



(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim financial statements for the nine months ended September 30, 2021. These condensed interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in Canadian Dollars)

As at:	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	\$ 29,711	\$ 20,560
Equity investments (Note 4)	4,501	11,251
Taxes receivable	3,777	4,752
Prepaid expenses (Note 9)	13,651	-
	<u>51,640</u>	<u>36,563</u>
Non-current assets		
Deposit (Note 9)	61,000	61,000
Deferred acquisition costs (Notes 5 and 9)	1,122,920	-
Exploration and evaluation assets (Note 5)	10,001	10,001
	<u>1,193,921</u>	<u>71,001</u>
TOTAL ASSETS	\$ 1,245,561	\$ 107,564
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,233	\$ 25,860
Due to related parties (Note 9)	167,552	21,888
Total liabilities	<u>199,785</u>	<u>47,748</u>
Shareholders' equity		
Share capital (Note 7)	9,442,677	8,315,280
Other equity reserves	124,922	124,922
Accumulated other comprehensive loss	(55,249)	(48,499)
Deficit	(8,466,574)	(8,331,887)
Total shareholders' equity	<u>1,045,776</u>	<u>59,816</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,245,561	\$ 107,564

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON NOVEMBER 9, 2021:

"Bruce Smith"
Bruce Smith, Director

"William Katzin"
William Katzin, Director

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

RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
EXPLORATION EXPENDITURES (Note 6)	\$ -	\$ 50,301	\$ 1,468	\$ 50,301
GENERAL AND ADMINISTRATIVE EXPENSES				
Legal and audit fees	-	-	1,806	611
Management fees (Note 9)	10,500	10,500	31,500	29,750
Office and administrative (Note 9)	9,511	5,606	28,969	19,245
Salaries and benefits (Note 9)	12,546	4,931	39,188	21,557
Share-based payments (Note 8)	-	-	-	3,253
Shareholder communications (Note 9)	1,325	703	4,195	4,061
Transfer agent and regulatory fees (Note 9)	1,221	735	12,873	9,888
Travel and accommodation (Note 9)	928	384	4,688	4,097
	36,031	22,859	123,219	92,462
Write-off of exploration and evaluation assets (Note 5)	(36,031)	(73,160)	(124,687)	(142,763)
	-	-	(10,000)	-
Net loss for the period	\$ (36,031)	\$ (73,160)	\$ (134,687)	\$ (142,763)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Fair value gain (loss) on equity investments (Note 4)	(1,500)	2,250	(6,750)	2,625
Total comprehensive loss	\$ (37,531)	\$ (70,910)	\$ (141,437)	\$ (140,138)
Basic and diluted loss per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)
Weighted average number of common shares outstanding	34,007,395	25,261,308	32,865,008	24,476,636

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

RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY) (UNAUDITED)

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve - share-based payments	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2019	20,261,308	\$ 7,819,280	\$ 125,325	\$ (57,499)	\$ (8,115,102)	\$ (227,996)
Loss for the period	-	-	-	-	(142,763)	(142,763)
Shares issued for private placement	5,000,000	500,000	-	-	-	500,000
Share issuance costs	-	(4,000)	-	-	-	(4,000)
Fair value gain on equity investments	-	-	-	2,625	-	2,625
Fair value of expired options	-	-	(3,656)	-	3,656	-
Share-based payments	-	-	3,253	-	-	3,253
Balance, September 30, 2020	25,261,308	8,315,280	124,922	(54,874)	(8,254,209)	131,119
Loss for the period	-	-	-	-	(77,678)	(77,678)
Fair value gain on equity investments	-	-	-	6,375	-	6,375
Balance, December 31, 2020	25,261,308	8,315,280	124,922	(48,499)	(8,331,887)	59,816
Loss for the period	-	-	-	-	(134,687)	(134,687)
Shares issued for private placement	8,100,000	972,000	-	-	-	972,000
Warrants exercised	1,070,000	160,500	-	-	-	160,500
Share issuance costs	-	(5,103)	-	-	-	(5,103)
Fair value loss on equity investments	-	-	-	(6,750)	-	(6,750)
Balance, September 30, 2021	34,431,308	\$ 9,442,677	\$ 124,922	\$ (55,249)	\$ (8,466,574)	\$ 1,045,776

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

RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (36,031)	\$ (73,160)	\$ (134,687)	\$ (142,763)
Items not involving cash:				
Share-based payments	-	-	-	3,253
Write-off of exploration and evaluation assets	-	-	10,000	-
	(36,031)	(73,160)	(124,687)	(139,510)
Changes in non-cash working capital items:				
Taxes receivable	5,430	(2,342)	975	(476)
Prepaid expenses	(12,221)	(363)	(13,651)	(363)
Accounts payable and accrued liabilities	17,925	33,782	6,373	13,516
Due to related parties	33,820	463	145,664	(254,804)
	8,923	(41,620)	14,674	(381,637)
FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	135,000	-	1,132,500	500,000
Share issuance costs	-	-	(5,103)	(4,000)
	135,000	-	1,127,397	496,000
INVESTING ACTIVITIES				
Deferred acquisition costs	(162,703)	-	(1,122,920)	-
Advance royalty payment	-	-	(10,000)	-
	(162,703)	-	(1,132,920)	-
Increase (decrease) in cash	(18,780)	(41,620)	9,151	114,363
Cash, beginning of period	48,491	169,962	20,560	13,979
Cash, end of period	\$ 29,711	\$ 128,342	\$ 29,711	\$ 128,342

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

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Rackla Metals Inc. (the “Company”) is pursuing opportunities related to exploration of mineral resource properties. The Company was incorporated in the Province of British Columbia on September 20, 2011, and its common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol RAK.

The address of the Company’s corporate office and principal place of business is Suite 650, 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

2. BASIS OF PREPARATION

These condensed interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company. These condensed interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Basis of Measurement

These condensed interim financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The presentation and functional currency of the Company is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed interim financial statements are disclosed in Note 3.

Ability to Continue as a Going Concern

These condensed interim financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these condensed interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2021, the Company had not yet achieved profitable operations, has accumulated losses of \$8,466,574 (December 31, 2020: \$8,331,887) since inception, and is expected to incur further losses in the development of its business, all of which raises significant doubt about its ability to continue as a going concern. The Company will periodically have to raise funds to continue operations; although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. If the Company is unable to obtain additional financing, management may be required to curtail certain discretionary expenses.

These condensed interim financial statements do not give effect to adjustments to the recoverability of assets and satisfaction of liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd)

Ability to Continue as a Going Concern (cont'd)

At the time these condensed interim financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing at the properties, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the condensed interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- i) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

Assets or CGUs are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

- ii) The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.
- iii) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its operating expenditures, meet its liabilities for the subsequent year, and to fund planned acquisitions and potential exploration programs, involves significant judgement based on historical experiences and other factors including expectation of future events that are believed to be reasonable under the circumstances.
- iv) Judgment is required in the determination of preliminary expenditures that are considered deferred acquisition costs towards an eventual exploration and evaluation asset acquisition.

The key estimate applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- i) In estimating the fair value of share-based payments, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021

(Expressed in Canadian Dollars)

4. EQUITY INVESTMENTS

As of September 30, 2021, equity investments consisted of 75,000 common shares of Damara Gold Corp. ("Damara"), a public company, and 200,000 common shares of Voyager Gold Corp. ("Voyager"), a private company with a common director. The private company shares were initially measured at fair value and subsequently written down to \$1.

As at September 30, 2021, the carrying amount for the equity investments was \$4,501 (December 31, 2020: \$11,251).

During the period ended September 30, 2021, there was a decrease in fair value of the Damara shares by \$6,750 (2020: increase in fair value of \$2,625). This amount was recorded as a fair value loss in other comprehensive loss.

	Damara	Voyager	Total
Balance, December 31, 2019	\$ 2,250	\$ 1	\$ 2,251
Change in fair value	9,000	-	9,000
Balance, December 31, 2020	11,250	1	11,251
Change in fair value	(6,750)	-	(6,750)
Balance, September 30, 2021	\$ 4,500	\$ 1	\$ 4,501

5. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period ended September 30, 2021:

	Expo	Rivier	Total
Balance, December 31, 2019	\$ -	\$ 1	\$ 1
Acquisition costs	10,000	-	10,000
Balance, December 31, 2020	10,000	1	10,001
Advance royalty payment	-	10,000	10,000
Write-off acquisition costs	(10,000)	-	(10,000)
Balance, September 30, 2021	\$ -	\$ 10,001	\$ 10,001

(i) Misisi Gold Project – Democratic Republic of the Congo

During the period ended September 30, 2021, the Company entered into an agreement, subject to TSX Venture Exchange approval, to acquire a 73.5% interest in the Misisi Gold Project ("Misisi" or the "Project") located in the Democratic Republic of the Congo ("DRC"). The Project is comprised of three contiguous mining leases, valid until 2045, covering 133 square kilometres and includes the Akyanga deposit which hosts an Inferred Resource of 3.1 million ounces of gold averaging 2.16 grams per tonne gold.

The Company has entered into a share purchase agreement (the "Definitive Agreement") to acquire all of the issued and outstanding shares of Golden Mining Ltd. ("Golden Mining") from an arm's length vendor. The Project is owned by Leda Mining Congo SA ("Leda"), of which Casa Mining Limited ("Casa Mining") owns a 73.5% interest, with the remaining 21.5% participating interest in Leda being held by MMG Limited") and the DRC Government owning a 5% free-carried interest. Golden Mining has entered into a share purchase agreement with Golden Square Equity Partners Limited to acquire 99.43% of the outstanding shares of Casa Mining (the "Casa Mining SPA").

RACKLA METALS INC.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS *(cont'd)*

(i) Misisi Gold Project – Democratic Republic of the Congo *(cont'd)*

Under the terms of the Casa Mining SPA, Golden Mining is acquiring the outstanding shares of Casa Mining for total consideration of US\$4.8 million in staged cash payments. Under the Definitive Agreement, the Company will acquire Golden Mining through the issuance of up to 10,250,000 common shares of the Company at a deemed price of \$0.40 per share and will assume the obligation to make the required payments under the Casa Mining SPA. The staged cash payments are as follows:

- US\$500,000 (\$622,649) to fund payment of Misisi Project license fees in the DRC and certain other outstanding payables of Leda, which the Company paid during the period ended September 30, 2021 and recorded as a deferred acquisition cost;
- US\$2,500,000 on the closing date of the transaction (the “Closing Date”), of which the Company has paid US\$42,500 (\$52,654) during the period ended September 30, 2021; and
- US\$1,800,000 within 90 days of the Closing Date.

The Company has also agreed to issue 750,000 common shares as a finder's fee in connection with the transaction.

Additional transaction costs incurred during the period ended September 30, 2021 and recorded as deferred acquisition costs totaled \$447,617.

The transaction is subject to the Company completing a financing raising a minimum of \$5,000,000, TSX-V approval and other customary conditions.

(ii) Rivier Property – Yukon Territory, Canada

The Rivier Property consists of 116 claims located in the Watson Lake Mining District which are 100% owned by the Company.

Pursuant to an agreement entered into in April 2018, as amended in April 2020, the Company agreed to make annual advance royalty payments of \$10,000 to the former owner of 100 of the Rivier Property claims commencing in April 2021 (for as long as the Company owns the Rivier Property) and granted to the previous owner a 2% net smelter return royalty on such claims. During the period ended September 30, 2021, the first annual advance royalty payment of \$10,000 was paid.

(iii) Expo Property – Yukon Territory, Canada

On October 14, 2020, the Company entered into an Option Agreement (“Option”) whereby the Company was granted the exclusive right until April 1, 2021 to assess the Expo Property located in the Watson Lake Mining District, and if the Company selected, to be granted an option to acquire a 100% interest in the Expo Property. To exercise the option, the Company must have made cash payments totaling \$535,000 and, subject to stock exchange approval, issue common shares of the Company with a total value of \$525,000 over a period of five years. An initial exclusivity cash payment of \$10,000 was made upon signing of the agreement.

During the period ended September 30, 2021, the Company decided to terminate the agreement and the right to be granted an option on the property and as a result, wrote-off the property's carrying cost of \$10,000.

6. EXPLORATION EXPENDITURES

During the nine-month period ended September 30, 2021, the Company incurred \$1,468 (2020: \$50,301) on geological costs relating to the Yukon properties.

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(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES

(a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

During the period ended September 30, 2021, the following share capital activity occurred:

- i) The Company closed a private placement financing of 8,100,000 units at \$0.12 per unit for gross proceeds of \$972,000. Each unit consists of one common share and one full share purchase warrant entitling the holder to purchase an additional common share exercisable for one year at a price of \$0.15. Share issuance costs associated with this financing totalled \$5,103.
- ii) A total of 1,070,000 share purchase warrants with an exercise price of \$0.15 per share were exercised for proceeds of \$160,500.

(b) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from January 1, 2020 to September 30, 2021:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	-	-
Issued	5,000,000	\$0.15
Balance, December 31, 2020	5,000,000	\$0.15
Issued	8,100,000	\$0.15
Exercised	(1,070,000)	\$0.15
Balance, September 30, 2021	12,030,000	\$0.15

As at September 30, 2021, the following share purchase warrants were outstanding:

Expiry date	Number of warrants	Exercise price
January 24, 2022	7,800,000	\$0.15
February 11, 2022*	4,230,000	\$0.15
	12,030,000	

*During the period ended September 30, 2021, the expiry date of these options was extended by one year to February 11, 2022.

8. SHARE-BASED PAYMENTS

Option Plan Details

The Company has in place a stock option plan (the "Plan") that allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021

(Expressed in Canadian Dollars)

8. SHARE-BASED PAYMENTS (cont'd)

Share Purchase Options

The following is a summary of changes in options for the period ended September 30, 2021:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Expired / forfeited		
July 19, 2022	\$0.75	141,000	-	-	-	141,000	141,000
May 2, 2029	\$0.10	460,000	-	-	-	460,000	460,000
May 27, 2030	\$0.14	25,000	-	-	-	25,000	25,000
		626,000	-	-	-	626,000	626,000
Weighted average exercise price		\$0.25	-	-	-	\$0.25	\$0.25

The weighted average remaining contractual life of the options outstanding at September 30, 2021 is 6.10 years (December 31, 2020: 6.85).

9. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 2021 and 2020 with related parties consisting of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Radius Gold Inc. ("Radius")	Geological services
Mill Street Services Ltd. ("Mill Street")	Management services

Balances and transactions with related parties not disclosed elsewhere in these condensed interim financial statements are as follows:

- (a) During the periods ended September 30, 2021 and 2020, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
General and administrative expenses:				
Office and administration	\$ 8,346	\$ 5,575	\$ 26,124	\$ 18,845
Salaries and benefits	12,546	4,931	39,188	21,557
Shareholder communications	1,005	250	2,755	1,005
Transfer agent and regulatory fees	709	100	5,263	2,378
Travel and accommodation	928	384	4,446	1,764
	\$ 23,534	\$ 11,240	\$ 77,776	\$ 45,549
Deferred acquisition costs	\$ 1,050	\$ -	\$ 11,075	\$ -

Gold Group is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Chief Financial Officer and Corporate Secretary.

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For the nine months ended September 30, 2021

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

- (b) During the period ended September 30, 2021, the Company was charged \$821 (2020: \$Nil) by Radius, a company with common directors and officers, for geological services provided by an employee of Radius.
- (c) Deposits as of September 30, 2021 consist of \$61,000 (December 31, 2020: \$61,000) paid to Gold Group and are related to the shared office and administrative services agreement with Gold Group. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.
- (d) Amounts due to related parties as of September 30, 2021 consist of \$52,801 (December 31, 2020: \$15,460) due to Gold Group, \$114,751 (December 31, 2020: \$376) owed to Mill Street, a company controlled by the Chief Executive Officer of the Company for a short-term loan of \$100,000 advanced to the Company and the balance for management fees, and \$Nil (December 31, 2020: \$6,052) due to Radius. The balance due to Gold Group is collateralized by a deposit and the balance due to others are unsecured, non-interest bearing and due on demand.

Key management compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Management fees	\$ 10,500	\$ 10,500	\$ 31,500	\$ 29,750
Salaries and benefits	2,375	1,375	8,791	5,683
Consulting fees (included in deferred acquisition costs)	18,902	-	25,500	-
	\$ 31,777	\$ 11,875	\$ 65,791	\$ 35,433

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed interim financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021

(Expressed in Canadian Dollars)

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

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk. The Company is not exposed to the risk related to the fluctuation of foreign currency rates.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to not be significant.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's equity investments are exposed to equity price risk due to the potentially volatile and speculative nature of the businesses in which the equity investments are held. The common shares held in Damara and Voyager are monitored by management with decisions on sale taken at Board level. A 10% change in fair value of the shares would result in a \$450 increase or decrease in comprehensive loss.

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and equity investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or equity investments that are invested in asset-based commercial paper.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2021, the Company had cash of \$29,711 (December 31, 2020: \$20,560) available to apply against short-term business requirements and current liabilities of \$199,785 (December 31, 2020: \$47,748). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. All financial instruments at September 30, 2021 are carried at amortized cost, apart from the equity investment in a public company with shares in an active market of \$4,500 (December 31, 2020: \$11,250), which is carried at fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

RACKLA METALS INC.

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

The statement of financial position carrying amounts for cash, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

The Company has made the following designations of its financial instruments: cash measured at FVTPL, equity investments measured at FVTOCI, and receivables, accounts payable and accrued liabilities and due to related parties measured at amortized cost.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The equity investment in Damara is based on a quoted price and is therefore considered to be Level 1.

The equity investment in Voyager was recorded at fair value when it was received and assessed for impairment as at September 30, 2021 and December 31, 2020. This investment is considered to be Level 3.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its mineral properties. The Company defines its capital as all components of equity. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will spend its existing capital resources and aim to raise additional amounts as needed. 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. There have been no changes in the Company's approach to capital management during the period. As at September 30, 2021, the Company is not subject to any externally imposed capital requirements. The Company does not expect its current capital resources to be sufficient to cover its corporate operating costs and potential future mineral property acquisitions or exploration expenditures through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

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12. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities. All of the Company's long-term assets and operations are in Canada.

13. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2021, the following event, which has not been disclosed elsewhere in these condensed interim financial statements, has occurred:

- A total of 400,000 share purchase warrants with an exercise price of \$0.15 per share were exercised for proceeds of \$60,000.