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**LUCKY MINERALS INC.**

(an exploration stage company)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS ENDED JANUARY 31, 2021 AND 2020**

(Unaudited - Expressed in Canadian Dollars)

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## **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Lucky Minerals Inc.

Lucky Mineral Inc.'s independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

**LUCKY MINERALS INC. (an exploration stage company)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed in Canadian dollars)

	Note	January 31, 2021 (\$)	October 31, 2020 (\$)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,102,513	115,214
Prepaid and other receivables		158,028	271,455
		1,260,541	386,669
Equipment and right-of-use asset		13,213	17,001
Exploration and evaluation assets	5	4,925,502	4,925,502
<b>TOTAL ASSETS</b>		<b>6,199,256</b>	<b>5,329,172</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6 & 11	814,791	516,720
Special warrants liability	9	68,187	60,542
Convertible debenture liability	8	1,147,097	1,046,924
		2,030,075	1,624,186
<b>Non-current liabilities</b>			
<b>TOTAL LIABILITIES</b>		<b>2,030,075</b>	<b>1,624,186</b>
<b>Shareholders' equity</b>			
Share capital	9	13,293,551	13,283,013
Shares to be issued	9	1,268,795	138,825
Reserves		3,559,336	3,559,336
Deficit		(13,952,501)	(13,276,188)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,169,181</b>	<b>3,704,986</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,199,256</b>	<b>5,329,172</b>

Nature of operations and going concern (Note 1)  
Subsequent events (Note 13)

Approved and authorized for issuance by the Board of Directors on March 17, 2021  
"Adrian Rothwell"  
Adrian Rothwell  
Chairman

"François Perron"  
François Perron  
President, CEO, Director

*The accompanying notes are an integral part to the condensed interim consolidated financial statements*

**LUCKY MINERALS INC. (an exploration stage company)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited - Expressed in Canadian dollars)

	Note	Three months January 31, 2021	Three months January 31, 2020
		(\$)	(\$)
<b>Expenses</b>			
Consulting	11	96,537	274,211
Directors' fees	11	45,000	–
Exploration and evaluation		65,283	–
Management	11	–	45,000
Office and administration		57,461	143,746
Professional fees		125,909	98,641
Salaries and wages	11	121,709	–
Shareholder communication		39,008	25,514
Transfer agent and regulatory fees		3,755	20,872
Travel		–	11,063
<b>Loss before other items:</b>		(554,662)	(619,047)
Accretion and interest expense	8	(113,097)	(85,614)
Change in fair value for special warrants	9	(7,645)	–
Loss on lease modification		(909)	–
<b>Net loss</b>		(676,313)	(704,661)
<b>Net loss and comprehensive Loss</b>		(676,313)	(704,661)
<b>Loss per share, basic and diluted</b>		(0.01)	(0.04)
<b>Weighted average number of outstanding shares</b>		46,187,378	16,147,453

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**LUCKY MINERALS INC. (an exploration stage company)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited - Expressed in Canadian dollars)

	Common shares		Shares to be issued	Reserves			Shareholders' Equity
	Number	Amount		Options	Warrants	Deficit	
	(#)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Balance, October 31, 2019</b>	<b>16,556,527</b>	<b>9,618,307</b>	<b>138,825</b>	<b>1,933,477</b>	<b>502,878</b>	<b>(10,251,061)</b>	<b>1,942,426</b>
Shares issued for debt, net of issuance costs	4,186,647	405,079	–	–	–	–	405,079
Shares issued in lieu of cash for convertible debenture interest payment	100,364	15,055	–	–	–	–	15,055
Share subscriptions received	–	–	33,000	–	–	–	33,000
Net loss and comprehensive loss	–	–	–	–	–	(704,661)	(704,661)
<b>Balance, January 31, 2020</b>	<b>20,843,537</b>	<b>10,038,441</b>	<b>171,825</b>	<b>1,933,477</b>	<b>502,878</b>	<b>(10,955,722)</b>	<b>1,690,899</b>
Shares issuance on private placement, net of shares issuance costs	24,905,504	3,189,537	–	–	140,935	–	3,330,472
Shares issued for debt, net of issuance costs	304,155	33,457	–	–	–	–	33,457
Shares issued in lieu of cash for convertible debenture interest payment	100,363	21,578	–	–	–	–	21,578
Share subscriptions received	–	–	(33,000)	–	–	–	(33,000)
Share-based compensation	–	–	–	982,046	–	–	982,046
Net loss and comprehensive loss	–	–	–	–	–	(2,320,466)	(2,320,466)
<b>Balance, October 31, 2020</b>	<b>46,153,560</b>	<b>13,283,013</b>	<b>138,825</b>	<b>2,915,523</b>	<b>643,813</b>	<b>(13,276,188)</b>	<b>3,704,986</b>
Shares issued on conversion of convertible debentures	100,363	10,538	–	–	–	–	10,538
Share subscriptions received	–	–	1,129,970	–	–	–	1,129,970
Net loss and comprehensive loss	–	–	–	–	–	(676,313)	(676,313)
<b>Balance, January 31, 2021</b>	<b>46,253,923</b>	<b>13,293,551</b>	<b>1,268,795</b>	<b>2,915,523</b>	<b>643,813</b>	<b>(13,952,501)</b>	<b>4,169,181</b>

*The accompanying notes are an integral part to the condensed interim consolidated financial statements*

**LUCKY MINERALS INC. (an exploration stage company)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed in Canadian dollars)

	<b>Three months January 31, 2021</b>	<b>Three months January 31, 2020</b>
	(\$)	(\$)
<b>Operating activities</b>		
Gain (Loss) for the period	(676,313)	(704,661)
Adjustments for non-cash items		
Accretion expense and interest expense	110,788	3,014
Amortization	8,990	1,291
Loss on lease modification	909	–
Loss on special warrants	7,645	–
	<b>(547,981)</b>	<b>(700,356)</b>
Changes in non-cash operating working capital		
Prepaid expenses and other receivable	113,427	12,235
Accounts payable and accrued liabilities	291,883	(522,620)
Cash used in operating activities	<b>(142,671)</b>	<b>(1,210,741)</b>
<b>Investing activities</b>		
Exploration and evaluation asset expenditures	–	(228,712)
Cash used in financing activities	–	(228,712)
<b>Financing activities</b>		
Proceeds from common shares issuance net of issuance costs	–	1,760,384
Proceeds from share subscriptions received	1,129,970	33,000
Advances from related parties	–	49,427
Repayment of loan payable	–	(372,784)
Cash provided by financing activities	<b>1,129,970</b>	<b>1,470,027</b>
<b>Change in cash</b>	<b>987,299</b>	<b>30,574</b>
<b>Cash, beginning of the period</b>	<b>115,214</b>	<b>1,966</b>
<b>Cash, end of the period</b>	<b>1,102,513</b>	<b>32,540</b>

*The accompanying notes are an integral part to the condensed interim consolidated financial statements*

## **LUCKY MINERALS INC. (an exploration stage company)**

Notes to the condensed interim consolidated financial statements  
for three months ended January 31, 2021  
(Unaudited - Expressed in Canadian dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Lucky Minerals Inc. (the “Company” or “Lucky”), incorporated in British Columbia, is an exploration stage company engaged principally in the acquisition, exploration, and evaluation of mineral properties. The address of the Company’s head office and principal business is Suite 1010, 789 West Pender, Vancouver, British Columbia, Canada.

The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether its properties contain economically recoverable ore reserves. The Company has not generated any revenues from its operations to date and consequently is considered to be in the exploration stage. The amounts shown as exploration and evaluation assets represent acquisition costs incurred to date, less any amounts written off, and do not necessarily represent present or future values. The recoverability of the carrying amounts for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company raising capital, the sale or entering into a joint venture of the Company’s exploration and evaluation assets, and/or the attainment of profitable operations.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for at least twelve months from the period end. At January 31, 2021 the Company had a working capital (current assets less current liabilities) deficit of \$769,534 (October 31, 2020: working capital deficit of \$1,237,517). Current liabilities include the convertible debentures and derivative liability with a carrying value of \$1,147,097 (October 31, 2020: \$1,046,924). During the period ended January 31, 2021 the Company incurred a loss of \$676,313 (three months ended January 31, 2020: \$704,661) and used cash for operating activities of \$142,671 (three months ended January 31, 2020: \$1,210,741).

The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurance that sufficient funding will be available to conduct further exploration and development of its mineral properties. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to fund its mineral properties through the issuance of capital stock or joint ventures and to realize proceeds from the disposition of its mineral interests. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

Management plans to continue to secure the necessary financing through a combination of equity financing and entering into joint venture arrangements; however, there is no assurance that the Company will be successful in these actions. These condensed interim consolidated financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic and the impacts of COVID-

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19 on the Company's business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in the future. The Company continues to operate its business and adheres to Canadian Federal and Provincial, US Federal and State, and Ecuadorian Federal and State emergency measures as those are developed.

### **2. BASIS OF PREPARATION**

In November 2019, the Company's year-end was changed from September 30 to October 31.

#### ***a) Share consolidation***

Effective June 10, 2020 the common shares of the Company were consolidated on the basis of 1 new common share for each 7.5 then outstanding common share (the "Share Consolidation"). All information relating to earnings/loss per share, issued and outstanding common shares, share options and warrants, and per share amounts in these condensed interim consolidated financial statements have been adjusted retrospectively to reflect the Share Consolidation.

#### ***b) Statement of compliance***

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Interim financial statements do not include all the information required for full annual financial statements. These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended October 31, 2020. These condensed interim consolidated financial statements are presented in Canadian dollars, except where otherwise noted.

These condensed interim consolidated financial statements were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on March 17, 2021.

#### ***c) Basis of Consolidation***

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries, Lucky Minerals Montana, Inc ("LMMI"), incorporated in the United States, and Goldmindex S.A. ("Goldmindex"), incorporated in Ecuador. All inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

#### ***d) Foreign currency translation***

The presentation currency of the Company and the functional currency of the Company and both of its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in the condensed interim consolidated statements of loss and comprehensive loss for the period. Unless otherwise indicated, all dollar amounts in these financial statements are in Canadian dollars.



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Notes to the condensed interim consolidated financial statements  
for three months ended January 31, 2021  
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***e) Significant accounting estimates and judgments***

The Preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

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

*Judgments*

- (i) The assessment by management of the Company's liquidity position and whether going concern disclosure is required in the condensed interim consolidated financial statements.

As part of this process, management prepares cash flow budgets detailing expected expenditures for at least the next twelve months. The assessment of the Company's liquidity position takes into account the Company's working capital position, the timing of discretionary and non-discretionary expenditures and also the status of any potential equity financings.

- (ii) The assessment for impairment of exploration and evaluation assets requires judgement to determine whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore has expired or will expire in the future, and is not expected to be renewed; substantive expenditures on exploration activities and evaluation of mineral resources in the specific area is neither budgeted or 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; or sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Management has assessed for impairment indicators on the Company's exploration and evaluation assets and has concluded that no impairment indicators exist as of January 31, 2021 for the Fortuna Project.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The same accounting policies have been used in the preparation of these condensed interim consolidated financial statements as those used in the most recent audited annual financial statements and in the opinion of management reflect all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

**4. ACQUISITION OF GOLDMINDEX S.A.**

During the year ended September 30, 2018, the Company entered into agreement to acquire 100% of Goldmindex S.A. ("Goldmindex"), which owns the rights to the Fortuna Concession in Ecuador, pursuant to which the Company paid \$250,000 on September 11, 2018, issued 2,129,399 common shares on October 26, 2018 and a further 3,935 common shares on January 18, 2019. The shares are subject to an

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escrow agreement that releases them over three years, such that as at January 31, 2021, there remained 640,000 shares in escrow.

**5. EXPLORATION AND EVALUATION ASSETS**

	<b>Fortuna</b>	<b>Emigrant</b>	<b>St. Julian</b>	<b>Total</b>
	(\$)	(\$)	(\$)	(\$)
<b>Balance, October 31, 2019</b>	<b>4,505,691</b>	<b>836,150</b>	<b>216,601</b>	<b>5,558,442</b>
Tenure costs	769,054	-	-	769,054
Recovery	(349,243)	-	-	(349,243)
Write off	-	(836,150)	(216,601)	(1,052,751)
<b>Balance, October 31, 2020</b>	<b>4,925,502</b>	<b>-</b>	<b>-</b>	<b>4,925,502</b>
<b>Balance, January 31, 2021</b>	<b>4,925,502</b>	<b>-</b>	<b>-</b>	<b>4,925,502</b>

**a) Fortuna Project, Ecuador**

Goldminex owns the rights to the Fortuna Concession ("Fortuna Project") in Ecuador. The property consists of 12 contiguous mining concessions which have been granted to the Company for a period of 25 years.

On June 9, 2020, in respect of a memorandum of understanding entered into in March 2020, the Company and First Quantum Minerals Ltd. ("First Quantum") entered into an option agreement ("Option Agreement") pursuant to which First Quantum has the right to earn, over 3 phases, an undivided 70% interest in the property, in consideration of:

Phase I	Exclusivity period	First Quantum will incur all tenure costs on the property and have the right to explore for copper deposits until January 23, 2021.
Phase II	Target testing	First Quantum will incur all tenement fees and provide a proposed work program on the selected concessions. Additionally, on or before February 23, 2021, First Quantum will provide notice to the Company of its intent to continue to target test.
Phase III	Earn-in	First Quantum and the Company may enter into an option agreement and First Quantum shall make a one-time cash payment to Lucky of US\$1,000,000. The earn-in period is for a maximum of five years in which First Quantum must drill a total of 5,000m per year on the optioned property, failing which First Quantum is required to pay the Company an annual payment of US\$1,000,000, with a one-time 12-month deferral option on payment of US\$500,000. If drilling has been completed before the five-year term is up and First Quantum is moving toward the achievement of all geological, mining, metallurgical, environmental, social and economic studies necessary to make a commercial decision to mine,

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Lucky may waive this penalty fee. Upon completion of this work commitment and preparation of a NI 43-101 compliant resource report demonstrating a minimum of 500,000 tonnes of payable copper, the Company and First Quantum may enter into a joint venture agreement whereby the Company retains a 30% interest in the project by financing its share of a feasibility study, up to a maximum commitment of US\$1,500,000, above which all costs are First Quantum's obligation. Should the Company elect not to finance this study, it will retain a 15% interest in the project, at no cost, through to the completion of a feasibility study.

On February 23, 2021, the Company was advised by First Quantum that First Quantum was terminating the Option Agreement.

**b) St. Julian Project, Montana, USA**

On November 1, 2015 the Company entered into an option agreement ("Option Agreement") to acquire a 100% interest of certain patented and unpatented mineral claims located in Montana, pursuant to the following:

**St. Julien Project**

<b>Date Due</b>	<b>USD \$</b>
November 1, 2015	10,000 (paid)
February 1, 2016	10,000 (paid)
November 1, 2016	30,000 (paid)
November 1, 2017	40,000 (paid)
November 1, 2018	50,000 (paid)
November 1, 2019	60,000 <sup>(1)</sup>
November 1, 2020	70,000
November 1, 2021	80,000
November 1, 2022	90,000
November 1, 2023	100,000
November 1, 2024	110,000
November 1, 2025	120,000

<sup>(1)</sup> On May 26, 2020, the Company gave notice to the optionor that it was exercising its right to seek relief under the Force Majeure clause in the Option Agreement, to suspend future option payments until the Appeal decision from the Supreme Court of Montana is rendered. The optionor confirmed the acceptance of the Company's exercise of the Force Majeure clause.

In November 2015, the Company and the Montana Department of Environmental Quality ("DEQ") were served with a complaint contending that the DEQ improperly issued an exploration license to the Company in respect of the St. Julian claims. The Montana Sixth Judicial District Court held for the plaintiff. The Company, the DEQ and the Montana Attorney General all appealed (the "Appeal") to the Supreme Court of Montana. Judgement of the Appeal ("Judgement") was rendered on November 29, 2020 upholding the decision from the Montana Sixth Judicial Court, pursuant to which the Company wrote off costs of \$216,601 in respect of the project on October 31, 2020.

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(Unaudited - Expressed in Canadian dollars)

**c) Emigrant Project, Montana, USA**

On June 15, 2014, the Company entered into an assigned option agreement, as amended (the "Assignment Agreement"), pursuant to which the Company has the option to acquire a 100% interest in certain claims in Montana, in consideration for making the following payments:

**Emigrant Project**

Date Due	USD \$
June 1, 2013	5,000 (paid)
Oct 1, 2013	5,000 (paid)
June 1, 2014	15,000 (paid)
June 1, 2015	20,000 (paid)
June 1, 2016	25,000 (paid)
June 1, 2017	30,000 <sup>(1)</sup>
June 1, 2018	35,000 <sup>(2)</sup>
June 1, 2019	10,000 <sup>(3)</sup>
June 1, 2020	10,000 <sup>(4)</sup>
Annual payment until total consideration of US\$1,000,000 is reached	50,000

<sup>(1)</sup> amended in May 2016, as to US\$10,000 per year from June 1, 2016 until the Company has received permission to drill and explore the property, after which the original payment schedule resumes; the Company paid US\$10,000 during the year ended September 30, 2017

<sup>(2)</sup> amended in June 2018, pursuant to which the Company paid US\$12,000 during the year ended September 30, 2018

<sup>(3)</sup> amended in June 2019 to postpone the June 1, 2019 date to June 1, 2020, subject to a penalty of US\$5,000 to be added to the June 1, 2020 payment

<sup>(4)</sup> The Emigrant and St. Julian claims are contiguous. On May 26, 2020, the Company gave notice to the optionor that it was exercising its right to seek relief under the Force Majeure clause in the Assignment Agreement, to extend the due date on the June 1, 2020 option payment until the Appeal decision from the Supreme Court of Montana is rendered. The optionor confirmed the acceptance of the Company's exercise of the Force Majeure clause

Pursuant to the Judgement the Company wrote off costs of \$836,150 in respect of the project on October 31, 2020.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	January 31, 2021	October 31, 2020
	(\$)	(\$)
Accounts payable	536,958	165,902
Accrued liabilities	51,649	220,604
Due to related parties (note 11)	223,034	124,252
Lease liability	3,150	5,962
	814,791	516,720

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Notes to the condensed interim consolidated financial statements  
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(Unaudited - Expressed in Canadian dollars)

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### **7. LOANS PAYABLE**

- a)** On March 26, 2019, the Company entered into an agreement for US\$100,000 in respect of the advance made by a creditor to Goldminex. The loan was unsecured and bore interest of 12% per month, amended to 50% effective June 1, 2019. At February 18, 2020, accrued interest of \$59,061 had been recorded. The loan and interest were settled on February 18, 2020.
- b)** Between February and October 2019, a total of \$326,861 was advanced by a consultant to the Company. The loans were unsecured and bore interest of 12% per annum. At December 5, 2019, accrued interest of \$24,479 had been recorded. The loans and interest were settled on December 5, 2019 by way of common shares of the Company.
- c)** Between March and May 2019, a consultant to the Company advanced \$55,548 to the Company. The loans were unsecured and bore interest of 12% per annum. At December 5, 2019, accrued interest of \$4,509 had been recorded. The loan and interest were settled on December 5, 2019 by way of common shares of the Company.

### **8. CONVERTIBLE DEBENTURE**

On October 4, 2018, the Company issued 2,875 units of convertible debentures (the "2018 Debentures") for gross proceeds of \$2,875,000. Each unit issued consisted of \$1,000 principal amount of 12% three-year convertible unsecured unsubordinated debentures and convertible at a price of \$1.125 per common share, and 333 warrants. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$1.65 for a period of 24 months.

The 2018 Debentures are convertible at the option of the holder prior to maturity into: (i) the number of debenture shares computed on the basis of the principal amount divided by the conversion price of \$1.125, subject to adjustments in certain events; and (ii) an amount equal to the make-whole amount payable, at the option of the holder, in cash or through the issuance of common shares issuable at an issue price per share equal to the higher of \$0.825 and the current market price of the Company's shares. The make whole amount is equal to the interest payments that would have been made in respect of the aggregate principal amount outstanding under the 2018 Debentures converted by the holders pursuant to the conversion right if the aggregate principal amount remained outstanding from the date of conversion to the maturity date and such amount will be reduced by 1% for each 1% that the current market price exceeds the conversion price calculated as at the business day immediately preceding the notice of conversion. Additionally, the 2018 Debentures provide the right to the Company to settle interest payments in shares, with the number of common shares determined by dividing the interest amount by the higher of \$0.825 (post consolidation) or the current market price of the shares.

For accounting purposes, the 2018 Debentures were separated into liability and derivative components with their fair value at the date of inception estimated using a mathematical model, within which specific assumptions including share price volatility and risk free rates are developed using market-based indications as inputs into the analysis to determine the fair value of the derivative component.

Transaction costs consisted of \$381,454 paid in cash and \$235,000 being the estimated fair value of 38.33

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compensation options. The compensation options are exercisable to acquire units (each comprised of one debenture and one warrant) at an exercise price per unit of \$7,500. The compensation options were fair valued using a Black Scholes model using the following assumptions: Risk free-interest rate – 2.3%; Dividend yield – 0.00%; Expected volatility – 114%; Expected life – 2 years. The transaction costs have been recorded pro rata against the liability and derivative components. Interest and accretion expense for the period ended January 31, 2021 was \$110,712 (October 31, 2020: \$387,752).

	Liability	Derivative liability	Derivative asset	Total
	\$	\$	\$	\$
<b>Balance October 31, 2019</b>	<b>927,972</b>	<b>18,329</b>	-	<b>946,301</b>
Interest expense	387,752	-	-	387,752
Interest settled	(165,600)	-	128,967	(36,633)
Change in fair value of derivative liability	-	(10,529)	(239,967)	(250,496)
<b>Balance October 31, 2020</b>	<b>1,150,124</b>	<b>7,800</b>	<b>(111,000)</b>	<b>1,046,924</b>
Interest expense	110,712	-	-	110,712
Interest settled	(82,800)	-	72,261	(10,539)
<b>Balance January 31, 2021</b>	<b>1,178,036</b>	<b>7,800</b>	<b>(38,739)</b>	<b>1,147,097</b>

No conversions of any of the debenture into common shares of the Company occurred in the period ended January 31, 2021.

As at January 31, 2021, 1,380 units with a face value of \$1,380,000 remained outstanding from the original issuance of 2,875 units.

**9. SHARE CAPITAL****a) Authorized**

Authorized share capital consists of an unlimited number of common shares without par value.

**b) Share issuances****Three months ended January 31, 2021**Convertible debenture (Note 8)

In lieu of cash payment in respect of interest on the convertible debenture, the Company issued the following common shares:

<u>Date of issuance</u>	<u>Interest</u>	<u>Shares issued</u>
	(\$)	(#)
December 31, 2020	10,538	100,363
	<b>10,538</b>	<b>100,363</b>

Financings

In respect of a non-brokered private placement announced on January 13, 2021 (the “Private Placement”),

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the Company received funds totaling \$1,129,970 prior to January 31, 2021. The Private Placement comprises units ("Units"), with each Unit at \$0.08 per Unit consisting of one common share in the capital of the Company and one transferable share purchase warrant ("Warrant") allowing for the acquisition of one additional common share in the capital of the Company at \$0.15 per share for a period of 24 months from closing. (Note 13)

**Year ended October 31, 2020****Shares for debt, loans and liabilities**

In respect of the settlement of debt, loans and liabilities, the Company issued the following common shares:

Date	Shares (#)	Market Price (\$/sh)	Payment on Interest (\$)	Fair Value of Shares Issued (\$)	Gain Recognised on Settlement (\$)
December 5, 2019	4,186,650	0.110	1,569,993	460,531	1,109,462
March 11, 2020	304,152	0.110	114,057	33,457	80,600
	<b>4,490,802</b>		<b>1,684,050</b>	<b>493,988</b>	<b>1,190,062</b>

**Financings**

The Company closed private placements ("Offerings") pursuant to which it issued units "Units" comprised of common shares ("Shares"), warrants ("Warrants"), and paid finders' fees in cash, warrants ("Finders' Warrants") and special warrants ("Finder's Special Warrants") as follows:

Announced	Private Placements Completed			Total
	January 20, 2020 <sup>(1)</sup>	May 15, 2020		
Closing Date	February 12, 2020	June 8, 2020	June 26, 2020	
Date of Issuance of Securities	February 24, 2020	June 10, 2020	June 26, 2020	
Gross Proceeds	\$683,625	\$2,136,710	\$890,490	<b>\$3,710,825</b>
Shares Issued	4,557,502	14,244,733	5,936,603	<b>24,738,838</b>
Warrants Issued	4,557,502	14,244,733	5,936,603	<b>24,738,838</b>
Warrant Exercise Price	\$0.375	\$0.220	\$0.220	
Warrant Expiry Date	February 24, 2022	June 10, 2022	June 26, 2022	
Finders' Fees				
Cash	\$0	\$134,801	\$28,255	<b>\$163,056</b>
Finders' Warrants	Nil	744,636	177,870	<b>922,506</b>
Exercise Prices	N/A	\$0.150	\$0.150	
Expiry Date	N/A	June 10, 2021	June 26, 2021	
Finders' Special Warrants <sup>(2)</sup>	Nil	626,336	Nil	<b>\$626,336</b>
Exercise Prices	N/A	\$0.150	N/A	
Expiry Date	N/A	June 10, 2021	N/A	

<sup>(1)</sup> announced for 3,333,333 Units; increased by 1,333,333 Units on February 5, 2020

<sup>(2)</sup> The 626,336 Finders' Special Warrants allow for the acquisition of up to, in the aggregate, 626,336 units at \$0.15 per unit until June 10, 2021 (the "Units"); each Unit is comprised of one common share and one underlying warrant ("Underlying Warrant"), with each Underlying Warrant allowing the holder to acquire one additional common share at \$0.20 per common share for 24 months after the date of exercise of the Special Warrant.

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An advisory fee was paid by way of 166,666 common shares with a fair value of \$25,000.

All of the Warrants were issued for \$Nil value.

The Finders' Warrants issued on in respect of the Offerings were recorded at the fair value of \$140,935 using the Black-Scholes pricing model using the following assumptions:

Risk-free interest rate (%)	1.6
Expected stock price volatility (%)	199
Expected dividend yield (%)	-
Expected life of warrants (years)	1

The Finders' Special Warrants issued on June 10, 2020, classified and measured at FVTPL, are convertible instruments which, upon conversion, result in another convertible instrument (the Underlying Warrant) being issued. The Finders' Special Warrants were initially recorded at fair value of \$217,298, based on the Black-Scholes pricing model using the following assumptions:

Risk-free interest rate (%)	1.6
Expected stock price volatility (%)	199
Expected dividend yield (%)	-
Expected life of warrants (years)	1-3

The shares-to-be issued balance relates to the make-whole interest (note 8) triggered by the holders of the convertible debentures on the dates of conversion between April 15, 2019 to July 25, 2019 at prices ranging from \$0.11 to \$0.13.

**Convertible debenture (Note 8)**

In lieu of cash payment in respect of interest on the convertible debenture, the Company issued the following common shares:

<b>Date of issuance</b>	<b>Interest</b>	<b>Shares issued</b>
	<b>(\$)</b>	<b>(#)</b>
December 31, 2019	15,055	100,364
June 30, 2020	21,578	100,363
	<b>36,633</b>	<b>200,727</b>

***c) Finders' Special Warrants***

The Finders' Special Warrants do not meet the definition of equity and as such are recognized as a financial liability measured at fair value through profit and loss. During the three months ended January 31, 2021, the Company recorded a non-cash loss of \$7,645 related to the Finders' Special Warrants, based primarily on changes in the market price of the Company's common shares from the October 31, 2020 to January 31, 2021.

***d) Options***

The Company has a stock option plan (the "Plan") administered by the Board of Directors, which has the



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discretion to grant options for up to a maximum of 10% of the issued and outstanding share capital amount at the time of grant. The terms of all options cannot exceed 5 years and the minimum exercise price cannot be less than the closing price of the Company's common shares on the TSX-V on the last trading day preceding the grant of the option. All of the outstanding options of the Company were issued with an expiry date of 5 years from the date of issue. Except as may be prescribed by the Exchange, the Board of Directors determines the vesting terms of the options. Share-based payments reserve is included in shareholders' equity and consists of the estimated fair value of stock options.

A summary of the Company's stock option transactions follows:

	Number of Options (#)	Weighted Average Exercise Price (\$)
<b>Balance - October 31, 2019</b>	<b>1,520,000</b>	<b>1.275</b>
Cancelled	(1,520,000)	1.275
Granted	4,577,000	0.220
<b>Balance - October 31, 2020 and January 31, 2021</b>	<b>4,577,000</b>	<b>0.220</b>

At January 31, 2021, the following options, with a weighted average life of 4.44 years, were outstanding:

Expiry Date	Number of Options (#)	Exercise Price (\$/share)
July 9, 2025	4,577,000	\$0.220
	<b>4,577,000</b>	

**e) Warrants**

A summary of the Company's warrant transactions follows:

	Number of warrants (#)	Weighted average exercise price (\$/share)
<b>Balance - October 31, 2019</b>	<b>3,854,113</b>	<b>1.575</b>
Issued	25,661,335	0.245
Expired	(1,513,886)	1.650
<b>Balance - October 31, 2020</b>	<b>28,001,562</b>	<b>0.350</b>
Expired	(2,340,227)	1.500
<b>Balance - January 31, 2021</b>	<b>25,661,335</b>	<b>0.245</b>

At January 31, 2021, the following warrants, with a weighted average life of 1.28 years, were outstanding:

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<b>Date of issuance (date)</b>	<b>Expiry date (date)</b>	<b>Number of warrants (#)</b>	<b>Exercise price (\$/share)</b>
February 24, 2020	February 24, 2022	4,557,493	0.375
June 10, 2020	June 10, 2022	14,244,733	0.220
June 10, 2020	June 10, 2021	744,636	0.150
June 26, 2020	June 26, 2022	5,936,603	0.220
June 26, 2020	June 26, 2021	177,870	0.150
		<b>25,661,335</b>	

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

As at January 31, 2021, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, due to related parties and the convertible loan liability. IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 - 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.

As at January 31, 2021, the Company believes that the carrying values of cash, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

*Liquidity risk*

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. As at January 31, 2021, the Company had cash of \$1,102,513 to settle current liabilities of \$2,030,075. The Company intends to finance future requirements from its existing cash reserves together with share issuances, the exercise of options and/or warrants, debt or other sources. There can be no certainty of the Company's ability to raise additional financing through these means (see Note 1)

*Credit risk*

Credit risk is the risk that the counterparty to a financial instrument will fail to meet their payment obligations, thus this risk is primarily attributable to cash. The Company's cash is held at large financial institutions such that counterparty risk is considered to be very low.

*Interest rate risk*

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at January 31, 2021, this risk relates just to the Company's cash where interest rate risk is low due to the low prevailing interest rates.

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**11. RELATED PARTY TRANSACTIONS**

The Company has arrangements pursuant to which parties related to the Company by way of directorship or officership provide certain services, either directly or through companies owned or controlled by the officers and directors. Transactions were in the normal course of operations. The Company incurred the following transactions with directors and key management personnel during the period ended January 31, 2021 and 2020:

	January 31, 2021	January 31, 2020
	(\$)	(\$)
Consulting fees	27,000	62,471
Directors' fees	45,000	-
Management fees	-	45,000
Management salaries	45,000	-
	<b>117,000</b> <sup>(1)</sup>	<b>107,471</b>

<sup>(1)</sup> a total of \$149,775 was owed to various parties at January 31, 2021 (October 31, 2020: \$52,875)

At January 31, 2021, the Company owed \$2,590 (October 31, 2020: \$708) to various related parties in respect of expenses incurred on behalf of the Company.

In connection with various loans made to the Company by a current Director and a former Director, the Company owed a total of \$70,669 as at January 31, 2020 (October 31, 2020: \$70,669). The loans are unsecured and bear interest of 12%.

During the period ended January 31, 2021, the Company was charged, by a company controlled by a Director of the Company, \$9,000 (period ended October 31, 2020: \$45,450) in respect of an office lease.

**12. SEGMENTED INFORMATION**

All of the Company's operations are in the resource sector. The Company's mineral exploration and development operations are in the United States and Ecuador. The following provides segmented disclosure on the non-current assets based on geographical locations:

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	Canada	Ecuador	Total
<b>January 31, 2021</b>	(\$)	(\$)	(\$)
<b>Non-current assets</b>			
Equipment	10,744	-	<b>10,744</b>
Right-of-use asset	2,469	-	<b>2,469</b>
Exploration and evaluation assets	-	4,925,502	<b>4,925,502</b>
<b>Total</b>	<b>13,213</b>	<b>4,925,502</b>	<b>4,938,715</b>
<b>October 31, 2020</b>			
<b>Non-current assets</b>			
Equipment	11,623	-	<b>11,623</b>
Right-of-use asset	5,378	-	<b>5,378</b>
Exploration and evaluation assets	-	4,925,502	<b>4,925,502</b>
<b>Total</b>	<b>17,001</b>	<b>4,925,502</b>	<b>4,942,503</b>

**13. SUBSEQUENT EVENTS**

- The Company closed the Private Placement in 2 tranches, pursuant to which it issued units "Units" comprised of common shares ("Shares"), transferable warrants ("Warrants"), and paid finders' fees in cash and non-transferable warrants ("Finders' Warrants") as follows:

**Private Placement announced January 13, 2021**

	<b>Tranche #1</b>	<b>Tranche #2</b>	<b>Total</b>
<b>Closing Date</b>	February 17, 2021	February 19, 2021	
<b>Gross Proceeds</b>	\$1,983,648	\$464,800	<b>\$2,448,448</b>
<b>Shares Issued</b>	24,795,600	5,810,000	<b>30,605,600</b>
<b>Warrants Issued</b>	24,795,600	5,810,000	<b>30,605,600</b>
<b>Warrant Exercise Price</b>	\$0.150	\$0.150	
<b>Warrant Expiry Date</b>	February 19, 2023	February 19, 2023	
<b>Finders' Fees</b>			
<b>Cash</b>	\$74,085	\$19,684	<b>\$93,769</b>
<b>Finders' Warrants</b>	926,060	246,050	<b>1,172,110</b>
<b>Exercise Prices</b>	\$0.080	\$0.080	
<b>Expiry Date</b>	February 17, 2022	February 19, 2022	

- On February 12, 2021, in connection with the Goldminex transaction, the Company issued 266,667 shares.
- On February 23, 2021, First Quantum elected to terminate the Option Agreement at the Company's Fortuna project.