
ROCHESTER RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2021

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Notes	August 31, 2021 \$	May 31, 2021 \$
ASSETS			
Current assets			
Cash		497,307	668,534
Amounts receivable	4	1,208,615	1,464,488
GST/IVA tax receivables		329,333	357,422
Prepaid expenses and deposit		106,614	141,997
Inventories	5	<u>1,071,030</u>	<u>928,483</u>
Total current assets		<u>3,212,899</u>	<u>3,560,924</u>
Non-current assets			
Property, plant and equipment	7	1,475,694	1,529,774
Right of use assets	8	<u>458,684</u>	<u>387,662</u>
Total non-current assets		<u>1,934,378</u>	<u>1,917,436</u>
TOTAL ASSETS		<u>5,147,277</u>	<u>5,478,360</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		7,208,091	7,259,723
Amounts payable to directors and officers	13	1,397,409	1,410,312
Current portion of lease liabilities	8	83,909	59,202
Interest payable	9, 10, 11	8,192,438	7,820,356
Advances	9	4,301,360	4,143,518
Debentures	10	775,000	775,000
Indebtedness	11	<u>3,631,000</u>	<u>3,631,000</u>
Total current liabilities		<u>25,589,207</u>	<u>25,099,111</u>
Non-current liabilities			
Provision for site restoration	14	1,240,036	1,255,839
Lease liabilities	8	<u>332,198</u>	<u>281,523</u>
		<u>1,572,234</u>	<u>1,537,362</u>
TOTAL LIABILITIES		<u>27,161,441</u>	<u>26,636,473</u>
SHAREHOLDERS' DEFICIT			
Share capital	12	46,451,275	46,451,275
Share-based payments reserve		7,293,723	7,293,723
Contributed surplus		243,299	243,299
Deficit		<u>(76,002,461)</u>	<u>(75,146,410)</u>
TOTAL SHAREHOLDERS' DEFICIT		<u>(22,014,164)</u>	<u>(21,158,113)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		<u>5,147,277</u>	<u>5,478,360</u>

Nature of Operations and Going Concern - See Note 1

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 29, 2021 and are signed on its behalf by:

/s/ Eduardo Luna
Eduardo Luna
Director

/s/ Nick DeMare
Nick DeMare
Director

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET (LOSS) INCOME AND
COMPREHENSIVE (LOSS) INCOME
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended	
		August 31	
		2021	2020
		\$	\$
Revenue		3,309,050	3,248,175
Cost of operations			
Cost of sales		(3,060,951)	(2,155,784)
Depletion and amortization	7	(103,648)	(70,103)
Provision for site restoration	14	<u>(21,353)</u>	<u>(16,125)</u>
Operating income		<u>123,098</u>	<u>1,006,163</u>
Expenses and other			
General and administration		(145,131)	(105,741)
Share-based compensation	12(b)	-	(62,550)
Financing expense	15	(242,358)	(282,784)
Accretion of interest on lease liabilities	8	(21,381)	-
Foreign exchange		(468,519)	690,146
Impairment of exploration and evaluation assets	6	<u>(101,760)</u>	<u>(143,895)</u>
		<u>(979,149)</u>	<u>95,176</u>
Net (loss) income and comprehensive (loss) income for the period		<u>(856,051)</u>	<u>1,101,339</u>
Basic and diluted (loss) income per common share		<u>\$(0.02)</u>	<u>\$0.05</u>
Weighted average number of common shares outstanding		<u>37,394,125</u>	<u>20,460,882</u>

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended August 31, 2021					Total Equity (Deficit) \$
	Share Capital		Share-Based Payments Reserve \$	Contributed Surplus \$	Deficit \$	
	Number of Shares	Amount \$				
Balance at May 31, 2021	37,394,125	46,451,275	7,293,723	243,299	(75,146,410)	(21,158,113)
Net loss for the period	-	-	-	-	(856,051)	(856,051)
Balance at August 31, 2021	<u>37,394,125</u>	<u>46,451,275</u>	<u>7,293,723</u>	<u>243,299</u>	<u>(76,002,461)</u>	<u>(22,014,164)</u>

	Three Months Ended August 31, 2020						
	Share Capital			Share-Based Payments Reserve \$	Contributed Surplus \$	Deficit \$	Total Equity (Deficit) \$
	Number of Shares	Amount \$	Share Subscriptions \$				
Balance at May 31, 2020	20,850,882	45,274,063	-	7,228,173	243,299	(77,594,691)	(24,849,156)
Share subscriptions	-	-	45,000	-	-	-	45,000
Share-based compensation	-	-	-	62,550	-	-	62,550
Net income for the period	-	-	-	-	-	1,101,339	1,101,339
Balance at August 31, 2020	<u>20,850,882</u>	<u>45,274,063</u>	<u>45,000</u>	<u>7,290,723</u>	<u>243,299</u>	<u>(76,493,352)</u>	<u>(23,640,267)</u>

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended	
	August 31,	
	2021	2020
	\$	\$
Operating activities		
Net (loss) income for the period	(856,051)	1,101,339
Adjustments for:		
Depletion and amortization	103,648	70,103
Provision for site restoration	21,353	16,125
Share-based compensation	-	62,550
Financing expense	242,358	282,784
Foreign exchange	250,410	(294,084)
Accretion of interest on lease liabilities	21,381	-
Impairment of exploration and evaluation assets	101,760	143,895
Changes in non-cash working capital items:		
Amounts receivable	255,873	(617,068)
GST/IVA tax receivable	28,089	(102,497)
Prepaid expenses and deposits	35,383	148,835
Inventories	(142,547)	(179,675)
Accounts payable and accrued liabilities	(51,632)	(850)
Amounts payable to directors and officers	(12,903)	(12,783)
Net cash (used in) provided by operating activities	(2,878)	618,674
Investing activities		
Property, plant and equipment purchases	(16,023)	(673,777)
Expenditures on exploration and evaluation assets	(101,760)	(143,895)
Net cash used in investing activities	(117,783)	(817,672)
Financing activities		
Payments on lease liabilities	(50,566)	-
Advances received	-	92,554
Share subscriptions received	-	45,000
Net cash (used in) provided by financing activities	(50,566)	137,554
Net change in cash	(171,227)	(61,444)
Cash at beginning of period	668,534	322,876
Cash at end of period	497,307	261,432

Supplemental cash flow information - Note 19

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

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Rochester Resources Ltd. (the “Company”) was incorporated on September 7, 1989 under the provisions of the Company Act (British Columbia). The Company is listed and trades on the TSX Venture Exchange (“TSXV”) under the symbol “RCT”. The Company’s head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is engaged in the exploration and development of its mineral property interests in Mexico. The mineral exploration and development business involves, by its nature, a high degree of risk and there can be no assurance that the current operations or exploration projects will result in sustainable profitable mining operations. All of the Company’s exploration and evaluation assets and property, plant and equipment are located in Mexico, and hence are subject to the risks normally associated with foreign investment including unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

During the three months ended August 31, 2021 the Company recorded net loss of \$856,051 and, as at August 31, 2021, the Company had an accumulated deficit of \$76,002,461 and a working capital deficit of \$22,376,308. The Company has been unable to make all concessions payments when due in the current and prior years for the Mina Real, San Francisco and Santa Fe properties. See also Note 18. The Company’s ongoing operations are dependent on extracting mineralized material from the Mina Real and San Francisco properties and, therefore, on the Company’s ability to preserve its interest in the underlying mineral property interests. In the immediate term, the Company’s ability to continue as a going concern is dependent upon the market prices of silver and gold, its ability to improve its operations to maintain positive operating cash flow from the Mina Real and Santa Fe properties on a consistent basis and to raise additional capital to fund its ongoing business operations and exploration projects and repay indebtedness as they come due. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the Company’s ability to continue as a going concern will be dependent upon the discovery of economically recoverable reserves and the achievement of profitable operations. Whether the Company can generate positive cash flow on a consistent basis and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

These condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to August 31, 2021.

In March 2020 the World Health Organization (“WHO”) declared the outbreak of a novel coronavirus, identified as “COVID-19”, as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company has implemented safety and physical distancing procedures while it continues operations at the Mina Real and San Francisco properties and exploration activities on the Santa Fe Property. The Company will continue to monitor the impact of the COVID-19 outbreak, the duration and impact which is unknown at this time, as is the efficacy of any intervention. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended May 31, 2021.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

3. Subsidiaries

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
ALB Holdings Ltd. (“ALB”)	Canada	100%
Mina Real Mexico S.A. de C.V. (“Mina Real”)	Mexico	100%
Compania Minera Santa Fe S.A. de C.V. (“Compania Minera”)	Mexico	70%

4. Amounts Receivable

	August 31, 2021 \$	May 31, 2021 \$
Production receivable	1,174,742	1,414,511
Other	<u>33,873</u>	<u>49,977</u>
	<u>1,208,615</u>	<u>1,464,488</u>

5. Inventories

	August 31, 2021 \$	May 31, 2021 \$
Mineralized material in process	514,338	489,636
Mine stores, supplies and other	<u>556,692</u>	<u>438,847</u>
	<u>1,071,030</u>	<u>928,483</u>

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021
(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets

	Santa Fe Property \$
Balance at May 31, 2020	<u>-</u>
Acquisition costs:	
Mineral claims	259,489
Option payments	<u>155,208</u>
	<u>414,697</u>
Impairment	<u>(414,697)</u>
Balance at May 31, 2021	<u>-</u>
Exploration costs:	
Exploration site	<u>14,741</u>
Acquisition costs:	
Mineral claims	49,669
Option payments	<u>37,350</u>
	<u>87,019</u>
Impairment	<u>(101,760)</u>
Balance at August 31, 2021	<u>-</u>

Through Mina Real the Company has an agreement to acquire a 70% interest in one concession (the “Santa Fe Property”) located near the Mina Real Property. Under the terms of the agreement the Company agreed to implement a program of exploration to determine if the Santa Fe Property can be economically exploited. In addition, if the exploration work is successful, the Company agreed to provide the necessary capital to construct a processing plant capable of processing a minimum of 200 tonnes per day. To date, the Company has conducted limited exploration on the Santa Fe Property. The Company is required to pay an ongoing monthly fee of US \$10,000 to the 30% concession owners of the Santa Fe Property. During the three months ended August 31, 2021 the Company made a payment of US \$200,000 and, as at August 31, 2021 US \$130,000 (May 31, 2021 - US \$300,000) remained unpaid and is included in accounts payable and current liabilities.

During fiscal 2016 the Company assessed whether an impairment was required with respect to the Santa Fe Property as required by IFRS 6. In making the assessment management considered the Company’s financial situation and its inability to implement an exploration work program. As a result the Company recorded an impairment charge to reduce the carrying value to \$nil. The Company continues to record impairment charges for all subsequent costs incurred and capitalized on the Santa Fe Property to maintain the carrying value at \$nil.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021
(Unaudited - Expressed in Canadian Dollars)

7. Property, Plant and Equipment

Cost:	Mineral Properties \$	Land \$	Buildings \$	Mill and Mine Equipment \$	Total \$
Balance, May 31, 2020	33,934,944	2,692,313	3,517,234	6,047,943	46,192,434
Additions	-	-	-	1,082,149	1,082,149
Balance, May 31, 2021	33,934,944	2,692,313	3,517,234	7,130,092	47,274,583
Additions	-	-	-	16,023	16,023
Balance, August 31, 2021	<u>33,934,944</u>	<u>2,692,313</u>	<u>3,517,234</u>	<u>7,146,115</u>	<u>47,290,606</u>
Accumulated depletion, amortization and impairment:					
Balance, May 31, 2020	(33,934,944)	(2,692,313)	(3,081,837)	(5,755,303)	(45,464,397)
Depletion and amortization	-	-	(48,377)	(232,035)	(280,412)
Balance, May 31, 2021	(33,934,944)	(2,692,313)	(3,130,214)	(5,987,338)	(45,744,809)
Depletion and amortization	-	-	(12,094)	(58,009)	(70,103)
Balance, August 31, 2021	<u>(33,934,944)</u>	<u>(2,692,313)</u>	<u>(3,142,308)</u>	<u>(6,045,347)</u>	<u>(45,814,912)</u>
Carrying value:					
Balance, May 31, 2021	-	-	387,020	1,142,754	1,529,774
Balance, August 31, 2021	-	-	374,926	1,100,768	1,475,694

The Company holds 100% undivided interests in the Mina Real and San Francisco properties. The Mina Real Property comprises eight concessions and one mineral claim located near Tepic, Mexico. The San Francisco Property comprises twelve concessions located approximately 60 kilometres west of the Company's mill on the Mina Real Property.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

8. Right of Use Assets

Cost:	Land \$	Buildings \$	Mill and Mine Equipment \$	Total \$
Balance, May 31, 2020	-	-	-	-
Additions	70,706	118,848	242,983	432,537
Balance, May 31, 2021	70,706	118,848	242,983	432,537
Additions	-	-	104,567	104,567
Balance, August 31, 2021	70,706	118,848	347,550	537,104
Accumulated amortization:				
Balance, May 31, 2020	-	-	-	-
Amortization	(9,486)	(990)	(34,399)	(44,875)
Balance, May 31, 2021	(9,486)	(990)	(34,399)	(44,875)
Amortization	(2,505)	(2,971)	(28,069)	(33,545)
Balance, August 31, 2021	(11,991)	(3,961)	(62,468)	(78,420)
Carrying value:				
Balance, May 31, 2021	61,220	117,858	208,584	387,662
Balance, August 31, 2021	58,715	114,887	285,082	458,684

The Company has lease contracts for various land, housing and vehicles. It does not have any subleases. As at May 31, 2021 lease liabilities have a remaining lease term of approximately ten years or less and were determined using an effective interest rate of 20%. The undiscounted cash-flows over the remaining lease term are approximately \$711,366.

	\$
Balance, May 31, 2020	-
Additions	487,437
Interest expense	23,553
Payments	(170,265)
Balance, May 31, 2021	340,725
Additions	104,567
Interest expense	21,381
Payments	(50,566)
Balance, August 31, 2021	416,107
Current portion of lease liabilities	83,909
Non-current portion of lease liabilities	332,198
Total lease liabilities	416,107

During the three months ended August 31, 2021, the Company recorded accretion of interest on lease liabilities of \$21,381 (2020 - \$nil).

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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8. Right of Use Assets (continued)

As at August 31, 2021 the total of future minimum lease payments under leases are as follows:

	\$
Less than one year	159,348
Greater than one year	<u>552,018</u>
	<u>711,366</u>

9. Advances

	9% Advances \$	12% Advances \$	Total \$
Principal			
Balance, May 31, 2020	1,273,047	4,165,323	5,438,370
Advances received	-	92,554	92,554
Advances repaid	(76,250)	(92,554)	(168,804)
Advances settled	(125,040)	(569,453)	(694,493)
Foreign exchange adjustment	<u>(65,565)</u>	<u>(458,544)</u>	<u>(524,109)</u>
Balance, May 31, 2021	1,006,192	3,137,326	4,143,518
Foreign exchange adjustment	<u>20,836</u>	<u>137,006</u>	<u>157,842</u>
Balance, August 31, 2021	<u>1,027,028</u>	<u>3,274,332</u>	<u>4,301,360</u>
Interest			
Balance, May 31, 2020	843,865	2,509,605	3,353,470
Interest	102,231	426,240	528,471
Foreign exchange adjustment	<u>(44,631)</u>	<u>(331,460)</u>	<u>(376,091)</u>
Balance, May 31, 2021	901,465	2,604,385	3,505,850
Interest	23,153	97,769	120,922
Foreign exchange adjustment	<u>15,260</u>	<u>115,359</u>	<u>130,619</u>
Balance, August 31, 2021	<u>939,878</u>	<u>2,817,513</u>	<u>3,757,391</u>

On January 8, 2021 the Company issued 9,259,902 units of the Company in settlement of \$694,493 principal of Advances See Note 12(c).

- (a) The 9% Advances bear interest at a rate of 9% per annum and have no fixed terms of repayment. As at August 31, 2021 \$1,027,028 (May 31, 2021 - \$1,006,192) of the principal and \$939,878 (May 31, 2021 - \$901,465) of the related accrued interest are due to the CEO of the Company and private corporations controlled by or affiliated with the Chairman of the Company.
- (b) The 12% Advances bear interest at a rate of 12% per annum and have no fixed terms of repayment. As at August 31, 2021 \$3,274,332 (May 31, 2021 - \$3,137,326) of the principal and \$2,800,012 (May 31, 2021 - \$2,587,640) of the related accrued interest are due to the Chairman of the Company, directors of the Company and private corporations controlled by or affiliated with the CEO of the Company.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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10. Debentures

On May 31, 2013 the Company completed a \$950,000 secured debenture financing (the “Debentures”). On December 31, 2014 the Debentures matured. The holders of the Debentures have not demanded repayment of principal or accrued interest. The principal amounts under the Debentures continue to be subject to a monthly interest charge equivalent to \$12.67 multiplied by the greater of: (a) the monthly production of mineralized material from the Company’s San Francisco Property, and (b) the average monthly production of mineralized material from the San Francisco Property, provided, however, that the monthly interest has a minimum monthly payment of \$5,067 per month and a maximum payment of \$15,833 per month.

On January 8, 2021 the Company issued 2,333,340 units of the Company in settlement of \$175,000 principal of Debentures. See Note 12(c).

During the three months ended August 31, 2021 the Company recognized \$39,068 (2020 - \$47,890) of interest expense. As at August 31, 2021 \$1,544,576 (May 31, 2021 - \$1,505,508) of interest remained unpaid and is included in interest payable.

As at August 31, 2021 a director of the Company holds \$577,000 (May 31, 2021 - \$577,000) of the Debentures.

11. Indebtedness

The indebtedness is secured by the assets of the Company and interest is calculated at 9% per annum on the declining balance at the end of the month. During the three months ended August 31, 2021 the Company recognized \$82,368 (2020 - \$82,638) of interest expense. As at August 31, 2021 \$2,890,471 (May 31, 2021 - \$2,808,103) of interest remained unpaid and is included in interest payable of which \$1,296,812 (May 31, 2021 - \$1,296,812) of principal and \$1,032,651 (May 31, 2021 - \$1,003,233) of accrued interest was owed to a private corporation associated with the CEO of the Company.

12. Share Capital

(a) ***Authorized Share Capital***

The Company’s authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

Three Months ended August 31, 2021

The Company did not conduct any equity financings during the three months ended August 31, 2021.

Fiscal 2021

On September 14, 2020 the Company completed a non-brokered private placement for 2,500,000 common shares at \$0.05 per share for proceeds of \$125,000. Directors and officers of the Company and private corporations affiliated with the CEO of the Company purchased a total of 1,850,000 common shares in the private placement.

The Company incurred a total of \$1,031 for costs associated with this private placement financing.

ROCHESTER RESOURCES LTD.
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(Unaudited - Expressed in Canadian Dollars)

12. Share Capital (continued)

(c) ***Debt Settlements***

On January 8, 2021 the Company completed the settlement of certain of its indebtedness owing, as follows:

- (i) issued 9,259,903 units of the Company, at \$0.075 per unit, in settlement of \$694,493 of Advances;
- (ii) issued 2,333,340 units of the Company, at \$0.075 per unit, in settlement of \$175,000 of Debentures; and
- (iii) issued 2,450,000 common shares of the Company, at \$0.075 per share, in settlement of \$183,750 of amounts payable to directors and officers.

Each unit comprises one common share of the Company and one share purchase warrant entitling the holder to purchase an additional common share of the Company at \$0.075 per share on or before January 8, 2024.

(d) ***Warrants***

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at August 31, 2021 and 2020 and the changes for the three months ended on those dates, is as follows:

	2021		2020	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning and end of period	11,593,243	0.075	-	-

As at August 31, 2021 there were warrants issued and outstanding to purchase 11,593,243 common shares of the Company at an exercise price of \$0.075 per share expiring January 8, 2024.

(e) ***Share Option Plan***

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

No share options were granted during the three months ended August 31, 2021.

During the three months ended August 31, 2020 the Company granted share options to purchase 2,085,000 common shares and recorded compensation expense of \$62,550. The fair value of share options granted during the three months ended August 31, 2020 is estimated using the Black-Scholes Option Pricing Model using the following assumptions: risk-free interest rate of 0.25%; estimated volatility of 112%; expected life of 3 years; expected dividend yield of 0%; and expected forfeiture rate of 0%.

The weighted average measurement date fair value of all share options granted during the three months ended August 31, 2020, using the Black-Scholes Option Pricing Model, was \$0.03 per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

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12. Share Capital (continued)

A summary of the Company's share options at August 31, 2021 and 2020 and the changes for the the three months ended on those dates, is as follows:

	2021		2020	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	2,185,000	0.05	-	-
Granted	-	-	2,085,000	0.05
Balance, end of period	2,185,000	0.05	2,085,000	0.05

The following table summarizes information about the share options outstanding and exercisable at August 31, 2021:

Number	Exercise Price \$	Expiry Date
2,085,000	0.05	July 20, 2023
100,000	0.05	September 23, 2023
2,185,000		

13. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

The Company considers its key management to consist of the Company's Chairman, the Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO"). During the three months ended August 31, 2021 and 2020 the following amounts were incurred with respect to the CEO and CFO of the Company:

	2021 \$	2020 \$
Professional fees	11,798	11,989
Share-based compensation	-	2,400
	11,798	14,389

No fees were incurred with respect of the Chairman, in either the three months ended August 31, 2021 or 2020.

On January 8, 2021 the Company issued 650,000 common shares of the Company in settlement of \$48,750 of amounts payable to the CFO. See also Note 12(c).

As at August 31, 2021 \$1,113,717 (May 31, 2021 - \$1,104,455) remained unpaid and is included in amounts payable to directors and officers.

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13. Related Party Disclosures (continued)

(b) *Transactions with Other Related Parties*

(i) During the three months ended August 31, 2021 and 2020 the following amounts were incurred with respect to the non-executive directors and an officer of the Company:

	2021 \$	2020 \$
Consulting fees	3,000	3,000
Share-based compensation	-	12,000
	<u>3,000</u>	<u>15,000</u>

On January 8, 2021 the Company issued 1,800,000 common shares of the Company in settlement of \$135,000 of amounts payable to certain directors and an officer of the Company. See also Note 12(c).

As at August 31, 2021 \$257,250 (May 31, 2021 - \$257,250) remained unpaid and is included in amounts payable to directors and officers.

(ii) During the three months ended 2021 the Company incurred a total of \$15,000 (2020 - \$11,000) to Chase Management Ltd. ("Chase"), a private corporation owned by the CEO of the Company, for accounting and administration services provided by Chase personnel, excluding the CEO. As at August 31, 2021 \$26,442 (May 31, 2021 - \$48,607) remained unpaid and is included in amounts payable to directors and officers.

(c) See also Notes 9, 10, 11 and 12(c).

14. Provision for Site Restoration

	Three Months Ended August 31,	
	2021 \$	2020 \$
Balance, beginning of period	1,255,839	1,107,355
Accretion	21,353	16,125
Foreign exchange	<u>(37,156)</u>	<u>102,529</u>
Balance, end of period	<u>1,240,036</u>	<u>1,226,000</u>

The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligation is US \$1,103,000 which, as at August 31, 2021, has been discounted using a credit adjusted pre-tax risk free rate of 6.98% (2020 - 5.77%) and an inflation rate of 5.59% (2020 - 4.05%). The present value of the reclamation liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur. The settlement of the obligation is anticipated to occur primarily in fiscal 2030.

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15. Financing Expenses

Financing expenses for the three months ended August 31, 2021 and 2020 are as follows:

	Note	2021 \$	2020 \$
Interest expense:			
Advances	8	120,922	152,526
Debentures	9	39,068	47,890
Indebtedness	10	82,368	82,368
		<u>242,358</u>	<u>282,784</u>

16. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); amortized cost; and fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instruments	Category	August 31, 2021 \$	May 31, 2021 \$
Cash	FVTPL	497,307	668,534
Amounts receivable	Amortized cost	1,208,615	1,464,488
Accounts payable and accrued liabilities	Amortized cost	(7,208,091)	(7,259,723)
Amounts payable to directors and officers	Amortized cost	(1,397,409)	(1,410,312)
Lease liabilities	Amortized cost	(416,107)	(340,725)
Interest payable	Amortized cost	(8,192,438)	(7,820,356)
Advances	Amortized cost	(4,301,360)	(4,143,518)
Debentures	Amortized cost	(775,000)	(775,000)
Indebtedness	Amortized cost	(3,631,000)	(3,631,000)

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, accounts payable and accrued liabilities, amounts payable to directors and officers, interest payable and advances approximate their fair value due to their short-term nature. The recorded amounts for lease liabilities, debt and debentures (including the equity portion) approximate fair value and they have interest at market rates for similar debt. The Company’s fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

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16. Financial Instruments and Risk Management (continued)

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote. Amounts receivable are due from one customer.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company's ability to manage this risk is affected by low grades of mineralized material and operational challenges. See Note 1. All of the Company's financial liabilities are classified as current. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at August 31, 2021				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$
Cash	497,307	497,307	497,307	-	-
Amounts receivable	1,208,615	1,208,615	1,208,615	-	-
Accounts payable and accrued liabilities	(7,208,091)	(7,208,091)	(7,208,091)	-	-
Amounts payable to directors and officers	(1,397,409)	(1,397,409)	(1,397,409)	-	-
Lease liabilities	(416,107)	(416,107)	-	(83,909)	(332,198)
Interest payable	(8,192,438)	(8,192,438)	(8,192,438)	-	-
Advances	(4,301,360)	(4,301,360)	(4,301,360)	-	-
Debentures	(775,000)	(775,000)	(775,000)	-	-
Indebtedness	(3,631,000)	(3,631,000)	(3,631,000)	-	-

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. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears a floating rate of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Commodity Price Risk

The Company is subject to risk from fluctuations in the market prices of silver and gold. Silver and gold prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control. The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties. If metal prices decline for a prolonged period below the cost of production of the Company's Mina Real mine, it may not be economically feasible to continue production.

The Company does not hedge silver and gold prices.

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16. Financial Instruments and Risk Management (continued)

(c) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and the Company's operating expenses are incurred in Canadian Dollars and Mexican Pesos. The Company also has advances denominated in US Dollars. Management believes the foreign exchange risk related to currency conversions are minimal and therefore does not hedge its foreign exchange risk. At August 31, 2021, 1 Canadian Dollar was equal to 15.84 Mexican Pesos and 0.79 US Dollar.

Balances are as follows:

	Mexican Pesos	United States Dollars	CDN \$ Equivalent
Cash	6,858,913	33,831	475,836
Amounts receivable	738,478	927,235	1,220,336
IVA tax receivable	5,180,964	-	327,081
Inventories	16,963,323	-	1,071,030
Accounts payable and accrued liabilities	(106,969,588)	(356,885)	(7,204,884)
Amounts payable to directors and officers	-	(57,650)	(72,975)
Interest payable	-	(2,439,019)	(3,087,366)
Advances	-	(2,896,171)	(3,666,039)
	<u>(77,227,910)</u>	<u>(4,788,659)</u>	<u>(10,936,981)</u>

Based on the net exposures as of August 31, 2021 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Mexican Peso and the US Dollar would result in the Company's comprehensive income being approximately \$1,100,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

17. Segmented Information

The Company operates in one reportable segment, the acquisition, exploration and development of exploration and evaluation assets. The Company's mineral operations are located in Mexico and its corporate assets, comprising mainly of cash, are located in Canada.

	<u>August 31, 2021</u>		
	Non-current Assets \$	Revenues \$	Net Loss \$
Mineral operations (Mexico)	1,934,378	3,309,050	(581,880)
Corporate (Canada)	-	-	(274,171)
	<u>1,934,378</u>	<u>3,309,050</u>	<u>(856,051)</u>

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17. Segmented Information (continued)

	May 31, 2021		
	Non-current Assets \$	Revenues \$	Net Income (Loss) \$
Mineral operations (Mexico)	1,917,436	13,020,558	3,838,132
Corporate (Canada)	-	-	(1,289,851)
	<u>1,917,436</u>	<u>13,020,558</u>	<u>2,448,281</u>

18. Contingent Liability and Commitment

- (a) From time to time the Company becomes involved in various claims and litigation, including various governmental audits, as part of the normal course of operations. While the outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on the Company's financial position and results of operations. See also Note 6.
- (b) The Company has only made partial government concession payments and accrued carrying charges on its concessions. As at August 31, 2021 \$2,495,007 (May 31, 2021 \$2,364,762) of government concessions payments remained unpaid and are included in accounts payable and accrued liabilities.

19. Supplemental Cash Flow Information

During the three months ended August 31, 2021 and 2020 non-cash activities were conducted by the Company as follows:

	2021 \$	2020 \$
Operating activities		
Impairment of exploration and evaluation assets	101,760	-
Lease liabilities	<u>104,567</u>	<u>-</u>
	<u>206,327</u>	<u>-</u>
Investing activities		
Expenditures on exploration and evaluation assets	(101,760)	-
Additions to right of use assets	<u>(104,567)</u>	<u>-</u>
	<u>(206,327)</u>	<u>-</u>