VANGOLD
MINING

Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management, reviewed by the Audit Committee and approved by the Board of Directors.

The Company's independent auditor has not performed a review of these condensed interim consolidated 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.

VANGOLD MINING CORP.
Condensed interim consolidated statements of financial position
(Unaudited, expressed in Canadian dollars)

		March 31, 2021 (unaudited)		December 31, 2020
Assets				
Current assets				
Cash and cash equivalents	$	19,213,240	$	5,321,927
Amounts receivable		247,260		106,531
Prepaid expenses and deposits		183,571		274,212
Total current assets		19,644,071		5,702,670
Non-current assets				
Advance receivable (note 6)		251,408		251,408
Deposit (note 7)		638,750		638,750
Property, plant and equipment (note 4)		470,483		209,260
Exploration and evaluation assets (note 5)		3,462,908		3,440,135
Total assets	$	24,467,620	$	10,242,223
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	293,881	$	247,161
Current portion of loan payable (note 8)		8,225		8,181
Total current liabilities		302,106		255,342
Loan payable (note 8)		16,537		19,519
Total liabilities		318,643		274,861
Shareholders' equity				
Share capital (note 10)		56,588,255		44,241,396
Equity reserves		19,967,507		13,298,138
Share subscriptions received		100,000		2,035,964
Deficit		(52,506,785)		(49,608,136)
Total shareholders' equity		24,148,977		9,967,362
Total liabilities and shareholders' equity	$	24,467,620	$	10,242,223

Nature of operations and going concern (note 1)
Subsequent events (note 16)

Approved and authorized for issuance on behalf of the Board on May 28, 2021:

"James Anderson"
James Anderson, Chairman, CEO and Director

"Richard Silas"
Richard Silas, Director

(The accompanying notes are an integral part of these Condensed interim consolidated financial statements)

VANGOLD MINING CORP.
Condensed interim consolidated statements of loss and comprehensive loss
(Unaudited, expressed in Canadian dollars)

	Three Months Ended March 31, 2021	2020
Expenses		
Depreciation (note 4)	$ 20,084	$ 1,478
Advertising and promotion	139,304	–
Management and consulting fees (note 9)	123,684	44,123
Exploration and evaluation expenditures (note 5)	766,635	37,861
Office and miscellaneous	64,221	22,138
Professional fees	128,769	66,837
Rent	3,737	1,080
Share based compensation (note 12)	1,399,662	12,520
Transfer agent and regulatory fees	(13,984)	4,201
Travel and meals	4,155	13,045
Wages and benefits	73,202	–
Total expenses	2,709,469	203,283
Loss before other income (expense)	(2,709,469)	(203,283)
Interest and other income (expense)		
Foreign exchange gain (loss)	(196,097)	5,198
Interest income	180	907
Interest expense	(1,218)	–
Gain on settlement of debt	7,955	–
Total other income (expenses)	(189,180)	6,105
Net loss and comprehensive loss for the period	$ (2,898,649)	$ (197,178)
Loss per share, basic and diluted	$ (0.02)	$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	126,138,294	59,721,752

(The accompanying notes are an integral part of these Condensed interim consolidated financial statements)

VANGOLD MINING CORP.

Condensed interim consolidated statements of changes in shareholders' equity
For the three months ended March 31, 2021 and 2020
(Unaudited, expressed in Canadian dollars)

	Share capital		Share			
	Number of shares	Amount	subscriptions received	Equity reserves	Deficit	Total
Balance, December 31, 2019	59,664,089	$ 38,468,898	$ –	$ 10,977,644	$ (47,407,775)	$ 2,038,767
Shares issued for settlement of debt	403,640	20,182	–	–	–	20,182
Share-based compensation	–	–	–	12,520	–	12,520
Net loss for the period	–	–	–	–	(197,178)	(197,178)
Balance, March 31, 2020	60,067,729	38,489,080	–	10,990,164	(47,604,953)	1,874,291
Units issued for cash	25,641,902	2,867,253	–	1,107,241	–	3,974,494
Shares and warrants issued for finders' fees	214,665	39,387	–	119,542	–	158,929
Share issuance costs	–	(296,052)	–	–	–	(296,052)
Share issued pursuant to the exercise of warrants	21,363,055	2,279,228	–	(269,528)	–	2,009,700
Units issued for option to acquire royalties	3,750,000	862,500	–	840,585	–	1,703,085
Share-based compensation	–	–	–	510,134	–	510,134
Share subscriptions received	–	–	2,035,964	–	–	2,035,964
Net loss for the period	–	–	–	–	(2,003,183)	(2,003,183)
Balance, December 31, 2020	111,037,351	$ 44,241,396	$ 2,035,964	$ 13,298,138	$ (49,608,136)	$ 9,967,362
Units issued for cash	56,500,000	11,980,749	(2,035,964)	4,969,251	–	14,914,036
Shares and warrants issued for finders' fees	518,139	155,441	–	670,141	–	825,582
Share issuance costs	–	(1,167,421)	–	–	–	(1,167,421)
Share issued on exercise of warrants	5,074,290	1,248,198	–	(307,618)	–	940,580
Shares issued on exercise of options	471,000	129,892	–	(62,067)	–	67,825
Share-based compensation	–	–	–	1,399,662	–	1,399,662
Share subscriptions received	–	–	100,000	–	–	100,000
Net loss for the period	–	–	–	–	(2,898,649)	(2,898,649)
Balance, March 31, 2021	173,600,780	$ 56,588,255	$ 100,000	$ 19,967,507	$ (52,506,785)	$ 24,148,977

(The accompanying notes are an integral part of these Condensed interim consolidated financial statements)

VANGOLD MINING CORP.
Condensed interim consolidated statements of cash flows
(Unaudited, expressed in Canadian dollars)

	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
Operating activities				
Net loss for the period	$	(2,898,649)	$	(197,178)
Items not involving cash and cash equivalents:				
Depreciation		20,084		1,478
Gain on settlement of debt		(7,955)		–
Share-based compensation		1,399,662		12,520
Unrealized foreign exchange loss		159,854		–
Changes in non-cash operating working capital:				
Amounts receivable		(140,729)		4,554
Prepaid expenses and deposits		90,641		(4,861)
Accounts payable and accrued liabilities		54,675		(28,524)
Net cash used in operating activities		(1,322,417)		(212,011)
Investing activities				
Acquisition of property, plant and equipment		(281,307)		(4,040)
Land acquisition on mineral claims		(22,772)		–
Net cash used in investing activities		(304,079)		(4,040)
Financing activities				
Proceeds from issuance of units		14,914,036		–
Share issuance costs		(341,839)		–
Proceeds from the exercise of options and warrants		1,008,404		–
Share subscriptions received		100,000		–
Repayment of loan payable		(2,938)		–
Net cash provided by financing activities		15,677,663		–
Effect of foreign exchange on cash and cash equivalents		(159,854)		–
Change in cash and cash equivalents		13,891,313		(216,051)
Cash and cash equivalents, beginning of period		5,321,927		544,279
Cash and cash equivalents, end of period	$	19,213,240	$	328,228
Cash and cash equivalents are consisted of:				
Cash	$	19,101,700	$	328,228
Redeemable guaranteed investment certificate (“GIC”)		111,540		–
Total cash and cash equivalents	$	19,213,240	$	328,228
Non-cash investing and financing activities:				
Shares issued for settlement of debt	$	–	$	20,182
Shares and warrants issued for finders’ fees		825,582		–
Supplemental disclosures:				
Interest paid	$	1,218	$	–

(The accompanying notes are an integral part of these Condensed interim consolidated financial statements)

1. Nature of Operations and Going Concern

Vangold Mining Corp. (the "Company" or "Vangold") is in the business of the acquisition, exploration and evaluation of mining assets. The Company currently holds exploration and evaluation asset interests located in Canada and Mexico.

The head office and registered records of the Company is located at 578 - 999 Canada Place, Vancouver, BC, V6C 3E1. Vangold is a publicly listed company incorporated under the Business Corporations Act of British Columbia and is listed on the TSX Venture Exchange ("TSX.V") under the symbol "VGLD".

These Condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2021, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $52,506,785. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These Condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and Condensed interim consolidated statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

The management team continues to follow the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. These impacts could include the ability of the Company to raise capital, and the impairment in the value of our long-lived assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business. As at March 31, 2021, we have not observed any material impairments of our assets or a significant change in the fair value of assets, due to the COVID-19 pandemic.

2. Significant Accounting Policies

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard 34 Interim Financial Reporting and using the accounting policies consistent with those in the audited consolidated financial statements as at December 31, 2020 and for the year then ended.

These condensed interim consolidated financial statements do not include all disclosures normally provided in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements as at December 31, 2020 and for the year then ended.

(b) Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements of the Company for the three months ended March 31, 2021 were reviewed by the Audit Committee and approved by the Company's Board of Directors on May 28, 2021.

2. Significant Accounting Policies (continued)

(c) Basis of Measurement and Principles of Consolidation

These condensed interim consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim consolidated financial statements include the accounts of the Company and the following subsidiaries:

Subsidiary	Location	Ownership Interest	Status
CanMex Silver S.A. de C.V. (“CanMex”)	Mexico	98%	Consolidated
Obras Mineras El Pinguico S.A. de C.V. (“Obras”)	Mexico	100%	Consolidated
Compania Minera Nivel 7, S.A. de C.V. (“Nivel 7”)	Mexico	100%	Consolidated

Subsidiaries are those entities which Vangold controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Vangold controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Vangold and are deconsolidated from the date that control ceases.

All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

(d) Functional currency and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars (“CAD”), the functional currency of the Company and its subsidiaries.

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(e) New Standards and Interpretations not yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. The Company is currently assessing the impact of these standards on future reporting periods.

3. Critical Accounting Estimates and Judgments

The preparation of the condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

In preparing these condensed interim financial statements for the three months ended March 31, 2021, the Company applied the critical accounting estimates and judgements as disclosed in note 3 of its audited consolidated financial statements for the year ended December 31, 2020.

(Unaudited, expressed in Canadian dollars)

4. Property, Plant and Equipment

	Computer equipment $	Field equipment $	Mine development costs $	Office equipment $	Vehicle $	Total $
Cost:						
Balance, December 31, 2019	6,333	1,776	–	2,532	–	10,641
Additions	6,908	104,769	70,698	2,024	37,601	222,000
Balance, December 31, 2020	13,241	106,545	70,698	4,556	37,601	232,641
Additions	10,506	155,942	87,923	859	26,077	281,305
Balance, March 31, 2021	23,747	262,457	158,621	5,415	64,106	514,346
Accumulated depreciation:						
Balance, December 31, 2019	4,190	1,252	–	2,017	–	7,459
Additions	4,655	3,789	–	1,211	6,267	15,922
Balance, December 31, 2020	8,845	5,041	–	3,228	6,267	23,381
Additions	3,695	12,085	–	1,663	2,641	20,084
Balance, March 31, 2021	12,540	17,126	–	4,891	9,336	43,893
Carrying amounts:						
As at December 31, 2020	4,396	101,504	70,698	1,328	31,334	209,260
As at March 31, 2021	11,207	245,361	158,621	524	54,770	470,483

5. Exploration and Evaluation Assets

Exploration and evaluation assets consist of:

	Mexican Silver Belt $	El Pinguico $	Total $
Acquisition Costs:			
Balance, December 31, 2019	360,000	1,179,490	1,539,490
Additions	–	1,908,928	1,908,928
Sale of mineral stockpile	–	(8,283)	(8,283)
Balance, December 31, 2020	360,000	3,080,135	3,440,135
Additions	–	22,773	22,773
Balance, March 31, 2021	360,000	3,102,908	3,462,908

Exploration and evaluation expenditures consist of*:*

	Three months ended March 31, 2021 $	2020 $
Field operations and general exploration	311,382	32,899
Consultants	445,315	–
Exploration support and administration	9,938	4,962
	766,635	37,861

5. Exploration and Evaluation Assets (continued)

Mexican Silver Belt Property, Mexico

On April 28, 2017, the Company entered into asset acquisition agreements for seven mining claims strategically situated within the high-grade Mexican Silver Belt and all within close proximity to the Company's operations office in Guanajuato, Mexico. Under the terms of the agreements, the Company paid $10,000 and issued 3,125,000 common shares with a fair value of $343,750. The Company also recognized additional acquisition costs of $6,250. The vendors retain a 2.5% Net Smelter Royalty ("NSR") of which 1.25% (one-half) may be repurchased for $500,000.

El Pinguico Property, Guanajuato State, Mexico

On April 27, 2017, the Company completed an acquisition of a 100% interest in the El Pinguico property, located in Guanajuato State, Mexico. Under the terms of the agreement, the Company paid consideration of $136,240 (USD$100,000) and issued 5,000,000 common shares with a fair value of $900,000. The Company also issued 662,500 common shares with a fair value of $119,250 as a finder's fee. The Company also recognized additional acquisition costs of $24,000. The vendors retain a 4% NSR and a 15% Net Profits Interest ("NPI") on minerals recovered from an existing surface and underground stockpiles of mineralized rock and a 3% NSR and 5% NPI on all newly mined mineralization. The Company may repurchase 1% (one-third) of the 3% NSR on all newly mined mineralization for USD$1,000,000.

In October 2017, the Company executed a Surface Land Purchase Agreement with two private landowners for 302 hectares. The surface land includes the Company's El Pinguico property and provides significant land area for mining infrastructure, development and construction.

The first Land Use Agreement signed with a local landowner encompasses a total of 89.6 hectares covering portions of the surface of the El Pinguico mining claims. This is a two-year agreement that allows the Company to build additional roads and do what is necessary to build or re-establish a mine. Under this agreement, the Company made an initial payment of $1,693. After the first 12 months, the Company commenced making monthly payments of approximately $141. The agreement also gives the Company an option to purchase the land outright after the two-year term for a total consideration of $18,816 calculated as $210 per hectare. During the three months ended March 31, 2021 the Company exercised its option to purchase the land for $18,860 plus 15% inflation for a total purchase price of $22,773.

The second Land Use Agreement also signed with a local landowner encompasses a total of 212.98 hectares covering portions of the surface of the El Pinguico mining claims. Like the first agreement, this is a two-year agreement that allows the Company to do what is necessary for the Company's operations. Under this agreement, the Company made an initial payment of $4,549. After the first 12 months, the Company commenced making monthly payments of approximately $335. The agreement also gives the Company an option to purchase the land outright after the two-year term for a total consideration of $44,727 calculated as $220 per hectare.

In February 2020, the Company signed a Surface Land Access Agreement for the mine with the Ejido Calderones, the local Ejido group. The Land Access Agreement allows for unrestricted road access for exploration and mining equipment and personnel to El Pinguico through the community of Calderones. The agreement is for a period of 15 years. Under the terms of the agreement, the Company paid $7,100 (MXP 100,000) and will make annual payments of MXP 50,000 (approximately Can$3,200) adjusted for yearly inflation. During the year ended December 31, 2020, the Company made an annual payment of $3,735 (MXP 58,000).

On June 22, 2020, the Company sold 1,039 tonnes of the existing mineral stockpile to Endeavour Silver Corp. ("Endeavour") for $8,290 (MXP 137,300) after all processing costs charged by Endeavour. Endeavour also provided the Company with a detailed analysis of all recovery and concentrate data obtained in the processing.

5. Exploration and Evaluation Assets (continued)

El Pinguico Property, Guanajuato State, Mexico (continued)

On August 18, 2020, as amended on November 8, 2020, the Company entered into a royalty purchase option agreement to acquire 3 of the 4 underlying royalties on its El Pinguico property from the original vendor of the property, Exploraciones Mineras Del Bajio S.A. de C.V. ("EMBSA"), a company controlled by a director of the Company. Under the option agreement, the Company has the option to repurchase the following royalties from EMBSA:

1. a 4% NSR on all 'broken material' within both the above ground and underground stockpiles;
2. a 3% NSR on all newly established in-situ material discovered on the El Pinguico property; and
3. a 5% NPI on all newly established in-situ material discovered on the El Pinguico property.

Under the terms of the option agreement the Company's will pay a total of $1,680,000 and issue 3,750,000 units to EMBSA as follows:

a) $200,000 cash (paid) and 3,750,000 units on or before November 20, 2020 (issued);
b) $325,000 cash on or before February 22, 2021 (paid subsequent to year end – note 16);
c) $525,000 cash on or before February 22, 2022; and
d) $625,000 cash on or before February 22, 2023.

Each unit consists of one common share and one non-transferable share purchase warrant, which is exercisable at $0.175 per share for a term of 5 years.

Upon exercise of the option, the Company will own an undivided 100% interest in the El Pinguico silver and gold project free and clear from the royalties purchased in this agreement. EMBSA will retain a 15% NPI on the existing above ground and underground stockpiles of mineralized material. Other than the remaining 15% NPI, there will be no other royalties on the El Pinguico project including the existing stockpiled material.

Rossland Properties, British Columbia, Canada

South Belt

At March 31, 2021, the Company holds a 25% interest in certain mineral claims within the historic Rossland gold camp in southeastern British Columbia.

The Company entered into an Option and Joint Venture Agreement with a private company, Rossland Resources Inc. ("RRI") that entitled RRI to earn up to a 100% interest in the property. RRI has fulfilled its commitments to earn a 75% interest, and its option to earn a final 25% interest expired on June 1, 2013. In addition, RRI granted the Company a 1.5% Net Smelter Royalty on the claims. RRI can purchase the NSR granted to the Company for a total of $1,500,000 at any time. RRI is operator of the project.

6. Advance Receivable

During the year ended December 31, 2018, the Company entered into a Letter of intent ("LOI") whereby the Company agreed to acquire all of the issued and outstanding shares of Aventura Gold Ltd. ("Aventura"), a private company which holds an option to acquire 100% of the right, title and interest to a gold property in Guyana ("Tassawini Property"). During the year ended December 31, 2019 the Company elected not to pursue the acquisition of Aventura and terminated its letter of intent.

6. Advance Receivable (continued)

As at December 31, 2019, the Company had made refundable advances totaling $238,048 and incurred expenditures totaling approximately $12,000 in connection with the acquisition of Aventura. On February 18, 2020, and as amended on August 14, 2020, the Company entered into a settlement agreement with Astor Holdings Inc. ("Astor"), a Guyana corporation, and Shooting Star Acquisition Corp. ("Star"), a Capital Pool Company listed for trading on the TSX.V, whereby the Company assigned all rights, title, and interest in a draft NI 43-101 technical report commissioned by the Company on the Tassawini Property, in consideration for Astor agreeing to assume the total refundable advances and expenditures owing to the Company of $251,408. Pursuant to the settlement agreement, Astor agreed to pay the Company $50,000 and issue 1,400,000 common shares of Star upon closing of Star's qualifying transaction to settle the amount owing of $251,408. As at March 31, 2021, Star had not completed its qualifying transaction.

7. Deposit

On December 18, 2020, the Company signed a binding letter agreement with Endeavour Silver Corp. to acquire the El Cubo mine and mill complex (the "El Cubo Complex") located 8 kilometres northeast of the Company's El Pinguico silver-gold project near Guanajuato, Mexico (the "Endeavour Agreement").

As consideration, the Company will pay the following:

a) An upfront non-refundable down payment of $638,750 (US$500,000) cash (paid December 18, 2020);
b) US$7,000,000 cash on closing (paid subsequently – note 16);
c) 21,331,058 common shares of the Company on closing (issued subsequently – note 16); and
d) a US$2,500,000 unsecured, non-interest bearing promissory note due 12 months from closing (issued subsequently – note 16)

The Company also agreed to pay an additional US$3,000,000 in contingent payments as follows:

a) US$1,000,000 upon the Company producing 3,000,000 ounces of silver and/or gold-equivalent silver from the El Cubo Complex, of which US$500,000 may be paid by the issuance of common shares of the Company;
b) US$1,000,000 if the spot price of gold closes at or above US$2,000 per ounce for 20 consecutive days within two years after closing; and
c) US$1,000,000 if the spot price of gold closes at or above US$2,200 per ounce for 20 consecutive days within three years after closing.

On March 16, 2021, the Company signed a definitive asset purchase agreement with Endeavour to acquire the El Cubo Complex, which closed on April 9, 2021 (note 16).

(Unaudited, expressed in Canadian dollars)

8. Loan Payable

On September 18, 2020, the Company entered into a 3 year loan agreement with a principal of $28,905 (MXP451,645) related to the purchase a vehicle. The loan is secured by the vehicle, bears interest at 18.5% per annum and is repayable in monthly installments of $1,052 (MXP16,441) plus tax.

Balance, December 31, 2020	$	-
Additions		27,700
Interest expense		1,218
Loan payments		(3,073)
Foreign exchange loss		(1,083)
Balance, March 31, 2021	$	24,762
Which consists of:		
Current portion of loan	$	8,225
Non-current portion of loan		16,537
	$	24,762

9. Related Party Transactions

(a) For the three months ended March 31, 2021, the Company incurred management fees of $37,500 (2020 - $37,500) to a company controlled by the Chief Executive Officer ("CEO") of the Company. As at March 31, 2021, the Company owed $nil (2020 - $10,000) to a company controlled by the CEO of the Company, which was included in accounts payable and accrued liabilities. The amount was non-interest bearing, unsecured and due on demand.

(b) For the three months ended March 31, 2021, the Company incurred consulting fees of $25,000 (2020 - $nil) to a company controlled by a director of the Company, which is included in consulting expenses.

(c) For the year ended March 31, 2021, the Company incurred share-based compensation of $788,462 (2020 - $7,092) to directors and officers of the Company.

10. Share Capital

The authorized share capital of the Company consists of the following:

(a) Common Shares: unlimited common shares without par value;
(b) Class A Common Shares: unlimited common shares without par value;
(c) Class B Common Shares: unlimited common shares without par value;
(d) Class A Preferred Shares: unlimited preferred shares with a par value of $0.2947; and
(e) Class B Preferred Shares: unlimited preferred shares without par value.

Share Issuances for the Three Months Ended March 31, 2021:

(a) On March 11, 2021, the Company completed a private placement for gross proceeds of $16,950,000, consisting of 56,500,000 units at $0.30 per unit. Each unit consists of one common share and one half of a share purchase warrant, with each whole warrant being exercisable at $0.45 per share for a period of 3 years. The proceeds were allocated between the common shares ($11,980,749) and warrants ($4,969,251) based on their relative fair values. In connection with the private placement, the Company paid $341,839, issued 518,139 common shares with a fair value of $155,441, and issued 1,648,669 finder's warrants with a fair value of $670,141 as finders' fees. The fair value of the warrants and finders' warrants were calculated using the Black-Scholes option pricing model assuming the following weighted-average assumptions: a risk-free rate of 0.50%, no expected dividends or forfeiture rate, volatility of 155.00% and an expected life of 3 years. The warrants issued as finders' fees have the same terms as the warrants issued under the private placements.

(b) During the three months ended March 31, 2021, the Company issued 5,074,290 common shares on exercise of warrants for total proceeds of $940,580.

(Unaudited, expressed in Canadian dollars)

10. Share Capital (continued)

Share Issuances for the Three Months Ended March 31, 2021 (continued):

(c) During the three months ended March 31, 2021, the Company issued 471,000 common shares on exercise of options for total proceeds of $67,825.

Share Issuances for the Year Ended December 31, 2020:

(a) On March 18, 2020, the Company issued a total of 403,640 common shares with a fair value of $20,182 to settle accounts payable of $10,182 owed to a vendor and $10,000 owed to a company controlled by the CEO of the Company.

(b) On August 5, 2020, and August 11, 2020, the Company completed non-brokered private placements for total gross proceeds of $3,974,494, consisting of a total of 25,641,902 units at $0.155 per unit. Each unit consists of one common share and one-half of one share purchase warrant, where each whole warrant is exercisable at $0.25 per share for a period of 2 years. The proceeds were allocated between the common shares ($2,867,253) and warrants ($1,107,241) based on their relative fair values. In connection with the private placement, the Company incurred $137,123, issued 214,665 shares with a fair value of $39,387, and issued 821,011 finders' warrants with a fair value of $119,542 as finders' fees. The fair value of the warrants and finders' warrants were calculated using the Black-Scholes option pricing model assuming the following weighted-average assumptions: a risk-free rate of 0.27%, no expected dividends or forfeiture rate, volatility of 181.64% and an expected life of 2 years.

(c) On November 30, 2020, the Company issued 3,750,000 units with a fair value of $1,703,085 pursuant to an option to acquire royalties (note 5), consisting of common shares with a fair value of $862,500 and warrants with a fair value of $840,585. Each unit consists of one common share and one non-transferable share purchase warrant, which is exercisable at $0.175 per share for a term of 5 years. The fair value of the warrants was determined using the Black-Scholes option pricing model assuming a risk-free rate of 0.43%, no expected dividends or forfeiture rate, volatility of 194.65% and an expected life of 5 years.

(d) During the year ended December 31, 2020, the Company adopted a warrant acceleration bonus program for its outstanding share purchase warrants granted in connection with the Company's 2019 non-brokered private placement financing. Under the program, holders would receive one bonus share for every 10 warrants exercised if exercised on or before June 26, 2020. During the year ended December 31, 2020, the Company issued a total of 21,363,055 common shares, which included 1,266,055 bonus shares under the warrant acceleration bonus program, pursuant to the exercise of 20,097,000 warrants at $0.10 per share for total proceeds of $2,009,700.

11. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2019	47,199,912	0.36
Issued	17,391,962	0.23
Exercised	(20,097,000)	0.10
Expired	(11,601,862)	0.50
Balance, December 31, 2020	32,893,012	0.29
Issued	29,898,669	0.45
Exercised	(5,074,290)	0.19
Balance, March 31, 2021	57,717,391	0.38

(Unaudited, expressed in Canadian dollars)

11. Share Purchase Warrants (continued)

The following table summarizes the continuity of share purchase warrants (continued):

As at March 31, 2021, the following share purchase warrants were outstanding:

Expiry date	Exercise price $	Warrants outstanding	Remaining life (years)
May 8, 2021*	0.10	477,500	0.11
November 9, 2021	0.50	3,875,000	0.61
November 27, 2021	0.10	3,000,000	0.66
January 18, 2022	0.50	5,428,600	0.80
August 5, 2022	0.25	10,406,491	1.35
August 11, 2022	0.25	881,131	1.36
March 9, 2024	0.45	29,898,669	2.94
November 30, 2025	0.18	3,750,000	4.67
		57,717,391	2.24

* exercised subsequently

12. Stock Options

The Company has established a stock option plan (“Plan”) whereby the Company’s Board may from time-to-time grant stock options to employees and non-employees. The Plan is a 10% rolling stock option plan in accordance with the policies of the TSXV pursuant to which the number of Shares issuable under the plan shall not exceed, on a rolling basis, 10% of the Company’s issued and outstanding shares at the time of grant.

The number of Shares subject to each option is determined by the Board, or if appointed, by a special committee of directors appointed from time to time by the Board, provided, at the time the options are granted, that:

a) the number of Shares subject to option, in the aggregate, shall not exceed 10% of the Company’s then issued shares;
b) no more than 5% of the issued Shares of the Company may be granted to any one optionee in any 12-month period (unless the Company has obtained “disinterested” shareholder approval);
c) no more than 2% of the issued Shares of the Company may be granted to any one consultant in any 12-month period;
d) no more than an aggregate of 2% of the issued Shares of the Company may be granted to persons employed to provide “investor relations activities” in any 12-month period; and
e) The options shall be subject to such vesting requirements as determined by the Board provided that options granted to consultants performing “investor relations activities” must vest in stages over at least 12 months with no more than 1/4 of the options vesting in any three month period.

The exercise price of the options cannot be set at less than the last closing price of the Company’s Shares on the stock exchange on which the Shares of the Company are then listed before the date on which the options are granted by the Company, less the maximum allowable discount from market as may be permitted under the policies of such exchange, if any, or such other minimum exercise price as may be required by such exchange. The options may be exercisable for a period of up to 10 years.

(Unaudited, expressed in Canadian dollars)

12. Stock Options (continued)

A continuity schedule of the incentive stock options is as follows:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2019	3,462,500	0.24
Granted	5,075,000	0.17
Expired	(2,125,000)	0.28
Outstanding, December 31, 2020	6,412,500	0.19
Granted	6,900,000	0.50
Exercised	(471,000)	0.15
Outstanding, March 31, 2021	12,841,500	0.36

Additional information regarding stock options outstanding as at March 31, 2021 is as follows:

Expiry date	Range of exercise prices $	Number of options outstanding	Remaining life (years)
August 18, 2022	0.40	262,500	1.63
March 30, 2023	0.075	2,529,000	2.24
May 31, 2023	0.10	100,000	2.41
June 27, 2023	0.20	825,000	2.49
October 12, 2023	0.30	2,225,000	2.78
January 4, 2024	0.30	150,000	2.76
February 6, 2024	0.30	150,000	2.85
February 17, 2024	0.30	150,000	2.88
March 24, 206	0.51	6,450,000	4.98
Outstanding, March 31, 2021		12,841,500	0.36
Exercisable, March 31, 2021		7,179,167	0.26

During the three months ended March 31, 2021, the Company recorded share-based compensation expense of $1,399,662 (three months ended March 31, 2020 - $12,520) in equity reserves, of which $788,462 (three months ended March 31, 2020 - $nil) pertains to directors and officers of the Company. The weighted average fair value of stock options granted during the three months ended March 31, 2021, was $0.47 (three months ended March 31, 2020 - $nil) per share. The fair values of options granted during the year was estimated on the date of grant using the Black-Scholes option pricing model assuming no expected dividends and with the following weighted-average assumptions:

	2021	2020
Risk-free interest rate	0.23%	0.7%
Estimated annualized volatility	154.73%	77.0%
Expected life (years)	4.49	3
Expected dividend yield	Nil	N/A

At March 31, 2021, there was $2,376,543 (2020 - $nil) of unrecognized share-based compensation related to unvested stock options.

(Unaudited, expressed in Canadian dollars)

13. Segmented Information

The Company is primarily engaged in mineral exploration in British Columbia, Canada and Guanajuato, Mexico. The Company operates the mineral exploration of its properties in Mexico through its 100% owned subsidiaries, Obras and CanMex.

	March 31, 2021		
	Canada $	Mexico $	Total $
Property, plant and equipment	6,726	463,757	470,483
Advance receivable	251,408	–	251,408
Deposit	638,750	–	638,750
Exploration and evaluation assets	–	3,462,908	3,462,908
Total non-current assets	896,884	3,926,665	4,823,549

	December 31, 2020		
	Canada $	Mexico $	Total $
Property, plant and equipment	1,987	207,273	209,260
Advance receivable	251,408	–	251,408
Deposit	638,750	–	638,750
Exploration and evaluation assets	–	3,440,135	3,440,135
Total non-current assets	892,145	3,647,408	4,539,553

14. Fair Value Measurement

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The carrying value of cash and cash equivalents is measured at fair value using level 1 inputs as the basis for measurement in the fair value hierarchy. The carrying value of amounts receivable, advance receivable, deposit, and accounts payable and accrued liabilities, all of which are carried at amortized cost, approximate their fair value given their nature.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, currency risk, liquidity risk, and market price risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, advance receivable and deposit. The Company deposits its cash and cash equivalents with high credit quality major Canadian and Mexican financial institutions as determined by ratings agencies. The advance receivable is due upon an event which has not yet occurred, and the deposit will be applied as part of the purchase price towards as subsequent transaction. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

14. Fair Value Measurement (continued)

Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of March 31, 2021, the Company had cash and cash equivalents of $19,213,240 to settle current liabilities of $302,643.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in a bank account at a Canadian bank. Fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2021.

The Company's interest rate risk principally arises from the interest rate impact on interest charged on its loan payable. The Company's loan payable is subject to a fixed interest rate thus any change in external interest rates would not result in a significant impact on the Company's net loss.

Foreign Currency Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company operates in Canada and Mexico, but has the majority of its cash and equivalents held in Canada in Canadian dollars. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. As at March 31, 2021, the Company is exposed to currency risk as some transactions and balances are denominated in Mexican Pesos, as well as United States dollars. As at March 31, 2021, a 10% change of the Canadian dollar relative to the Mexican Peso would have net financial impact of approximately $25,000 (December 31, 2020 - $27,000) and a 10% change of the Canadian dollar relative to US dollar would have net financial impact of approximately $1,305,400 (December 31, 2020 - $69,000). The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

Price Risk

The Company is exposed to price risk with respect to equity and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. Management of Capital

The Company's consists of share capital, equity reserves and deficit. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits;

15. Management of Capital (continued)

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and

- To obtain the necessary financing to complete exploration and development of its properties, when it is required.

The properties in which the Company currently holds an interest in are in the exploration stage and the Company is dependent on external financing to fund its activities in order to carry out planned exploration and pay for administrative costs. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In addition, the Company may issue new equity, incur additional debt, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2021, compared to the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

16. Subsequent Events

(a) On March 16, 2021, the Company signed a definitive asset purchase agreement with Endeavour to acquire the El Cubo Complex, finalizing the binding letter agreement entered into December 18, 2020 (note 5). On April 9, 2021, the Company closed the acquisition of the El Cubo Complex and paid US$7,000,000, plus value-added tax, and issued 21,331,058 common shares of the Company and a US$2,500,000 promissory note with a term of 12 months to Endeavour.

(b) Subsequent to March 31, 2021, the Company issued 2,679,500 common shares on exercise of warrants for total proceeds of $838,911.

(c) Subsequent to March 31, 2021, the Company issued 762,334 common shares on exercise of options for total proceeds of $122,800.

(d) Subsequent to March 31, 2021, the Company granted 650,000 stock options at an exercise price of $0.60 for a five year period.

(e) Subsequent to March 31, 2021, the Company paid $325,000 to EMBSA pursuant to an option agreement to acquire royalties on its El Pinguico property (note 5).