TARACHI GOLD CORP.

(formerly Kal Minerals Corp.)

Financial Statements
For the years ended July 31, 2020 and 2019
Presented in Canadian dollars

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tarachi Gold Corp. (formerly Kal Minerals Corp.)

Opinion

We have audited the financial statements of Tarachi Gold Corp. (formerly Kal Minerals Corp.) (the "Company"), which comprise the statements of financial position as at July 31, 2020 and 2019, and the statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and July 31, 2019, 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 audits 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 audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes the events and conditions indicating 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 the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information 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 in this auditor's report. 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 Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
November 30, 2020

TARACHI GOLD CORP.
(formerly Kal Minerals Corp.)
(An exploration stage company)
Statements of Financial Position
(Expressed in Canadian Dollars)

	July 31, 2020	July 31, 2019
ASSETS		
Current assets		
Cash	$ 2,568,358	$ 111,780
Accounts receivable	12,251	1,480
Prepaid expenses	171,069	-
	2,751,678	113,260
Exploration and evaluation assets (Note 5)	1,501,848	248,724
	$ 4,253,526	$ 361,984
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	$ 66,432	$ 32,334
Subscriptions received (Note 11)	1,621,135	-
	1,687,567	32,334
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	3,408,892	637,065
Contributed surplus (Note 6)	932,379	4,695
Accumulated deficit	(1,775,312)	(312,110)
	2,565,959	329,650
	$ 4,253,526	$ 361,984

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 11)

Approved on behalf of the Board of Directors on November 30, 2020:

"Lorne Warner"
Lorne Warner, Director

"Martin Bajic"
Martin Bajic, Director

The accompanying Notes are an integral part of these Financial Statements

TARACHI GOLD CORP.
(formerly Kal Minerals Corp.)
(An exploration stage company)
Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended July 31, 2020	Year Ended July 31, 2019
EXPENSES		
Professional fees	$ 51,029	$ 63,019
Consulting fees (Note 10)	269,060	124,521
Transfer agent and filing fees	29,620	30,982
Stock-based compensation (Notes 6 and 10)	851,944	-
General and administrative	12,825	5,167
Write-off of mineral property (Note 5)	248,724	-
OPERATING LOSS	(1,463,202)	(223,689)
Deferred income tax expense (recovery)	-	(33,100)
NET and COMPREHENSIVE LOSS	**$ (1,463,202)**	**$ (190,589)**
LOSS PER SHARE (basic and diluted)	$ (0.06)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (basic and diluted)	22,838,969	20,142,892

TARACHI GOLD CORP.
(formerly Kal Minerals Corp.)
(An exploration stage company)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended July 31, 2020	Year Ended July 31, 2019
OPERATING ACTIVITIES		
Net loss for the year	$ (1,463,202)	$ (190,589)
Item not effecting cash:		
Write-off of mineral property	248,724	
Stock based compensation	851,944	-
Deferred income tax expense (recovery)		(33,100)
Changes in non-cash working capital items:		
Change in accounts receivable and prepaid expenses	(181,841)	2,020
Change in accounts payable and accrued liabilities	34,098	22,039
	(510,277)	(199,630)
INVESTING ACTIVITIES		
Exploration and evaluation assets - acquisition	(150,357)	-
Exploration and evaluation assets – expenditures	(351,491)	(151,774)
	(501,848)	(151,774)
FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of share issuance costs	1,841,318	-
Proceeds from warrant exercise	6,250	-
Proceeds from subscriptions received	1,621,135	-
	3,468,703	-
NET CHANGE IN CASH	2,465,578	(351,404)
CASH, beginning of year	111,780	463,184
CASH, end of year	$ 2,568,358	$ 111,780

The accompanying Notes are an integral part of these Financial Statements

TARACHI GOLD CORP.
(formerly Kal Minerals Corp.)
(An exploration stage company)
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance at July 31, 2018	20,225,000	$ 637,065	$ 4,695	$ (121,521)	$ 520,239
Shares cancelled (Note 6)	(1,259,000)	-	-	-	-
Loss for the year	-	-	-	(190,589)	(190,589)
Balance at July 31, 2019	18,966,000	$ 637,065	$ 4,695	$ (312,110)	$ 329,650
Balance at July 31, 2019	18,966,000	$ 637,065	$ 4,695	$ (312,110)	$ 329,650
Shares issued – E&E asset (Notes 5 and 6)	5,000,000	1,000,000	-	-	1,000,000
Stock based compensation (Note 6)	-	-	851,944	-	851,944
Shares issued on private placement (Note 6)	13,003,664	1,950,550	-	-	1,950,550
Share issuance costs (Note 6)	-	(189,668)	80,435	-	(109,233)
Warrants exercised (Note 6)	125,000	10,945	(4,695)	-	6,250
Loss for the year	-	-	-	(1,463,202)	(1,463,202)
Balance at July 31, 2020	37,094,664	$ 3,408,892	$ 932,379	$ (1,775,312)	$ 2,565,959

The accompanying Notes are an integral part of these Financial Statements

1. Nature of Operations and Going Concern

Tarachi Gold Corp (formerly Kal Minerals Corp.) (the "Company") was incorporated under the Business Corporations Act in British Columbia on February 19, 2016. The Company has interests in exploration and evaluation assets in Mexico, and its principal business is the exploration and development of those assets. The head office, principal address, registered address, and records office of the Company are located at #907-1030 West Georgia Street, Vancouver, BC.

The Company is in the exploration stage with respect to its exploration and evaluation assets and has not yet determined whether those assets contain ore reserves that are economically recoverable. The carrying amount of these assets represents the total of net costs capitalized, and is not intended to reflect either their present or future value.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's legal interest in the assets, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the assets.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and meet its obligations in the ordinary course of business. The Company incurred a net loss of $1,463,202 (2019: $190,589) for the year ended July 31, 2020. At July 31, 2020, the Company had an accumulated deficit of $1,775,312 (July 31, 2019: $312,110), which has been funded primarily by the issuance of equity. The Company will need to raise new funds through the sale of shares to maintain operations. These factors together raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not reflect adjustments for the possible future effect on the recoverability and classification of the assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements.

2. Basis of preparation (continued)

(c) Stock split

On April 7, 2020, the Company split its issued and outstanding common shares on the basis of two shares for each existing common share. Unless otherwise noted, all share, option and warrant information, including per share amounts have been retrospectively adjusted to reflect this stock split.

(d) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

(e) Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions about the future and to exercise judgment in applying the Company's accounting policies. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgments and assumptions made by management and other major sources of measurement uncertainty are discussed in Note 4.

3. Significant accounting policies

The significant accounting policies used in the preparation of these financial statements are as follows:

(a) Foreign currency transactions

Transactions in currencies other than the Canadian dollar ("foreign currencies"), the Company's functional currency, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are denominated in foreign currencies and measured at other than fair value are translated using the rates of exchange at the transaction dates. Foreign exchange gains and losses are included in net loss for the period.

(b) Financial instruments

i) Classification and measurement

Financial asset

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value less, for an item not at fair value through profit or loss, transaction costs directly attributable to its acquisition or issue, and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

i) Classification and measurement (continued)

Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method. The Company does not have any assets classified and measured at amortized cost.

Fair value through other comprehensive income ("FVTOCI")

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. The Company does not have any assets classified and measured at FVTOCI.

Fair value through profit or loss ("FVTPL")

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. The Company's cash is classified in this category.

<u>Financial liabilities</u>

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Accounts payable and accrued liabilities are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

i) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

ii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(c) Restoration, rehabilitation, and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other assets.

The increase in the restoration provision due to the passage of time is recognized as interest expense.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company’s accounting policy for exploration and evaluation assets.

(d) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

3. Significant accounting policies (continued)

(d) Exploration and evaluation expenditures (continued)

Government tax credits are recorded as a reduction to the cumulative costs incurred and capitalized on the related property in the period it is received.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(e) Share capital

Common shares

Common shares issued are classified as share capital, a component of shareholders' equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from share capital.

Equity units

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the residual value method. Under the residual value method, proceeds are allocated to the common shares up to their fair value, determined by reference to the quoted market price of the common shares on the issuance date, and the balance, if any, to the reserve for warrants.

(f) Share options and warrants

All share options and warrants are included in reserves, a component of shareholders' equity, until exercised. Upon exercise, the consideration received plus the amounts in reserves attributable to the options and/or warrants being exercised are credited to share capital. When share options and warrants expire unexercised or are cancelled, other than cancellations resulting from forfeitures when vesting conditions are not satisfied, the amounts recognized in reserves are reclassified to accumulated deficit.

Stock-based compensation to employees are measured at the fair value of the instruments granted. Stock-based compensation is measured at the fair value of the goods or services received or the fair value of the equity instruments issued as calculated using the Black-Scholes option pricing model. The offset to the recorded expense is to reserves. The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors: exercise price; current market price of the underlying shares; expected life of the award; risk-free interest rate; forfeiture rate; and expected volatility.

3. Significant accounting policies (continued)

(f) Share options and warrants (continued)

The fair value of the options is recognized over the vesting period of the options granted as share-based compensation expense, with a corresponding amount recognized in reserve within equity. The fair value includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the equity settled transactions or is otherwise beneficial to the employee as measured at the date of modification.

(g) Income taxes

Income tax on profit or loss 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, in which case it is recognized in equity. Current tax expense is the expected tax payable on taxable income for the period.

Deferred tax is provided for using the asset and liability method of accounting, whereby deferred tax assets and liabilities are recognized for the future tax effects of differences between the carrying amounts of assets and liabilities in the statement of financial position and the tax bases of the assets and liabilities (temporary differences), unused tax losses and other income tax deductions. Temporary differences on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss are not provided for. Deferred tax assets and liabilities are measured based on the expected manner of realization or settlement of the carrying amounts of the related assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss, except deferred tax assets and liabilities, which are recognized on the statement of financial position. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(h) Loss per share

Loss per share is calculated by dividing loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

3. Significant accounting policies (continued)

(i) Impairment of non-financial assets

Impairment tests on non-financial assets, including exploration and evaluation assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in profit or loss.

(i) New accounting standards and interpretations

The Company adopted the following new accounting standard and interpretation:

IFRS 16, Leases (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases in the statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company does not have any leases, and as a result, this standard had no impact on the Company's financial statements on adoption.

IFRIC 23, Uncertainty over Income Tax Treatments (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatment including, but not limited to, whether uncertain tax treatment should be considered separately; assumptions made about the examination of tax treatment by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company's financial statements.

(j) Accounting standards issued but not yet adopted

The following amendment has been issued but is not yet effective:

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendment is not expected to have an impact on the Company's financial statements.

4. Significant accounting judgements and key sources of estimation uncertainty

Significant accounting judgments

The critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements are as follows:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of long-lived assets

The carrying value and the recoverability of long-lived assets, including exploration and evaluation assets, are evaluated at each reporting date. Management assesses the potential impairment, which involves assessing whether facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Key sources of estimation uncertainty

The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Valuation of stock-based compensation

The Company uses the Black-Scholes option pricing model for valuation of stock-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

(Expressed in Canadian Dollars)

5. Exploration and evaluation asset

	Tarachi Property	Jack White Property	Total
Acquisition Costs			
Balance, July 31, 2018 and 2019	$ -	$ 12,500	$ 12,500
Issuance of shares	1,000,000	-	1,000,000
Cash payments	150,357	-	150,537
Write-off	-	(12,500)	(12,500)
Balance, July 31, 2020	$ 1,150,357	$ -	$ 1,150,357
Deferred Exploration Costs			
Balance, July 31, 2018	$ -	$ 84,450	$ 84,450
Geological consulting	-	1,718	1,718
Geophysics	-	59,328	59,328
Field	-	45,100	45,100
Other	-	45,628	45,628
Balance, July 31, 2019	-	236,224	236,224
Geological consulting	40,488	-	40,488
Assays	22,324	-	22,324
Field supplies	34,728	-	34,728
Management fees	16,505		16,505
Permits	7,878		7,878
Legal and agreements	164,994		164,994
Other	64,574	-	64,574
Write-off	-	(236,224)	(236,224)
Balance, July 31, 2020	$ 351,491	$ -	$ 351,491
Total			
Balance, July 31, 2019	$ -	$ 248,724	$ 248,724
Balance, July 31, 2020	$ 1,501,848	$ -	$ 1,501,848

(Expressed in Canadian Dollars)

5. Exploration and evaluation asset (continued)

a) Jack White Property

On February 27, 2016 the Company entered into a letter agreement with Raymond Wladichuk for the option to earn 100% interest in the Jack White Property. The agreement was amended on October 27, 2017. The Company can earn 100% interest in the Property, subject to a 2% NSR Royalty of which 50% can be purchased for $1,000,000 any time prior to commencement of commercial production of the Property, by making the following payments:

Cash payments	Common shares to be issued	Expenditures to be incurred	Date
$2,500	100,000	Nil	Upon signing of the Agreement (issued and paid)
Nil	Nil	$75,000	June 30, 2018 (incurred)
$5,000	50,000	$100,000	February 28, 2020
$10,000	75,000	$150,000	October 27, 2020
$15,000	100,000	$275,000	October 27, 2021
$30,000	150,000	$500,000	October 27, 2022
$75,000	200,000	$750,000	October 27, 2023
$75,000	200,000	Nil	Upon completion of a pre-feasibility study
$75,000	200,000	Nil	Upon completion of a feasibility study
$100,000	200,000	Nil	Upon commencement of commercial production
$387,500	1,300,000	$1,850,000	Total

During the year-ended July 31, 2020, the Company abandoned the Jack White Property and recognized a write-off of $248,724. The write-off was done in accordance with level 3 of the fair value hierarchy.

b) Tarachi Project

On March 27, 2020 the Company entered into a letter agreement with the option to earn 100% interest in the Tarachi Project. The Company can earn 100% interest in the Property by making the following payments:

- Making total cash payments of USD$5,000,000 as outlined below; and
- Issuing a total of 10,000,000 common shares as outlined below.

Cash payments (USD)	Common shares	Date
$ 25,000	2,500,000	Upon signing of the Agreement (Issued and paid)
$ 75,000	Nil	5 days after closing the Company's next financing (Paid)
$ 100,000	2,500,000	First anniversary
$ 100,000	2,500,000	Second anniversary
$ 100,000	2,500,000	Third anniversary
$ 4,600,000	Nil	Fourth anniversary
$ 5,000,000	10,000,000	

In addition, the Company paid a finder's fee of 2,500,000 common shares with a fair value of $500,000 in connection with the option agreement.

(Expressed in Canadian Dollars)

6. Share capital

Authorized share capital:

Unlimited common shares without par value.

Issued and outstanding:

37,094,664 (2019 – 18,966,000) common shares, of which 2,514,600 common shares are held in escrow (2019 – 2,095,000).

Shares issued during the year ended July 31, 2020

On April 7, 2020, the Company completed a forward split of its common shares on a two for one basis. All references to issued and outstanding share capital have been adjusted to account for the split.

On April 22, 2020, the Company issued 2,500,000 common shares with a fair value of $500,000 in connection with the option agreement on the Tarachi Project (Note 5).

On April 22, 2020, the Company issued 2,500,000 common shares as finder's fee with a fair value of $500,000 in connection with the option agreement.

On May 25, 2020, the Company closed a non-brokered private placement and issued 13,003,664 units consisting of one common share and one common share purchase warrant, for gross proceeds of $1,950,550. The Company paid a total of $109,233 in finder's fees and issued 566,233 finder's warrants with a fair value of $80,435. As the Company uses the residual value method, no value was allocated to the warrants.

On June 3, 2020, the Company issued 125,000 common shares for proceeds of $6,250 upon the exercise of warrants at $0.05 per share. That fair value of the warrants of $4,695 was transferred from contributed surplus to share capital.

Shares issued during the year ended July 31, 2019

On October 25, 2018, certain directors and officers of the Company surrendered 1,259,000 common shares for cancellation.

Options

The Black-Scholes option pricing model inputs for options granted and vested during the year ended July 31, 2020 and 2019 are as follows:

Grant Date	Expiry Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield	Fair Value
12-Sep-2019	12-Sep-2021	$0.08	1.60%	2	107%	0	$0.04
18-Jun-2020	18-Jun-2025	$0.31	0.32%	3	136%	0	$0.25
20-Jul-2020	20-Jul-2025	$0.66	0.28%	3	138%	0	$0.51

The risk-free interest rate is based on the Canadian government bond rate for a similar term as the expected life of the stock options. The annualized volatility is based on comparable companies' historical share prices. The expected life is based on comparable companies' exercise history.

(Expressed in Canadian Dollars)

6. Share capital (continued)

Options (continued)

Total stock-based compensation expense recognized during the year ended July 31, 2020 was $851,944 (2019 - $Nil) using the Black-Scholes option pricing model.

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the granted options are fixed by the Board of Directors and are not to exceed ten years. The exercise price of options are determined by the Board of Directors, but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the options are granted, less any discount permitted by the TSX Venture Exchange (the "Exchange").

Options granted under the plan may vest immediately on grant, or over a period as determined by the Board of Directors or, in respect of options granted for investor relations services, as prescribed by the Exchange.

A continuity schedule of the Company's outstanding stock options for the year ended July 31, 2020 and 2019 are as follows:

	July 31, 2020		July 31, 2019	
	Number outstanding	**Weighted average exercise price**	**Number outstanding**	**Weighted average exercise price**
Outstanding, beginning of year	**-**	$ -	**-**	**$ -**
Granted	3,735,000	0.29	-	-
Expired	(200,000)	0.08	-	-
Outstanding and exercisable, end of year	3,535,000	$ 0.31	-	$ -

At July 31, 2020, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

Expiry date	Options outstanding	Exercise price	Weighted average remaining contractual life (in years)
September 12, 2021	500,000	$ 0. 08	1.12
June 18, 2025	2,735,000	$ 0. 31	4.88
July 20, 2025	300,000	$ 0. 66	4.97

(Expressed in Canadian Dollars)

6. Share capital (continued)

Warrants (continued)

Warrants

A continuity schedule of the Company's outstanding common share purchase warrants for the years ended July 31, 2020 and 2019 is as follows:

	July 31, 2020			July 31, 2019		
	Number outstanding		Weighted average exercise price	Number outstanding		Weighted average exercise price
Outstanding, beginning of year	**10,125,000**	**$**	**-**	**10,125,000**	**$**	**0.05**
Issued	13,569,897		0.25	-		-
Exercised	(125,000)		0.05	-		-
Expired	(10,000,000)		0.05	-		-
Outstanding, end of year	**13,569,897**	**$**	**0.25**	**10,125,000**	**$**	**0.05**

The weighted average market value price on the date of exercise of the 125,000 warrants was $0.32.

The 10,000,000 warrants that expired during the year had no fair value assigned to them.

At July 31, 2020, the Company had outstanding warrants exercisable to acquire common shares of the Company as follows:

Expiry date	Warrants outstanding	Exercise price		Weighted average remaining contractual life (in years)
May 22, 2022	13,003,664	$	0. 25	1.81
May 22, 2022	566,233	$	0. 25	1.81

(Expressed in Canadian Dollars)

7. Income taxes

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

		July 31, 2020		July 31, 2019
Net loss for the year	**$**	**(1,463,203)**	$	(223,689)
Canadian federal and provincial statutory income tax rate		**27.00%**		27.00%
Income tax benefit based on Canadian statutory income tax		**(395,100)**		(60,400)
Change in statutory, foreign tax, foreign exchange and other		**(700)**		600
Effects of the following:				
Non-deductible expenses		**230,000**		-
Share issuance costs		**(51,600)**		-
Changes in statutory rates and other		**(37,300)**		-
Change in recognized deductible temporary differences		**-**		26,700
Change in unrecognized deductible temporary differences		**254,700**		-
Income tax expense (recovery)	**$**	**-**	$	(33,100)
Current income tax expense	$	-	$	-
Deferred income tax expense (recovery)		-		(33,100)
	$	**-**	**$**	(33,100)

The significant components of the Company's deferred tax assets and liabilities are as follows:

		July 31, 2020		July 31, 2019
Deferred tax assets (liabilities)				
Exploration and evaluation assets	**$**	**48,300**	$	(59,400)
Share issue cost		**41,900**		1,100
Non-capital losses available for future periods		**191,000**		85,000
Unrecognized deferred tax assets		**(281,200)**		(26,700)
Net deferred tax assets (liabilities)	**$**	**-**	$	-

The Canadian non-capital losses at July 31, 2020 expire as follows:

Expiry date		**Amount**
2036	**$**	2,300
2037		24,100
2038		63,000
2039		215,900
2040		403,000
	$	**708,300**

8. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to continue its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company's capital includes the components of its shareholders' equity.

(Expressed in Canadian Dollars)

8. Management of capital (continued)

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash. In order to preserve cash, the Company does not pay any dividends.

The Company is not subject to any externally imposed capital requirements. The Company did not change its capital management approach during the year ended July 31, 2020.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements.

9. Financial instruments

a) Categories of financial instruments and fair value measurements

The Company's financial assets and liabilities are classified as follows:

		July 31, 2020		July 31, 2019
Financial assets:				
Fair value through profit and loss				
Cash	$	2,568,358	$	111,780
Financial liabilities:				
Other financial liabilities				
Accounts payable and accrued liabilities	$	66,432	$	32,334

The amount of accounts payable and accrued liabilities includes amounts due to related parties (Note 10).

b) Fair value information

The Company's accounts payable and accrued liabilities are carried at amortized cost. The fair value approximates the carrying amount due to the short-term nature of this instrument.

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of inputs used in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At July 31, 2020 and 2019, the Company had no financial assets measured and recognized on the statement of financial position at fair value belonging in Level 2 or Level 3 of the fair value hierarchy.

9. Financial instruments (continued)

c) Management of financial risks

The Company's financial instruments expose the Company to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

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. At July 31, 2020, the Company was exposed to credit risk on its cash.

The Company's cash is held with a high credit quality financial institution in Canada and as at July 31, 2020.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

At July 31, 2020, the Company had cash of $2,568,358 (July 31, 2019 - $111,780) and accounts payable and accrued liabilities of $66,432 (July 31, 2019 - $32,334) with contractual maturities of less than one year. The Company had sufficient cash to meet its current liabilities as at July 31, 2020. The Company assessed its liquidity risk as low as at July 31, 2020.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at July 31, 2020.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies.

As at July 31, 2020, the Company had limited exposure to foreign currency risk, as the majority of balances are denominated in Canadian dollars. The Company assessed its financial currency risk as low as at July 31, 2020.

Price risk

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company does not currently use financial instruments designed to hedge these market risks.

(Expressed in Canadian Dollars)

10. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the exchange amount, being the amount established and agreed upon by the related parties.

The Company's key management personnel consists of directors and executives and companies owned, directly or indirectly, by key management personnel of the Company.

Name	Nature of Transactions
Ray Wladichuk, Former CEO	Property acquisition
Aeron Kawakami, Former CFO	Consulting
Lorne Warner, CEO	Consulting
Martin Bajic, CFO	Consulting
Michael Konnert, Director	Consulting
Waldo Sciences Inc.	Exploration fees, geological consulting, management fees, rent and general and administrative expenses

As at July 31, 2020, the Company has amounts due to related parties totaling $17,850 (July 31, 2019: $5,250).

The Company's key management compensation for the year ended July 31, 2020 and 2019 is as follows:

	For the Years Ended	
	July 31, 2020	July 31, 2019
Consulting	$ 47,500	$ 32,530
Included in exploration and evaluation	-	1,718
Stock based compensation	490,703	-
Total	**$ 538,203**	**$** 34,248

11. Subsequent events

The Company entered into the following transactions subsequent to July 31, 2020:

On August 14, 2020, the Company closed a non-brokered private placement for gross proceeds of $9,487,442 through the issuance of 23,718,605 units at a price of $0.40 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of $0.70 per share for a period of 24 months. The Company paid finder's fees of $304,938 and issued 755,610 finder's warrants at the same terms as the warrants described above. As at July 31, 2020 the Company received subscription receipts of $1,621,135 in connection with the private placement.

On September 3, 2020 the Company announced it entered into an agreement to acquire 100% of Juliana and Las Moritas concessions in Sonora, Mexico. The Company has the right to acquire the concessions by making aggregate cash payments of $2,100,000 USD to the optionor over the following 60 months, as well as through the issuance of 4,000,000 total common shares. To date, 500,000 common shares have been issued.

11. Subsequent events (continued)

On September 3, 2020, the Company issued 13,126 with a fair value of $8,269 as part of a project generation agreement.

Subsequent to year end, 100,000 warrants were exercised for gross proceeds of $25,000.

Subsequent to year end, 50,000 options were exercised for gross proceeds of $6,100.