



**CONSOLIDATED FINANCIAL STATEMENTS**

**NOVEMBER 30, 2019 AND 2018**

**(Expressed in Canadian Dollars)**

**INDEPENDENT AUDITORS' REPORT**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of San Marco Resources Inc.

### Opinion

We have audited the consolidated financial statements of San Marco Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

### **DALE MATHESON CARR-HILTON LABONTE LLP CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC

March 30, 2020



An independent firm  
associated with Moore  
Global Network Limited

**SAN MARCO RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	November 30, 2019	November 30, 2018
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	411,091	792,492
Restricted cash (Note 6)	-	378,759
Marketable securities (Note 4)	1,162	1,162
Receivables	23,715	81,253
Prepaid expenses	47,847	5,625
	483,815	1,259,291
<b>Non-current assets</b>		
Reclamation deposit	2,000	2,000
Equipment (Note 5)	26,768	36,950
Exploration advances	2,241	2,158
Mineral properties (Note 6)	141,665	79,165
	<b>656,489</b>	<b>1,379,564</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	28,166	40,586
Deposits (Note 6)	-	378,759
	28,166	419,345
<b>Shareholders' equity</b>		
Share capital (Note 8)	13,896,908	13,556,719
Equity reserves (Note 8)	2,675,388	2,510,573
Deficit	(15,943,973)	(15,107,073)
	628,323	960,219
	<b>656,489</b>	<b>1,379,564</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 14)

**APPROVED AND AUTHORIZED BY THE DIRECTORS ON MARCH 30, 2020:**

“ C. PRENTER ” , Director

“ R. STUART ANGUS ” , Director

**SAN MARCO RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	<b>For the year ended November 30,</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
<b>EXPENSES</b>		
Accounting and audit fees (Note 7)	126,048	109,195
Advertising and promotion	4,372	36,765
Depreciation (Note 5)	8,126	6,259
Exploration and evaluation (Notes 6 and 7)	273,954	534,712
Insurance	43,447	8,942
Investor relations	17,500	76,405
Legal and professional fees (Note 7)	159,812	135,454
Management fees (Note 7)	94,500	98,929
Office and administration expenses	26,391	23,287
Share-based payments (Notes 7 and 8)	48,339	510,496
Wages and benefits	8,485	-
Transfer agent and filing fees	21,405	19,802
Travel	23,236	18,020
<b>Total Expenses</b>	<b>855,615</b>	<b>1,578,266</b>
<b>OTHER ITEMS</b>		
Foreign exchange gain (loss)	14,526	(33,965)
Gain on disposition of equipment	1,914	-
Interest income	2,275	10,836
Other income (Note 6)	-	30,200
Realized loss on marketable securities (Note 4)	-	(520)
Unrealized loss on marketable securities (Note 4)	-	(798)
<b>Total Other Items</b>	<b>18,715</b>	<b>5,753</b>
<b>NET AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(836,900)</b>	<b>(1,572,513)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.04)</b>	<b>(0.07)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>22,414,902</b>	<b>22,108,362</b>

**SAN MARCO RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in Canadian Dollars)**

	For the year ended November 30,	
	2019	2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net and comprehensive loss for the year	(836,900)	(1,572,513)
Items not affecting cash:		
Depreciation	8,126	6,259
Share-based payments	48,339	510,496
Realized loss on marketable securities	-	520
Gain on disposition of property and equipment	(1,914)	-
Unrealized loss on marketable securities	-	798
Shares issued for exploration and evaluation expenses	-	32,000
Foreign exchange	(234)	124
Changes in non-cash working capital items:		
Receivables	57,538	(58,785)
Prepaid expenses	(42,222)	32,982
Accounts payable and accrued liabilities	(12,420)	948
Net cash used in operating activities	(779,687)	(1,047,171)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,439)	(31,798)
Purchase of mineral properties	(25,000)	-
Sale of property and equipment	7,560	-
Deposits	(378,759)	378,759
Net cash provided by (used in) investing activities	(399,638)	346,961
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares, net	419,165	-
Proceeds from exercise of warrants and options	-	292,037
Net cash provided by financing activities	419,165	292,037
DECREASE IN CASH	(760,160)	(408,173)
CASH, BEGINNING OF THE YEAR	1,171,251	1,579,424
<b>CASH, END OF THE YEAR</b>	<b>411,091</b>	<b>1,171,251</b>
<b>CASH, END OF THE YEAR, being:</b>		
Cash	411,091	792,492
Restricted Cash	-	378,759
<b>CASH, END OF THE YEAR</b>	<b>411,091</b>	<b>1,171,251</b>

Supplemental disclosures with respect to cash flows (Note 12)

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

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**SAN MARCO RESOURCES INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Expressed in Canadian Dollars)**

	Share Capital Common Shares		Equity Reserves	Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$
Balance at November 30, 2017	21,571,944	13,126,754	2,106,005	(13,534,560)	1,698,199
Exercise of warrants (Note 8)	900,083	343,965	(81,928)	-	262,037
Exercise of stock options (Note 8)	100,000	54,000	(24,000)	-	30,000
Shares issued for exploration and evaluation expenses (Notes 6 and 8)	66,667	32,000	-	-	32,000
Share-based payments (Note 8)	-	-	510,496	-	510,496
Net and comprehensive loss	-	-	-	(1,572,513)	(1,572,513)
<b>Balance at November 30, 2018</b>	<b>22,638,694</b>	<b>13,556,719</b>	<b>2,510,573</b>	<b>(15,107,073)</b>	<b>960,219</b>
Shares issued for exploration and evaluation assets (Notes 6 and 8)	250,000	37,500	-	-	37,500
Shares issued for cash (Note 8)	3,738,334	336,450	112,150	-	448,600
Fair value of brokers' units issued (Note 8)	24,000	(720)	720	-	-
Fair value of brokers' warrants issued (Note 8)	-	(3,606)	3,606	-	-
Share issuance costs paid (Note 8)	-	(29,435)	-	-	(29,435)
Share-based payments (Note 8)	-	-	48,339	-	-
Net and comprehensive loss	-	-	-	(836,900)	(836,900)
<b>Balance at November 30, 2019</b>	<b>26,651,028</b>	<b>13,896,908</b>	<b>2,675,388</b>	<b>(15,943,973)</b>	<b>628,323</b>

During the year ended November 30, 2019, the Company completed a three-for-one share consolidation. All share and per share figures in these consolidated financial statements have been retroactively adjusted to reflect the three-for-one share consolidation.

**SAN MARCO RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2019 AND 2018**  
**(Expressed in Canadian Dollars)**

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

San Marco Resources Inc. (“the Company”) was incorporated on September 27, 2005 under the *Business Corporations Act* of British Columbia and its shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol SMN. The Company’s mailing address is 1700 – 1030 W. Georgia Street, Vancouver, BC, V6E 2Y3. The registered and records office address is Suite 704 – 595 Howe Street, Vancouver, BC, V6C 2T5.

The Company is engaged in the acquisition, exploration and development of precious metal properties in British Columbia, Canada and Mexico.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain resources that are economically recoverable. The realization of amounts shown for mineral properties and related deferred costs is dependent upon the discovery and exploitation of economically recoverable resources, the ability of the Company to obtain necessary financing to complete development, and attaining future profitable production or proceeds from the disposition of such properties.

These consolidated financial statements have been prepared by management on a 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 for the foreseeable future. At November 30, 2019, the Company had not yet achieved profitable operations and has an accumulated deficit of \$15,943,973 since its inception. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

**2. BASIS OF PRESENTATION**

**Statement of compliance**

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The policies presented in Note 3 were consistently applied to all periods presented.

**Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit and loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

**SAN MARCO RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2019 AND 2018**  
**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**Consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The principal subsidiaries of the Company, their activities, and their geographic locations as at November 30, 2019 were as follows:

<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>Ownership Interest</b>	<b>Principal Activity</b>
San Marco Resources Mexico S.A. de C.V.	Mexico	100%	Mineral Exploration
841432 B.C. Limited	Canada	100%	Holding Company

The transactions among the entities in the group pertain to the transfer of funds and payment of third party costs. All inter-group transactions and balances have been eliminated upon consolidation.

**Significant accounting estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments, estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are, but are not limited to, the following:

*Critical accounting judgments*

- (i) **Impairment of mineral properties:** The net carrying value of each mineral property and its related concessions is reviewed regularly for conditions that are indicators of impairment. This review requires judgment as the Company does not have proven and probable reserves that enable future cash flows to be compared to the carrying values. Factors considered in assessment of asset impairment include, but are not limited to, accessibility, title, environmental or political factors that could affect the properties' values, whether there has been any accumulation of costs significantly in excess of the amounts originally expected for the properties' acquisition, development, or cost of holding, whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future, and whether the Company has necessary funds to be able to maintain or continue acquiring interests in mineral properties.
- (ii) **Income taxes:** Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. The recognition of deferred tax assets requires management to assess the likelihood that the Company will generate taxable income in future periods to utilize the deferred tax assets. Due to a history of losses, deferred tax assets have not been recognized.

**SAN MARCO RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2019 AND 2018**  
**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting estimates and judgments (continued)**

- (iii) Going concern: The preparation of these financial statements requires management to make judgements regarding the going concern of the Company as previously discussed in Note 1.
- (iv) Functional currencies: The functional currency of an entity is the currency of the primary economic environment in which an entity operates. The determination of an entity's functional currency requires judgment based on analysis of relevant criteria. The Company conducted an analysis of the factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates* ("IAS 21") and determined the functional currencies of the Company and its subsidiaries to be the Canadian dollar.

*Critical accounting estimates*

- (i) Equity-settled transactions: The cost of equity-settled transactions, such as stock options or warrants, is determined by calculating the fair value at the date when the equity award is granted or issued using the Black-Scholes Option Pricing Model. The inputs to the Black-Scholes Option Pricing Model require significant estimation. Expected volatility is estimated based on historical stock price observations of the Company's common shares. The risk-free interest rate for the expected term of the award is based on the yields of government bond. The Company uses historic data to estimate the timing of option exercises and forfeiture rates, which may not be representative of future results. Changes in these assumptions, especially the volatility and the expected life determination, could have a material impact on the statement of comprehensive loss.

**Foreign exchange**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

**Financial instruments**

The Company has adopted IFRS 9, Financial Instruments ("IFRS 9") effective December 1, 2018 on a retrospective basis where appropriate; however, in accordance with the transitional provisions of IFRS 9, comparative figures have not been restated. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

**SAN MARCO RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2019 AND 2018**  
**(Expressed in Canadian Dollars)**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

Classification and subsequent measurement

The Company completed a detailed assessment of its financial assets and liabilities as at December 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	<b>Original Classification IAS 39</b>	<b>New Classification IFRS 9</b>
Cash	Fair value through profit or loss	Fair value through profit or loss
Restricted cash	Fair value through profit or loss	Amortized cost
Marketable securities	Fair value through profit or loss	Fair value through profit or loss
Reclamation deposit	Financial asset held-to-maturity	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on December 1, 2018.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (“FVOCI”) – debt investment; FVOCI - equity investment; or fair value through profit or loss (“FVTPL”). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**SAN MARCO RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Subsequent measurement and gains and losses*

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of comprehensive loss.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the statement of comprehensive loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of comprehensive loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of loss and comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of comprehensive loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of loss and comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the statement of comprehensive loss.

Derecognition

*Financial assets*

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged, are cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

**SAN MARCO RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2019 AND 2018**  
**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Exploration and evaluation expenditures**

Costs directly related to the acquisition of mineral properties are capitalized. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration, evaluation and property maintenance costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are expensed as incurred up to the date of establishing that property costs are economically recoverable and that the project is technically feasible.

**Impairment of non-financial assets**

At the end of each reporting period, the Company's non-financial assets, other than deferred tax assets, are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

In the case of the amount capitalized as acquisition costs of mineral properties, if no economically viable ore body is discovered, such costs are expensed in the period that the property is determined to be uneconomical or abandoned.

**Equipment**

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the straight-line method at the following annual rates:

Computer equipment	20%
Computer software	100%
Furniture and equipment	20%
Vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Provision for environmental rehabilitation**

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

**Share-based payments**

The Company has a plan for granting stock options to directors, employees and consultants as described in Note 8. The fair value of stock options granted to employees is recognized as share-based payments over the vesting period and credited to equity reserves. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as share-based payments from the date of grant to the reporting date and credited to equity reserves. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to equity reserves are recorded as share capital. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of stock options granted.

**Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method. The value, if any, is allocated to equity reserves. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. When a loss is incurred during the period, basic and diluted losses per share are the same as the exercise of the stock options and warrants is considered to be anti-dilutive. As at November 30, 2019, the Company has 5,637,134 (2018 – 4,234,001) potentially dilutive shares outstanding.

**Recent accounting pronouncements**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. During the year ended November 30, 2019, the Company adopted the following new accounting pronouncements:

- *IFRS 9 Financial Instruments*: New standard that replaced IAS 39 for classification and measurement. As described above, the adoption of IFRS 9 did not have a material impact on the Company's consolidated financial statements.
- *IFRS 15 Revenue from contracts with customers*: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*. The adoption of IFRS 15 did not have a material impact on the Company's consolidated financial statements.

The following have not yet been adopted by the Company:

- *IFRS 16 Leases*: New standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model, effective for annual periods beginning on or after January 1, 2019. The Company does not expect the adoption of IFRS 16 to have a material impact on the Company's consolidated financial statements.

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**4. MARKETABLE SECURITIES**

The Company holds 15,500 common shares of Rise Gold Corp.

	November 30, 2019		November 30, 2018	
	# of Shares	Amount	# of Shares	Amount
		\$		\$
Opening balance	15,500	1,162	17,500	2,480
Sale of marketable securities	-	-	(2,000)	(520)
Mark-to-Market valuation	-	-	-	(798)
	<b>15,500</b>	<b>1,162</b>	<b>15,500</b>	<b>1,162</b>

**5. EQUIPMENT**

	Office	Vehicles	Exploration	Totals
	Equipment		Equipment	
	\$	\$	\$	\$
Cost:				
Balance, November 30, 2017	18,092	2,235	5,101	25,428
Additions	4,841	26,714	243	31,798
Balance, November 30, 2018	22,933	28,949	5,344	57,226
Additions	3,439	-	-	3,439
Disposals	(3,173)	(2,235)	(3,709)	(9,117)
Balance, November 30, 2019	<b>23,199</b>	<b>26,714</b>	<b>1,635</b>	<b>51,548</b>
Accumulated depreciation:				
Balance, November 30, 2017	13,284	223	510	14,017
Additions	2,244	3,074	941	6,259
Balance, November 30, 2018	15,528	3,297	1,451	20,276
Additions	2,309	5,050	767	8,126
Disposals	(1,228)	(867)	(1,527)	(3,622)
Balance, November 30, 2019	<b>16,609</b>	<b>7,480</b>	<b>691</b>	<b>24,780</b>
Carrying values:				
<b>Balance, November 30, 2018</b>	<b>7,405</b>	<b>25,652</b>	<b>3,893</b>	<b>36,950</b>
<b>Balance, November 30, 2019</b>	<b>6,590</b>	<b>19,234</b>	<b>944</b>	<b>26,768</b>

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**6. MINERAL PROPERTIES**

A summary of capitalized acquisition costs is as follows:

	<b>CUATRO DE MAYO PROJECT</b>	<b>BUCK PROPERTY</b>	<b>TOTAL</b>
	\$	\$	\$
Balance at November 30, 2018 and 2017	79,165	-	79,165
Additions:			
Cash payments	-	25,000	25,000
Common shares issued (Note 8)	-	37,500	37,500
<b>Balance, November 30, 2019</b>	<b>79,165</b>	<b>62,500</b>	<b>141,665</b>

Exploration and evaluation costs incurred during the year ended November 30, 2019 and 2018 are as follows:

	<b>BUCK</b>	<b>CHUNIBAS</b>	<b>1068</b>	<b>OTHER PROJECTS</b>	<b>TOTAL</b>
	\$	\$	\$	\$	\$
Field supplies and on-site expenses	17,342	1,186	504	24,308	43,340
Geological consulting	30,800	19,817	-	143,171	193,788
Geophysics, topographic, mapping	66,765	-	-	3,165	69,930
Mineral rights	-	6,041	3,605	45,314	54,960
Sampling, prospecting, study	23,180	-	636	435	24,251
Travel expenses	15,147	81	-	7,952	23,180
Recovery of exploration expenditures	-	(106,530)	-	(28,965)	(135,495)
<b>Expenses for the year ended November 30, 2019</b>	<b>153,234</b>	<b>(79,405)</b>	<b>4,745</b>	<b>195,380</b>	<b>273,954</b>
Field supplies and on-site expenses	-	102,176	9,485	18,437	130,099
Geological consulting	-	202,249	41,637	65,305	309,191
Geophysics, topographic, mapping	-	-	37,511	31,136	68,647
Mineral rights	-	10,368	5,353	38,539	54,261
Sampling, prospecting, study	-	39,665	-	3,365	43,030
Travel expenses	-	36,389	6,720	16,807	59,916
Recovery of exploration expenditures	-	(130,430)	-	-	(130,430)
<b>Expenses for the year ended November 30, 2018</b>	<b>-</b>	<b>260,417</b>	<b>100,706</b>	<b>173,590</b>	<b>534,712</b>

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**6. MINERAL PROPERTIES (continued)**

**Buck Property**

On July 16, 2019, the Company entered into an option agreement (the “Agreement”) to acquire a 100% interest in a mineral property in north-central British Columbia (the “Buck Property”). To exercise the option and obtain a 100% interest in the Buck Property, the Company must incur \$112,000 in exploration expenditures by December 31, 2019, and make cash payments totalling \$300,000 and issue 4,000,000 common shares of the Company on or before the fifth anniversary of Exchange approval of the Agreement, on October 9, 2019, as follows:

	<b>Cash</b>	<b>Common shares</b>
	\$	#
On October 9, 2019 (paid and issued)	25,000	250,000
On or before October 9, 2020	25,000	400,000
On or before October 9, 2021	25,000	500,000
On or before October 9, 2022	25,000	750,000
On or before October 9, 2023	50,000	1,000,000
On or before October 9, 2024	150,000	1,100,000
<b>Total</b>	<b>300,000</b>	<b>4,000,000</b>

On the exercise of the option, the optionors will be granted a 2.5% net smelter return (“NSR”) royalty on any commercial production from the Property. An additional 4,000,000 common shares are also to be issued to the optionors upon the earlier of the completion of a bankable feasibility study or the eighth anniversary of the exchange approval of the Agreement.

**Chunibas**

On January 22, 2015, the Company signed an option agreement with Argonaut Gold Inc. (“Argonaut”) to acquire a concession in the El Chunibas area in northwestern Mexico, for cash payments of US\$50,000 over two years. The Company paid \$12,250 (US\$10,000) during fiscal 2015 and the remaining \$54,511 (US\$40,000) during the year ended November 30, 2016. Argonaut retains a 1% NSR royalty on any future production, one half of which can be purchased by the Company for US\$1,000,000.

On January 27, 2015, the Company acquired 100% ownership of an additional claim in the El Chunibas area in northwestern Mexico for \$12,404 (US\$10,000). There is no retained interest or future royalty payable to the counterparty to the acquisition agreement, a private Mexican citizen.

On August 7, 2018, the Company entered into an Earn-In Agreement (the “Agreement”) with Antofagasta Minerals S.A. (“Antofagasta”), whereby the Company granted Antofagasta the option to earn a 70% interest in the Company’s Chunibas project by:

- Funding or incurring mineral property expenditures totalling US\$8,000,000 on or before the fourth anniversary of the Agreement. Antofagasta advanced US\$700,000 to the Company during the year ended November 30, 2018 for exploration costs to be incurred.
- Making cash payments totalling US\$200,000 to the Company on or before the third anniversary of the Agreement.

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**6. MINERAL PROPERTIES (continued)**

**Chunibas (continued)**

Upon earning the 70% interest in the Chunibas project, Antofagasta and the Company will enter into a Joint Venture agreement for further exploration of the Chunibas project.

In accordance with the terms of the Agreement, US\$100,000 (CAD\$130,430) of the US\$700,000 advanced by Antofagasta was recorded as reimbursement against previously incurred exploration and evaluation costs and was recorded as recovery of exploration and evaluation costs during the year ended November 30, 2018.

The Company shall act as the operator during the option period and shall be entitled to operator's fee equal to 10% of all exploration expenditures on the Chunibas project other than airborne surveys and drilling costs for which the Company shall be entitled to operator's fee equal to 5%. The Company recorded \$Nil (2018 - \$30,200) as other income.

During the year ended November 30, 2019, the Company and Antofagasta mutually terminated the Agreement, and accordingly the Company recorded a recovery of exploration costs of \$106,530 on the consolidated statement of comprehensive loss.

As at November 30, 2018, the Company had recorded US\$273,393 (CAD\$378,759) as restricted cash and deposits for exploration activities which were to be performed during the year ended November 30, 2019.

**Other Projects**

On May 3, 2016, the Company entered into an Exploration Alliance Agreement with GlobeTrotters Resources Group Inc. ("GlobeTrotters") to generate and acquire new high potential mineral targets primarily in the state of Sonora, Mexico. The Company was granted an exclusive three-year license to use the data generated from GlobeTrotters' analysis, filtering and initial target selection through the imagery and data files which GlobeTrotters acquired from the state of Sonora. The data from GlobeTrotters has resulted in identification of various properties, such as La Caridad Este, La Pitahaya, Aqua Zarca, Ofelia, Suzanne, and Victoria 1 (1068 project).

Pursuant to the Exploration Alliance Agreement, the Company will hold all interest in properties acquired as part of the collaborative effort with GlobeTrotters entitled to a 2% NSR royalty on all properties in which the Company acquires a 100% interest. For properties in which the Company acquires less than 100% interest, it will pay GlobeTrotters 20% of all future consideration received in respect of the property, reducing to 10% after the commencement of commercial production. As consideration for the acquisition of the license, the Company issued 333,333 common shares to GlobeTrotters on May 20, 2016, valued at \$90,000, which was recognized as property investigation costs within exploration and evaluation expenses.

During the year ended November 30, 2019, the Company terminated the Exploration Alliance Agreement with GlobeTrotters.

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**7. RELATED PARTY TRANSACTIONS**

**Compensation of key management personnel**

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole.

The remuneration of the directors and the chief executive officer for the years ended November 30, 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Management fees <sup>(i)</sup>	239,256	219,557
Share based payments	48,339	415,151
<b>Total</b>	<b>287,595</b>	<b>634,708</b>

(i) Management fees includes \$94,500 (2018 – \$79,100) in management fees and \$144,756 (2018 - \$140,457) in exploration and evaluation costs in fees paid to related parties.

**Transactions with other related parties**

Certain of the Company’s officers render services to the Company through companies in which they are an officer, director, or partner.

The Company incurred the following fees and expenses during the years ended November 30, 2019 and 2018 with these related parties as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Accounting fees	68,500	57,000
Legal fees	69,260	46,939
Legal fees related to share issuance costs	16,339	-
<b>Total</b>	<b>154,099</b>	<b>103,939</b>

At November 30, 2019, there was \$17,102 (2018 - \$14,840) included in accounts payable that was owing to related parties for accounting and legal fees and \$6,799 (2018 - \$Nil) owing for other services.

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**8. SHARE CAPITAL AND EQUITY RESERVES**

a) Authorized

Unlimited number of common shares without par value

b) Issued

During the year ended November 30, 2019:

- i. The Company issued 250,000 common shares pursuant to the Buck Property Agreement described in Note 6.
- ii. The Company issued 3,738,334 common shares pursuant to a private placement wherein the Company issued 3,738,334 units at a price of \$0.12 per unit for gross proceeds of \$448,600. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one common share for three years a price of \$0.20 for the first two years and \$0.25 for the third year.

In connection with the private placement, the Company issued 24,000 units as finders' fees and also paid cash finders' fees of \$12,096, other share issuance costs of \$17,339 and issued 124,800 finders' warrants, with each warrant exercisable for a period of one year at a price of \$0.12.

During the year ended November 30, 2018:

- iii. The Company issued 900,083 common shares for gross proceeds of \$262,038 pursuant to the exercise of share purchase warrants and 100,000 common shares for gross proceeds of \$30,000 pursuant to the exercise of stock options.
- iv. The Company issued 66,667 common shares with a fair value of \$32,000 for certain exploration and evaluation expenses on its mineral properties.

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**8. SHARE CAPITAL AND EQUITY RESERVES (continued)**

c) Stock options

The Company's stock option transactions are as follows:

	<b>Number of Shares issuable under Options</b>	<b>Weighted Average Exercise Price</b>
		\$
Shares issuable under Options outstanding at November 30, 2017	1,426,667	0.54
Granted	950,000	0.57
Exercised	(100,000)	0.30
Cancelled	(283,333)	0.57
<b>Shares issuable under Options outstanding at November 30, 2018</b>	<b>1,993,334</b>	<b>0.57</b>
Expired	(126,667)	1.50
Cancelled	(116,667)	0.48
<b>Shares issuable under Options outstanding and exercisable at November 30, 2019</b>	<b>1,750,000</b>	<b>0.50</b>

As at November 30, 2019, the following stock options were outstanding:

<b>Number of Shares issuable under Options Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	\$	
100,000	0.30 to 0.57	June 20, 2020
350,000	0.30	June 6, 2021
133,333	0.56	February 1, 2022
500,000	0.57	June 2, 2022
66,667	0.54	October 2, 2022
600,000	0.56	June 25, 2023
<b>1,750,000</b>		

As at November 30, 2019, the stock options outstanding have a weighted average outstanding life of 2.55 years.

The Company has a 10% rolling stock option plan whereby the Company may from time to time, in accordance with the Exchange requirements, grant to directors, officers, employees and consultants options to purchase common shares of the Company. The options can be granted for a maximum of 5 years, the vesting provisions are determined by the Board of Directors and, the exercise price of each option is required to be no less than the market price of the Company's stock as calculated immediately preceding the day of the grant and shall not be less than \$0.10 per share.

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**8. SHARE CAPITAL AND EQUITY RESERVES (continued)**

c) Stock options (continued)

During the year ended November 30, 2019, the Company modified the expiration date of stock options to purchase 100,000 common shares to June 20, 2020. There was no additional benefit recorded as a result of the modification.

On February 1, 2018, the Company granted a stock option to an officer of the Company to purchase a total of 133,333 common shares. The stock option is exercisable for four years from the date of grant at a price of \$0.555 per share, and vests, as to 25% each, on the date of grant, and every three months thereafter.

On February 14, 2018, the Company granted a stock option to a consultant of the Company to purchase a total of 100,000 common shares. The stock option is exercisable for three years from the date of grant at a price of \$0.645 per share, and vests, as to 25% each, on the date of grant, and every three months thereafter. This stock option was cancelled during the year ended November 30, 2019 as a result of the termination of the services provided by the consultant.

On June 25, 2018 the Company granted stock options to certain officers and directors of the Company to purchase a total of 633,334 common shares. The options are exercisable for five years from the date of grant at a price of \$0.555 per share, and vest, as to 25% each, on the date of grant, and every three months thereafter.

On June 25, 2018 the Company granted stock options to certain consultants of the Company to purchase a total of 83,333 common shares. The options are exercisable for five years from the date of grant at a price of \$0.555 per share, and vest, as to 50% each, on the date of grant, and six months thereafter.

During the year ended November 30, 2019, the Company recorded share-based payments of \$48,339 (2018 - \$510,496) in connection with the stock options granted and vested during the year. The fair value of the stock options granted was estimated as at the date of the grant using the Black-Scholes Option Pricing Model and the following weighted average assumptions:

	<b>2019</b>	<b>2018</b>
Risk free interest rate	-	1.93%
Expected life of options	-	4.28 years
Expected dividend yield	-	0%
Expected stock price volatility	-	220%
Exercise price	-	\$0.57
Stock price	-	\$0.57
<b>Weighted average fair value per option</b>	<b>\$ -</b>	<b>\$0.54</b>

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**8. SHARE CAPITAL AND EQUITY RESERVES (continued)**

d) Warrants

The Company's warrant transactions are as follows:

	Number of Shares issuable under Warrants	Weighted Average Exercise Price
		\$
Shares issuable under Warrants outstanding at November 30, 2017	3,564,083	0.24
Exercised	(900,083)	0.30
Expired	(423,333)	0.45
<b>Shares issuable under Warrants outstanding at November 30, 2018</b>	<b>2,240,667</b>	<b>0.84</b>
Expired	(2,240,667)	0.84
Issued	3,887,134	0.20
<b>Shares issuable under Warrants outstanding at November 30, 2019</b>	<b>3,887,134</b>	<b>0.20</b>

As at November 30, 2019, the following share purchase warrants were outstanding:

Number of Shares issuable under Warrants	Exercise Price	Expiry Date
	\$	
124,800	0.12	November 21, 2020
3,762,334	0.20*	November 21, 2022
<b>3,887,134</b>		

\* The exercise price of these warrants will increase to \$0.25 on November 22, 2021.

As at November 30, 2019, the warrants outstanding have a weighted average outstanding life of 2.91 years.

During the year ended November 30, 2019, the Company issued 124,800 finders' warrants in connection with a private placement completed during the year. The Company recorded share issuance costs of \$3,606 in connection with the finders' warrants. The fair value of the finders' warrants was estimated as at the date of the grant using the Black-Scholes Option Pricing Model and the following weighted average assumptions:

	2019	2018
Risk free interest rate	1.71%	-
Expected life of warrants	1.00 years	-
Expected dividend yield	0%	-
Expected stock price volatility	105%	-
Exercise price	\$0.12	-
Stock price	\$0.09	-
<b>Weighted average fair value per warrants</b>	<b>\$0.03</b>	<b>\$ -</b>

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**9. SEGMENTED INFORMATION**

The Company currently conducts substantially all of its operations in Canada and Mexico in one business segment being the exploration and development of mineral properties. Geographical information for the Company's significant non-current assets is as follows:

<b>November 30, 2019</b>	<b>Canada</b>	<b>Mexico</b>	<b>Total</b>
	\$	\$	\$
Reclamation deposit	2,000	-	2,000
Equipment	4,557	22,211	26,768
Exploration advances	-	2,241	2,241
Mineral properties	62,500	79,165	241,665
	<b>69,057</b>	<b>103,617</b>	<b>172,674</b>

  

<b>November 30, 2018</b>	<b>Canada</b>	<b>Mexico</b>	<b>Total</b>
	\$	\$	\$
Reclamation deposit	2,000	-	2,000
Equipment	1,396	35,554	36,950
Exploration advances	-	2,158	2,158
Mineral properties	-	79,165	79,165
	<b>3,396</b>	<b>116,878</b>	<b>120,273</b>

**10. CAPITAL MANAGEMENT**

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet the Company's exploration plans to ensure the on-going growth of the business.

The Company considers the items in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

**11. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT**

As at November 30, 2019, the carrying values of the reclamation deposit and accounts payable approximate their fair values due to the short-term nature of these instruments. Cash and marketable securities are measured at fair value.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

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**11. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)**

(i) Liquidity risk

Liquidity risk is managed by the Company by maintaining sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage and is dependent on obtaining regular funding in order to continue its exploration programs. Despite success with previous financings, there is no guarantee of obtaining future funding. The Company's cash is invested in business accounts with qualified institutions in Canada and are available on demand for the Company's programs. The Company is not invested in any asset backed commercial paper or auction rate securities. Due to the current COVID-19 pandemic, liquidity risk has been assessed as high.

(ii) Credit risk

The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash and reclamation deposit with high-credit quality financial institutions. Receivables are mainly due from government agencies in Canada and Mexico. Credit risk has been assessed as low.

(iii) Foreign currency risk

The Company's mineral properties are located in Mexico and, therefore, a portion of work carried out in exploring and developing these properties is paid in Mexican pesos. Certain administrative costs incurred in Mexico are paid in US dollars.

The operating results and the financial position of the Company are reported in Canadian dollars. The Company's cash, receivables, accounts payable and accrued liabilities are held in different currencies and therefore the fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

At November 30, 2019, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Mexican Pesos:

	US Dollars	Mexican Peso
Cash	52,281	27,037
Marketable securities	1,162	-
Receivables	-	6,645
Accounts payable	-	(8,111)

Based on the above net exposures as at November 30, 2019, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease/increase of approximately \$7,000 in the Company's comprehensive loss. Likewise, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso would result in a decrease/increase of approximately \$3,000 in the Company's comprehensive loss.

(iv) Interest risk

The Company invests its excess cash, restricted cash, and reclamation deposit in demand deposits that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Other interest rate risks arising from the Company's operations are not considered material.

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**11. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)**

(v) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors its marketable securities, stock market movements and commodity prices to determine appropriate actions.

The Company does not typically invest in equity securities and the maximum exposure to the price risk is represented by the changing fair value of such investments. Assuming all variables remain constant, a 10% increase/decrease in the quoted market price of the Company's investments would result in an increase/decrease in the Company's income of approximately \$248.

(vi) Fair value hierarchy

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

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 fair values of cash and marketable securities are measured based on level 1 inputs of the fair value hierarchy.

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

<b>Non-cash investing and financing activities</b>	<b>2019</b>	<b>2018</b>
	\$	\$
Shares issued for mineral property option payments	37,500	-
Shares issued for exploration and evaluation expenses	-	32,000
Fair market value of warrants and options exercised	-	105,928

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**13. INCOME TAXES**

Income tax expense differs from the amount that would result from applying the Canadian and Mexican federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	<b>2019</b>	<b>2018</b>
	\$	\$
Loss before income taxes	(837,000)	(1,572,513)
Combined income tax rates	28.07%	28.48%
Expected income tax recovery based on the above rates	(235,000)	(448,000)
Permanent differences and other	(723,000)	137,000
Tax effect of deferred tax assets for which no tax benefit has been recorded	958,000	311,000
<b>Total income tax recovery</b>	<b>-</b>	<b>-</b>
Current income tax	-	-
Deferred income tax	-	-
	-	-

The composition of the Company's deferred income tax assets is as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Non-capital losses	3,440,000	2,643,000
Equipment	22,000	22,000
Exploration and evaluation assets	789,000	628,000
Marketable securities	44,000	44,000
Share issue costs	17,000	17,000
Other	3,000	3,000
<b>Total deferred income tax assets not recognized</b>	<b>4,315,000</b>	<b>3,357,000</b>

The significant components of the Company's unused temporary differences and unused tax losses are as follows:

	<b>2019</b>	<b>Expiry Date</b>	<b>2018</b>	<b>Expiry Date</b>
	\$		\$	
Non-capital losses	11,978,000	2021-2039	9,285,000	2020-2038
Equipment	108,000		80,000	
Exploration and evaluation assets	2,813,000		2,120,000	
Marketable securities	162,000		162,000	
Share issuance costs	62,000		63,000	
Other	10,000		10,000	
<b>Unused temporary differences</b>	<b>15,133,000</b>		<b>11,720,000</b>	

The Company has non-capital losses of \$5,122,000 and \$6,856,000 in each of Canada and Mexico, respectively, which can be used to offset taxable income in future years.

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**14. SUBSEQUENT EVENTS**

Subsequent to November 30, 2019:

- i. The Company issued 266,667 flow-through common shares pursuant to a private placement for gross proceeds of \$40,000.
- ii. The Company issued 7,500 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$900
- iii. The Company granted stock options to various directors, officers and consultants of the Company to purchase 1,175,000 common shares. Each stock option is exercisable at a price of \$0.18 per common share for a period ranging from 13 months to five years.
- iv. The Company issued 5,813,703 common shares pursuant to a private placement wherein the Company issued 5,813,703 units at a price of \$0.135 per unit for gross proceeds of \$784,850. Each unit consisted of one common share and one-half share purchase warrant, with each full warrant to purchase one common share for three years at a price of \$0.20.

In connection with the private placement, the Company paid cash finders' fees of \$37,100 and issued 274,820 finders' warrants, with each warrant exercisable to purchase one common share for one year at a price of \$0.135.