting Policies** *(continued)*

**c) Fair value of financial instruments**

The Corporation has classified its financial instrument fair values based on the required three level hierarchy:

- Level 1: On quoted prices in active markets for identical assets or liabilities;
- Level 2: On observable inputs other than quoted active market prices; and,
- Level 3: On significant inputs that are not derived from observable market data, such as discounted cash flows methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- d)** A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax, risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation recognizes any impairment loss on associated assets.

**e) Share capital**

Proceeds from the issuance of common shares are classified as share capital. Incremental costs directly attributable to the issuance of shares are recognized as a deduction, net of any tax effects.

**f) Share-based payments**

The Corporation follows the fair value method for recognition of stock options awarded to directors, officers and consultants. Under this method, the equity instruments are recorded at their fair value based on the market price on the date of grant. For stock options, the fair value is estimated using the Black Scholes option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock, its expected volatility, expected dividends of the stock and the risk-free interest rate over the expected life of the option. Compensation costs are recognized over the vesting period of the stock options.

Share-based compensation expense is recorded to profit and loss or mineral properties with a corresponding increase recorded to contributed surplus. Cash consideration received when options are exercised is credited to share capital along with the related amount previously recorded in contributed surplus.

**g) Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. For all periods presented, income (loss) available to common shareholders equals the reported income (loss) attributable to the shareholders of the Corporation.

Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares issued and outstanding used for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year.

**h) Foreign operations**

For entities whose functional currency is the Canadian dollar, transactions in currencies other than the Corporation's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences on monetary items are recognized in the year in which they arise.

**3. Summary of Significant Accounting Policies** *(continued)*

The financial results of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of foreign operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognized as other comprehensive loss ("OCI").

**i) Taxes**

Taxes are comprised of current and deferred taxes. Tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or elsewhere in shareholders' equity, in which case the related tax expense or recovery is also recognized directly in other comprehensive loss or elsewhere in shareholders' equity.

Current tax expense is the expected cash tax payable on the taxable loss for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax expense and related liability is recognized with respect to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to continue to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

**j) Common control transactions**

Transactions between entities that are subject to common control require that the assets be transferred at their carrying value. Any difference between the proceeds received and the carrying amount of the assets transferred is recognized in contributed surplus.

**k) Financial Instruments**

The Corporation measures its financial assets and liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instruments' classifications.

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through OCI (FVOCI) and fair value through profit and loss (FVTPL). The classification categories are as follows:

- A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are measured using the effective interest method.
- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Financial liabilities – The classification of financial liabilities is determined by the Corporation at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the Consolidated Statement of Comprehensive Loss.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured a fair value with changes in fair value and interest expense recognized in the Consolidated Statement of Comprehensive Loss.

**SAN LORENZO GOLD CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(expressed in Canadian dollars)*

**3. Summary of Significant Accounting Policies** *(continued)*

Below is a summary indicating the classification and measurement bases of the Corporation's financial instruments:

Financial Instrument		Classification	Measurement
Assets	Cash	Amortized cost	Amortized cost
	Other receivables	Amortized cost	Amortized cost
	Due from related party	Amortized cost	Amortized cost
Liabilities	Trade and other payables	Amortized cost	Amortized cost
	Notes payable	Amortized cost	Amortized cost
	Due to shareholder	Amortized cost	Amortized cost
	Due to related parties	Amortized cost	Amortized cost

IFRS 9, incorporates a forward-looking "expected credit loss" ("ECL") model for determining impairment or recognition of credit losses on financial assets measured at amortized cost ("AC") or at FVTOCI.

**4. Qualifying Transaction**

Pursuant to a merger agreement dated August 10, 2020 and as amended on November 10, 2020 ("Amalgamation Agreement"), Tailwind and Kairos agreed to enter into a transaction that would serve as Tailwind's Qualifying Transaction (the Transaction") as defined by the TSX Venture Exchange. Both Tailwind and Kairos agreed to amalgamate to form a new company called San Lorenzo Gold Corp. ("San Lorenzo"). According to the Amalgamation Agreement:

- Each Kairos share was cancelled and exchanged for one share of San Lorenzo
- Each Tailwind share was cancelled, and each 1.5 shares was exchanged for one share of San Lorenzo
- Each Tailwind option was cancelled, and each 1.5 options was exchanged for one option of San Lorenzo
- Each Kairos broker warrant was cancelled and exchanged for one broker warrant of San Lorenzo
- Completion of an equity offering of up to 21,428,572 common shares of Tailwind for gross proceeds up to \$1,500,000 (the "Private Placement")
- There could be no greater than 25,266,704 Kairos shares and 8,000,000 Tailwind shares (excluding the Private Placement) outstanding prior to the amalgamation

As the former shareholders of Kairos own approximately 56% of the voting shares of Tailwind after the Transaction, and has control of the combined entity, the acquisition of Kairos by Tailwind was accounted for using the reverse-takeover ("RTO") acquisition method of accounting in accordance with IFRS 3 with Kairos deemed to be the acquirer of the accounting parent. The accounting information and results of operations of the legal parent, Tailwind, are included in the consolidated financial statements from the date of the reverse takeover, determined to be December 16, 2020 which is the date the shares of San Lorenzo were issued to effect the Amalgamation Agreement.

The fair value of the consideration is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of Tailwind upon completion of the Transaction. This value represents the fair value of the number of shares that Kairos would have had to issue, being 20,319,311, for the ratio of ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of Kairos acquiring 100% of the shares of Tailwind. The fair value of the Transaction is based on the transaction price of the Private Placement.

The purchase price allocation can be summarized as follows:

20,319,311 common shares valued at approximately \$0.07 per share	\$	1,422,352
<b>Total consideration</b>	<b>\$</b>	<b>1,422,352</b>
Purchase price allocation:		
Net asset value of Tailwind	\$	263,773
Public company listing expense on reverse takeover		1,158,579
	<b>\$</b>	<b>1,422,352</b>

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**4. Qualifying Transaction** *(continued)*

The Transaction is accounted for as a continuation of Kairos whereby new shares are issued for the net assets of Tailwind, including the public company listing expense which is deemed to be the difference between the consideration paid for Tailwind shares and the net assets of Tailwind. The share capital, contributed surplus and deficit of Tailwind are charged or credited to the share capital of the consolidated entity.

**5. Mineral properties - exploration and evaluation expenditures**

The Corporation's exploration and evaluation expenditures relate to mineral properties in Chile and are as follows:

<b>Balance December 31, 2018</b>	<b>2,872,134</b>
Additions	767,286
Foreign exchange effect	(320,881)
<b>Balance December 31, 2019</b>	<b>\$ 3,318,539</b>
Additions	99,324
Foreign exchange effect	(34,118)
Re-transferred mineral claims (note 6 (iii))	(1,056,320)
<b>Balance December 31, 2020</b>	<b>\$ 2,327,425</b>

Management has reviewed for impairment indicators at December 31, 2020 and 2019 and determined there were no indicators of impairment.

*Mineral Property Description*

The Corporation currently holds 100% title interest in mineral claims comprising six discrete property packages with exploration potential to discover commercial deposits of copper and/or gold and/or silver through its Chilean subsidiary San Lorenzo.

*Mineral Property Expenditure Commitments*

The mineral properties do not require any minimum work or expenditure commitments. The Corporation is obligated to make annual tax payments to the Chilean government in relation to the mineral properties. The tax is calculated by the government using an internal tax unit, Unidad Tributaria Mensual "UTM". These tax payments are payable in the second quarter of the year and have been made during the current and prior years.

**6. Notes Payable**

Notes payables are comprised of the following:

	<b>Minera Kairos</b>	<b>Lithium Chile</b>
<b>Balance, December 31, 2018</b>	<b>\$ 1,778,024</b>	<b>\$ 1,270,406</b>
Foreign exchange adjustment	(91,082)	(73,600)
Accretion	325,178	233,000
Interest	44,337	29,808
<b>Balance, December 31, 2019</b>	<b>\$ 2,056,457</b>	<b>\$ 1,459,614</b>
Foreign exchange adjustment	302,333	127,765
Accretion	98,359	74,542
Interest	23,836	9,283
Exchange for mineral properties (iii)	(2,480,985)	-
Loan adjustment (iv)	-	(671,204)
<b>Balance, December 31, 2020</b>	<b>\$ -</b>	<b>\$ 1,000,000</b>

The face value of the original notes payable to LITH of \$1,564,000 (US\$1,150,000) and Minera Kairos \$2,188,302 (US\$1,600,000) were due two years from the date of issuance, being May 16 and May 8, 2018, respectively, and were unsecured.

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**6. Notes Payable** *(continued)*

During the year ended December 31, 2018, Kairos (predecessor entity to the Corporation) was a wholly-owned subsidiary of Lithium Chile Inc. ("LITH") and at a meeting of the shareholders of LITH on April 27, 2018, the LITH shareholders approved a proposed plan of arrangement (the "Arrangement") under Section 193 of the *Business Corporations Act* (Alberta) involving the distribution of common shares of Kairos (the "Kairos Shares"), to the LITH shareholders during the year ended December 31, 2018. The following transactions occurred and were part of a series of transactions related to the Arrangement:

- i) Kairos acquired 99% of the outstanding interest in Compañía Minera San Lorenzo Limitada ("San Lorenzo") from Compañía Minera Kairos Chile Limitada ("Minera Kairos"), a wholly-owned subsidiary of LITH.
- ii) Mineras Kairos transferred its interests in its copper, gold and silver properties ("CGS claims") in Chile to San Lorenzo at their carrying cost of US\$1.6 million in exchange for a Promissory Note.

During the year ended December 31, 2020, an agreement was entered into between Kairos and LITH to transfer certain gold, silver and copper properties (the "Retransferred Mineral Claims"), having a carrying value of \$1,056,320, from San Lorenzo back to Minera Kairos (the "Retransfer Agreement") such that the values and terms of the notes payable were adjusted as follows:

- iii) The Minera Kairos note payable, with the original face value of US\$1,600,000 together with accrued interest of US\$62,334, was satisfied in exchange for the Retransferred Mineral Claims.
- iv) The LITH note payable was renegotiated from US\$1,115,000, plus interest, to CAD\$1,000,000 with the repayment term extended from May 16, 2020 to November 30, 2021 and is unsecured.

Both the Arrangement and the Retransfer Agreement is also considered a common control transaction and as such, the gain realized from the re-transfer of mineral properties was charged to contributed surplus.

**7. Related Party Transactions**

During the year ended December 31, 2020 and 2019, the Corporation incurred expenses included in the Consolidated Statements of Loss and Comprehensive Loss, as follows:

Year ended December 31,	2020	2019
	\$	
Administrative consulting services provided by an officer	40,455	\$ 9,100

The related party amounts included in the Consolidated Statement of Financial Position are as follows:

As at December 31,	2020	2019
Due from a company related by a common director	\$ 150,391	\$ 33,398
Due to a company related by common directors	35,379	-
Due to a shareholder	41,412	35,000
Consulting services provided by an officer (included in Mineral Properties)	63,730	94,890
Due to an officer for consulting services	29,038	28,692
Due to an officer for administrative consulting services (included in trade and other payables)	\$58,502	\$ 525

The amounts that are due to/from related parties noted above are unsecured, non-interest bearing and due on demand.

During the year, cash advances totaling \$300,000 were made to the Corporation from a company related by a common director. These advances were used for mineral expenditures and general operating costs in Chile. The \$300,000 payable was settled by the issuance of 2,857,143 shares of the Corporation having a fair value of \$300,000 based on the value of the Corporation's shares on the date of issuance. The issue of share occurred concurrently with the Amalgamation.

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**8. Share Capital**

**a) Authorized:**

Unlimited number of common voting shares and preferred shares without nominal or par value.

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. No preferred shares have been issued since the Corporation's inception.

**b) Issued:**

*Common Shares*

	Number of Shares	\$
<b>Balance, December 31, 2019 and 2018</b>	8,000,000	404,044
Kairos common shares outstanding prior to RTO ( <i>Note 4</i> )	25,266,704	1,045
Shares issued for debt settlement ( <i>Note 7</i> )	2,857,143	300,000
Private Placement ( <i>Note 4</i> )	22,599,282	1,581,960
Effect the Amalgamation Agreement ( <i>Note 4</i> )	(10,199,761)	1,018,308
Share issue costs (i)	-	(114,962)
<b>Balance, December 31, 2020</b>	<b>48,523,368</b>	<b>3,190,395</b>

- i) Share issue costs relating to the Private Placement include cash paid of \$76,962 and \$38,000 being the fair value of brokers' warrants. Each broker warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.07 per share, expiring twelve months from the date of issuance.

The fair value of the warrants has been estimated at the date of grant using the Black-Scholes option pricing model on the following assumptions:

<b>December 16, 2020</b>	
Dividend yield	0%
Expected volatility	126%
Risk-free interest rate	0.24%
Forfeiture rate	0%
Share price - issuance	\$ 0.07
Term	12 months

**c) Loss per share**

The basic and diluted loss per share as calculated is based on the weighted average number of shares outstanding during the year as follows:

	<b>2020</b>
Issued and outstanding at beginning of year	8,000,000
Effect on share issuance	2,146,428
<b>Weighted average number of common shares – basic and diluted</b>	<b>10,146,428</b>

**d) Escrow Shares**

At the date of close of the Qualifying Transaction, the Company had 3,999,998 common shares subject to CPC Escrow Agreement ("CPC Escrow") and 8,168,893 common shares subject to a Tier 2 Value Security Escrow Agreement ("Security Escrow"). In relation to the CPC escrow agreement, 10% of the shares or 399,400 shares were released on the date of the Final Exchange Bulletin with 15% to be released on each six-month anniversary from the date of the Final Exchange Bulletin. In relation to the Security Escrow, 10% of the shares or 816,889 common shares were released on the date of the Final Exchange Bulletin with 15% to be released on each six-month anniversary from the date of the Final Exchange Bulletin.

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**8. Share Capital** *(continued)*

**e) Stock Options**

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant and vest immediately in accordance with the terms of their grant.

<i>Director options</i>	(#)	Weighted average exercise price (\$)	Weighted average remaining life (years)
As at December 31, 2018 and 2019	800,000	0.10	8.38
Conversion impact (Note 4)	(266,667)	-	-
As at December 31, 2020	533,333	0.15	7.38

  

<i>Agent warrants</i>	(#)	Weighted average exercise price (\$)	Weighted average remaining life (years)
As at December 31, 2018 and 2019	200,000	0.10	0.37
Expired	(200,000)	0.10	-
Granted	1,099,450	0.07	1.0
Conversion impact (Note 4)	(366,483)	0.105	1.0
As at December 31, 2020	1,099,450	0.105	0.96

**9. Management of Capital**

The Corporation's capital currently consists of common shares. The Corporation's capital management objectives are to have sufficient capital to be able to explore and develop mineral properties in Chile. The Corporation manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Corporation does not have any externally imposed capital requirements to which it is subject.

**10. Taxes**

The provision for income taxes differs from the amount obtained by applying the combined Canadian federal and provincial income tax rate to the loss for the year. The differences relate to the following items:

	2020	2019
<b>Net loss before taxes</b>	\$ 1,598,116	\$ 834,065
Corporate income tax rate	24%	26.5%
Expected tax recovery	(383,547)	(221,027)
<b>Add (deduct):</b>		
Tax rate differential between Canada and Chile	(4,421)	7,928
Listing expense	278,059	-
Foreign exchange and other adjustments	(11,918)	147,474
Deferred tax assets not recognized	121,827	65,625
<b>Tax recovery</b>	\$ -	\$ -

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**10. Taxes (continued)**

Deferred tax assets have not been recognized in respect of the following gross temporary differences because it is not probable that future taxable profits will be available against which the Corporations can utilize the benefits therefrom.

	2020	2019
Non-capital losses - Canadian	\$ 384,000	\$ 207,000
Share issue costs	122,000	-
	<b>\$ 506,000</b>	<b>\$ 207,000</b>

The Corporation's Canadian loss carry forward balance is available to reduce future year's taxable income and, if not fully utilized, will begin to expire in fiscal 2028.

**11. Financial instruments and risk management**

The Corporation, as part of its operations, carries financial instruments consisting of cash, due from related party, other receivables, trade and other payables, notes payable due to related parties, and due to shareholder. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from this financial instrument.

The carrying amount of cash, due from related party, other receivable, trade and other payables, due to related parties and due to shareholder approximates its fair value due to its short-term maturity.

The carrying amount of notes payable approximate its fair value due to market rate of interest being applied to this financial instrument.

**Credit Risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation believes it has no significant credit risk as cash is held with reputable banks in both Canada and Chile.

**Liquidity Risk**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet current liabilities when due. As at December 31, 2020 the Corporation had a cash balance of \$1,728,810 (2019 - \$2,000) to settle current obligations of \$1,402,239 (2019 - \$3,682,093). Due to the nature of the mining industry, additional financing will be required in due course. Management will seek additional forms of financing through the issuance of new equity or debt instruments to continue its operations and there can be no assurance it will be able to do so.

The following are the financial liabilities at December 31:

2020	Less than 1 year	1-3 years	3+ years	Total
Trade and other payables	\$ 296,500	\$ -	\$ -	\$ 296,500
Due to shareholder	41,412	-	-	41,412
Due to related party	64,417	-	-	64,417
Notes payable	1,000,000	-	-	1,000,000
	<b>\$ 1,402,239</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,402,239</b>

  

2019	Less than 1 year	1-3 years	3+ years	Total
Trade and other payables	\$ 95,545	\$ -	\$ -	\$ 95,545
Due to shareholder	35,000	-	-	35,000
Due to related party	35,477	-	-	35,477
Notes payable	3,516,071	-	-	3,516,071
	<b>\$ 3,682,093</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,682,093</b>

**11. Financial instruments and risk management** *(continued)*

**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.

(1) Interest rate risk

The Corporation believes it has negligible interest rate risk due to its cash balances and fixed rate interest-bearing debt.

(2) Foreign currency risk

The Corporation is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate and in the U.S./Chilean Peso exchange rate for services and geological costs that are denominated in Chilean Pesos and converted to U.S. dollars or directly influenced by U.S. dollar benchmark prices. A hypothetical change of 10% to the foreign exchange rate between Canadian/U.S. and U.S./Chilean Peso would not have a material impact of the Corporation's loss during the year.

(3) Commodity risk

The Corporation is not exposed to commodity price risk.

**12. Segmented information**

Management has determined that its financial results are to be presented as one reportable segment.

All non-current assets reside in Chile.

**13. Subsequent event**

On January 22, 2021, the Corporation granted stock options to Officers, Directors and Advisors of the Company (the "Options") exercisable to acquire up to a total of 3,150,000 common shares pursuant to the Corporation's stock option plan. The Options are exercisable for a period of ten years at a price of \$0.16 per share, the closing price on January 21, 2021, and will vest as to one third each on the date of grant and the first and second anniversaries of the grant.