



Interim Unaudited Condensed  
Consolidated Financial Statements

**September 30, 2021**

November 23, 2021

## **Management's Report**

The accompanying interim unaudited condensed consolidated financial statements of **Silver Tiger Metals Inc.** (the "Company") are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements and recommended their approval by the Board of Directors.

These consolidated financial statements have not been reviewed by the external auditors of the Company.

(signed) "*Glenn Jessome*"  
President and Chief Executive Officer  
Halifax, Nova Scotia

(signed) "*Glenn Holmes*"  
Chief Financial Officer  
Halifax, Nova Scotia



Unaudited Interim Condensed Consolidated Statements of Financial Position  
As at September 30, 2021 and March 31, 2021

	September 30, 2021 \$	March 31, 2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	20,346,724	25,935,925
Sales tax recoverable	165,921	123,761
Deposits and prepaid expenses	248,221	226,456
	<hr/>	<hr/>
	20,760,866	26,286,142
<b>Right-of-use asset</b>	-	15,200
<b>Resource properties</b> (note 5)	30,424,285	25,146,210
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	51,185,151	51,447,552
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	2,484,442	2,095,233
Current portion of lease liability	-	15,716
	<hr/>	<hr/>
	2,484,442	2,110,949
<b>Loan payable</b> (note 7)	26,485	25,199
	<hr/>	<hr/>
	2,510,927	2,136,148
<b>Equity</b> (note 9)	48,674,224	49,311,404
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	51,185,151	51,447,552
<b>Commitments</b> (note 12)		

**Approved by the Board of Directors**

Signed “Keith Abriel”, Director

Signed “Wade Anderson”, Director

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



Unaudited Interim Condensed Consolidated Statements of Changes in Equity  
For the periods ended September 30, 2021 and 2020

	Number of shares	Share capital \$	Contributed surplus \$	Warrants \$	Deficit \$	Total \$
<b>Balance – March 31, 2021</b>	260,342,531	67,038,066	3,431,517	1,354,000	(22,512,179)	49,311,404
Net loss and comprehensive loss for the period	-	-	-	-	(836,738)	(836,738)
Shares issued for cash, exercise of warrants (note 9)	890,575	89,058	-	-	-	89,058
Shares issued for cash, exercise of stock options (note 9)	635,000	200,500	(94,000)	-	-	106,500
Stock-based compensation (note 9)	-	-	4,000	-	-	4,000
<b>Balance – September 30, 2021</b>	<b>261,868,106</b>	<b>67,327,624</b>	<b>3,341,517</b>	<b>1,354,000</b>	<b>(23,348,917)</b>	<b>48,674,224</b>
<b>Balance – March 31, 2020</b>	162,766,353	33,056,024	2,838,517	-	(19,535,004)	16,359,537
Net loss and comprehensive loss for the period	-	-	-	-	(1,946,042)	(1,946,042)
Shares issued for cash, net of issue costs (note 9)	45,952,378	10,988,029	-	-	-	10,988,029
Shares issued in settlement of accounts payable (notes 9)	6,535,366	1,111,012	-	-	-	1,111,012
Share issued for cash, exercise of warrants (note 9)	3,322,112	534,134	-	-	-	534,134
Shares issued for cash, exercise of stock options (note 9)	100,000	19,000	(9,000)	-	-	10,000
Issuance of finders warrants (note 9)	-	-	-	539,000	-	539,000
Stock-based compensation	-	-	745,000	-	-	745,000
<b>Balance – September 30, 2020</b>	<b>218,676,209</b>	<b>45,708,199</b>	<b>3,574,517</b>	<b>539,000</b>	<b>(21,481,046)</b>	<b>28,340,670</b>

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



Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss  
For the periods ended September 30, 2021 and 2020

	Three months ended Sept 30, 2021 \$	Three months ended Sept 30, 2020 \$	Six months ended Sept 30, 2021 \$	Six months ended Sept 30, 2020 \$
<b>Operating expenses</b>				
Consulting fees (note 8)	135,142	118,589	314,087	203,138
Depreciation	7,500	7,700	15,200	15,400
Dues and fees	55,883	17,369	64,041	25,294
Foreign exchange loss (gain)	28,268	26,365	5,270	(3,602)
Insurance	42,181	21,169	75,901	41,060
Office and other	61,427	30,879	108,448	49,668
Professional fees	34,314	43,914	64,755	48,312
Shareholder communication	77,037	75,689	137,602	84,775
Stock-based compensation (note 9)	2,000	5,500	4,000	745,000
Travel	10,785	4,125	13,767	5,373
Wages and benefits	20,070	17,819	64,484	33,092
	(474,607)	(369,118)	(867,555)	(1,247,510)
<b>Other expenses (income)</b>				
Interest income	14,059	3,358	30,817	3,358
Government assistance	-	17,000	-	17,000
Loss on settlement of accounts payable (note 9)	-	-	-	(718,890)
<b>Net loss and comprehensive loss for the periods</b>	(460,548)	(348,760)	(836,738)	(1,946,042)
<b>Loss per share – Basic and diluted</b>	(0.002)	(0.002)	(0.003)	(0.010)
<b>Weighted average outstanding common shares – Basic and diluted</b>	261,569,967	204,418,078	261,164,237	186,722,330

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

Unaudited Interim Condensed Consolidated Statements of Cash Flows  
**For the periods ended September 30, 2021 and 2020**

	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss and comprehensive loss for the periods	(836,738)	(1,946,042)
Charges to net and comprehensive loss not affecting cash		
Stock-based compensation	4,000	745,000
Depreciation expense	15,200	15,400
Interest expense - lease liability	792	1,100
Accretion expense - loan payable	1,286	975
Government assistance benefit	-	(17,000)
Loss on settlement of accounts payable (note 9)	-	718,890
	<u>(815,460)</u>	<u>(481,677)</u>
Net changes in non-cash working capital balances related to operations		
Increase in sales tax recoverable	(42,160)	(29,126)
increase in deposits and prepaid expenses	(21,765)	(126,399)
Decrease in accounts payable and accrued liabilities (note 10)	(60,101)	(317,845)
	<u>(939,486)</u>	<u>(955,047)</u>
<b>Investing activity</b>		
Expenditures on resource properties (note 5 and 10)	<u>(4,828,765)</u>	<u>(2,022,638)</u>
<b>Financing activities</b>		
Proceeds from issuance of common shares (note 9)	-	11,650,000
Share issue costs paid (note 9)	-	(122,971)
Proceeds from exercise of stock options and warrants (note 9)	195,558	544,134
Loan proceeds (note 7)	-	40,000
Repayment of lease liability	(16,508)	(16,600)
	<u>179,050</u>	<u>12,094,563</u>
<b>Net change in cash during the periods</b>	<b>(5,589,201)</b>	<b>9,116,878</b>
<b>Cash – Beginning of periods</b>	<b>25,935,925</b>	<b>89,438</b>
<b>Cash – End of periods</b>	<b><u>20,346,724</u></b>	<b><u>9,206,316</u></b>

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

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the period ended September 30, 2021

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#### **1 Nature of operations**

Silver Tiger Metals Inc. (previously Oceanus Resources Corporation) (the “Company”) was incorporated under the Canada Business Corporations Act on June 14, 2010. Its common shares are listed on the TSX Venture Exchange (the “Exchange”) under the trading symbol SLVR and on the OTCQX under the trading symbol SLVTF. The Company’s registered office is located at 2446 Purcells Cove Road, Halifax, Nova Scotia. The Company has one reportable and one geographic segment.

The Company is a mineral exploration company engaged in locating and acquiring high quality projects and exploring for silver and gold. To date, the Company has not generated any revenue and is considered to be in the exploration stage. The Company is in the process of exploring and evaluating its resource properties in Mexico. The recoverability of amounts spent for the acquisition, exploration and development of the resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The operations of the Company will require various licenses and permits from governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to comply with these conditions may render the licenses liable to forfeiture.

#### **COVID-19**

On March 11, 2020, the World Health Organization declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus (“COVID-19”). The Company’s business could be adversely affected by the effects of the continued spread of COVID-19. Since early March 2020, significant measures have been implemented in Canada, Mexico and the rest of the world by governmental authorities in response to COVID-19. The Company cannot accurately predict the impact COVID-19 will have on the ability of third parties to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company’s business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions on planned drill and exploration programs, and other factors that depend on future developments beyond the Company’s control. In addition, COVID-19 has resulted in a widespread health crisis that has adversely affected economies and financial markets of many countries, including Canada and Mexico, resulting in an economic downturn that may negatively impact the Company’s financial position, financial performance, cash flows and its ability to raise capital.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
For the period ended September 30, 2021

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**1 Nature of operations** (continued)

**COVID-19** (continued)

Following the completion of the May 2020 private placement financing, and the Mexican Health Ministry's decree which included mining as an essential service effective June 1, 2020, the Company implemented strict COVID-19 protocols to enable the recommencement of exploration activities. Onsite accommodations and sanitation were constructed or improved to meet the higher standards of safety and medical services on site were improved, including mandatory COVID-19 testing of all persons entering the camp. The Company has created a remote isolated camp to minimize physical contact with surrounding communities. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company's exploration activities cannot be reasonably estimated at this time. The increase in COVID-19 cases globally may impact the Company's operations due to additional government mandated shutdowns or closures.

**2 Basis of presentation**

**Statement of compliance**

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

These financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 of the Company's financial statements for the year ended March 31, 2021. These financial statements should be read in conjunction with the Company financial statements for the year ended March 31, 2021.

The Board of Directors approved the consolidated financial statements for issue on November 23, 2021.

**Basis of measurement**

These consolidated financial statements have been prepared under a historical cost basis.



Notes to Unaudited Interim Condensed Consolidated Financial Statements  
**For the period ended September 30, 2021**

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**3 Significant accounting policies**

These financial statements have been prepared using the same accounting policies and methods of computation as the annual financial statements of the Company for the year ended March 31, 2021. Refer to note 3 – Significant accounting policies and note 4– Amendments to accounting standards not yet adopted, of the Company’s annual consolidated financial statements for the year ended March 31, 2021, for information on accounting policies and new accounting standards not yet effective.

**4 Capital management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be total equity, which as at September 30, 2021 totaled \$48,674,224 (March 31, 2021 – \$49,311,404). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

**5 Resource properties**

	\$
<b>Balance – March 31, 2020</b>	19,039,807
Exploration and property costs incurred	<u>979,125</u>
<b>Balance – September 30, 2020</b>	<u>20,018,932</u>
<b>Balance – March 31, 2021</b>	25,146,210
Exploration and property costs incurred	<u>5,278,075</u>
<b>Balance – September 30, 2021</b>	<u>30,424,285</u>

On September 15, 2015, the Company entered into an arrangement agreement with El Tigre Silver Corp. (“El Tigre”) to combine the respective companies by way of a statutory plan of arrangement pursuant to the Business Corporations Act (British Columbia), under which the Company acquired all of the outstanding common shares of El Tigre in exchange for common shares of the Company on the basis of 0.2839 of one Company share for every one El Tigre share (the “Transaction”). The Transaction was completed on November 13, 2015.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
**For the period ended September 30, 2021**

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**5 Resource properties** (continued)

El Tigre holds nine Mexican Federal mining concessions, located in north-eastern Sonora State, of which eight are collectively referred to as the El Tigre Property (“El Tigre Property”). The concessions are 100% held by El Tigre through its wholly-owned subsidiaries, Pacemaker Silver Mining S.A. de C.V. and Companhia Minerã Talaman S.A. de C.V.

In 2016, the Company entered into a land access agreement with the land-owners of the El Tigre Property. Under the agreement, the Company is required to pay the land-owners USD\$1,030,000, of which USD\$110,000 was payable on the date of the agreement, with the remaining to be paid over an 84-month period in equal monthly instalments of USD\$10,952. As at September 30, 2021, there are 30 monthly payments remaining. The agreement can be terminated by the Company by issuing a written notice to the land-owners and is considered nullified if the Company does not pay the land-owners for three consecutive months. The Company will acquire 6,283 hectares of land within the boundaries of the El Tigre Property at the end of the 84-month period if all required payments were made according to the agreement.

Pursuant to the land access agreement, at such time as the EL Tigre Property is put into production, the Company is required to make the following additional payments to the land-owners; US\$3 per ounce of gold produced if the gold price is below US\$1,200, US\$5 per ounce of gold produced if the gold price is between US\$1,201 and US\$1,500 and US\$7 per ounce of gold produced if the gold price is above US\$1,501. Additionally, the Company is required to make a payment of US\$500,000 to the land-owners upon establishing commercial production subject to completing the agreement. The monthly payments paid to date have been recorded to resource properties.

**6 Accounts payable and accrued liabilities**

	<b>September 30, 2021</b>	<b>March 31, 2021</b>
	\$	\$
Accounts payable	2,428,772	1,915,563
Accrued liabilities	55,670	179,670
	2,484,442	2,095,233

As at September 30, 2021, \$10,692 (March 31, 2021 – \$17,275) of accounts payable and accrued liabilities is due to the Chief Executive Officer, Chief Financial Officer and Vice President Exploration.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
**For the period ended September 30, 2021**

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**7 Loan payable**

On May 6, 2020, the Company received a \$40,000 emergency business loan under the federal government Canada Business Emergency Account (“CEBA”) initiative. In the event the Company repays \$30,000 by December 31, 2022, there will be no interest payable on the loan and the remaining \$10,000 will be forgiven. In the event there is a loan balance outstanding on January 1, 2023, the loan will be renewed for a 3-year term with an annual fixed rate of interest of 5%. The Company plans to repay \$30,000 before December 31, 2022. The repayment of \$30,000 has been discounted as loan payable. As at September 30, 2021, the discounted loan is \$26,485 (March 31, 2021 - \$25,199). During the six month period ended September 30, 2021, the accretion on the loan payable is \$1,286 (2020 - \$975).

**8 Related party transactions**

Consulting services were provided during the six month period ended September 30, 2021 by a corporation owned by the Chief Executive Officer of the Company. The cost of these consulting services during the period was \$125,000 (2020 – \$125,000) related to annual contract fees and \$100,000 (2020 - \$nil) related to bonus payments. The Company recorded these costs to consulting fees.

Consulting services were provided during the six month period ended September 30, 2021 by a corporation owned by the Chief Financial Officer of the Company. The cost of these consulting services during the period was \$30,000 (2020 – \$24,000). The Company recorded these costs to consulting fees.

**9 Shareholders’ equity**

**Capital stock**

Authorized

Unlimited number of common shares, without nominal or par value

Issued and outstanding

	<b>Number of shares #</b>	<b>Amount \$</b>
<b>Balance – March 31, 2020</b>	162,766,353	33,056,024
Shares issued for cash, net of issue costs	45,952,378	10,988,029
Shares issued for cash, exercise of warrants	3,322,112	534,134
Shares, issued for cash, exercise of stock options	100,000	19,000
Shares issued in settlement of accounts payable	6,535,366	1,111,012
<b>Balance – September 30, 2020</b>	<b>218,676,209</b>	<b>45,708,199</b>
<b>Balance – March 31, 2021</b>	260,342,531	67,038,066
Shares issued for cash, exercise of warrants	890,575	89,058
Shares issued for cash, exercise of stock options	635,000	200,500
<b>Balance – September 30, 2021</b>	<b>261,868,106</b>	<b>67,327,624</b>

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
For the period ended September 30, 2021

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## 9 Shareholders' equity (continued)

### Capital stock (continued)

During the six month period ended September 30, 2020, the Company completed a non-brokered private placement raising gross proceeds of \$11,000,000 through the issuance of 36,666,667 units at a price of \$0.30 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each full common share purchase warrant entitles the subscriber to acquire one common share at a price of \$0.50 until July 28, 2023. The capital stock value of the common shares issued as at September 30, 2020 is net of share issue costs of \$657,854, which includes the grant date fair value of finders warrants of \$539,000.

During the six month period ended September 30, 2020, the Company completed a non-brokered private placement raising gross proceeds of \$675,000 through the issuance of 9,642,857 units at a price of \$0.07 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each full common share purchase warrant entitles the subscriber to acquire one common share at a price of \$0.10 until May 22, 2022. At September 30, 2020, the transfer of subscription proceeds aggregating \$25,000 remained outstanding. The 357,142 units relating to these subscriptions were held in trust at September 30, 2020 and for accounting purposes these units were excluded from the issued number of shares and outstanding number of warrants. The capital stock value of the common shares issued as at September 30, 2020 is net of share issue costs of \$4,163. The outstanding subscription receipts of \$25,000 were collected subsequent to September 30, 2020.

During the six month period ended September 30, 2020, the Company issued a total of 6,535,366 common shares to settle accounts payable of \$392,122 owed to geological services and drilling companies. The difference between the fair value of the common shares issued on May 22, 2020, the date the shares were issued and liability extinguished, and the carrying amount of the accounts payable was recognized as a loss on settlement of accounts payable on the statement of loss and comprehensive loss in the amount of \$718,890.

### Stock options

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees and consultants. The total number of options issued and outstanding at any time cannot exceed 10% of the issued and outstanding common shares of the Company unless shareholder and regulatory approvals are obtained. Options granted under the Plan have a ten-year term. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the Exchange at the time of the grant. In determining the stock-based compensation expense, the fair value of options issued is estimated using the Black-Scholes option pricing model. Expected volatility is based on actual volatility of similar companies.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
**For the period ended September 30, 2021**

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**9 Shareholders' equity** (continued)

**Stock options** (continued)

The following weighted average assumptions were used in the Black-Scholes option pricing model for the period ended September 30, 2020:

Risk-free interest rate	2.25%
Expected volatility	105%
Expected dividend yield	—
Expected life	10 years

The following table summarizes the changes in the Company's stock options during the periods ended September 30, 2021 and 2020:

	Weighted Average Exercise price \$	Number of options #	Weighted average remaining life (years)
<b>Balance – March 31, 2020</b>	0.20	14,040,000	
Granted during the period	0.17	3,275,000	
Exercised during the period	0.10	<u>(100,000)</u>	
<b>Balance – September 30, 2020</b>	0.20	<u>17,215,000</u>	6.0
<b>Balance – March 31, 2021</b>	0.20	15,890,000	
Exercised during the period	0.17	<u>(635,000)</u>	
<b>Balance – September 30, 2021</b>	0.20	<u>15,255,000</u>	5.2

As at September 30, 2021, 10,931,811 options remained available for future grants under the Plan. Options vested and exercisable as at September 30, 2021 totaled 15,255,000 with an average exercise price of \$0.20 per share.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
For the period ended September 30, 2021

**9 Shareholders' equity** (continued)

**Contributed surplus**

	\$
<b>Balance – March 31, 2020</b>	2,838,517
Exercise of stock options	(9,000)
Stock-based compensation related to stock options	509,000
Stock-based compensation related to deferred share units	236,000
	3,574,517
<b>Balance – September 30, 2020</b>	3,574,517
<b>Balance – March 31, 2021</b>	3,431,517
Exercise of stock options	(94,000)
Stock-based compensation related to stock options	4,000
	3,341,517
<b>Balance – September 30 2021</b>	3,341,517

**Warrants**

The following table summarizes the changes in the Company's warrants for the periods ended September 30, 2021 and 2020:

	Expiry date	Exercise price \$	Number	Ascribed value \$
<b>Balance – March 31, 2020</b>	Sept 17, 2020	0.17	2,884,612	-
Warrants issued pursuant to May 2020 private placement financing	May 22, 2022	0.10	4,642,855	-
Warrants issued pursuant to July 2020 private placement financing	July 27, 2023	0.50	18,333,327	-
Finders warrants issued pursuant to July 2020 private placement financing	July 26, 2023	0.50	2,000,000	539,000
Warrants exercised during period		0.17	(2,884,612)	-
Warrants exercised during period		0.10	(437,500)	-
			24,538,682	539,000
<b>Balance – September 30, 2020</b>			24,538,682	539,000
<b>Balance – March 31, 2021</b>			25,366,407	1,354,000
Warrants exercised during the period		0.10	(890,575)	-
			24,475,832	1,354,000
<b>Balance – September 30, 2021</b>			24,475,832	1,354,000

The fair value of the warrants issued pursuant to the May 2020 and July 2020 private placement financings have an estimated value of \$nil as at the issue date using the residual method of valuation.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
For the period ended September 30, 2021

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## 9 Shareholders' equity (continued)

### Warrants (continued)

The fair value of the warrants issued pursuant to the July 2020 private placement financing have been estimated at the issue date using the Black-Scholes pricing model. The weighted average assumptions used in the pricing model are as follows; exercise price of \$0.50, risk-free rate 2.25%, expected volatility 124%, expected dividend yield \$nil and expected life 3 years. The fair value amount of \$539,000 has been recorded to share issue costs.

At September 30, 2020, 178,571 warrants relating to the May 2020 private placement were held in trust pending receipt of subscription proceeds from registered accounts.

### Deferred share units

The Company has a deferred share unit plan (the "DSU Plan") whereby Participants may elect to receive all or a portion of their annual compensation or bonus compensation, if any, in deferred share units ("DSUs"). The election, if it is made, must be for a minimum of 10%, or a multiple thereof, of such compensation in DSUs. The number of DSUs received is equal to the amount of compensation elected to be received in DSUs, divided by the volume-weighted average trading price of the common shares on the TSX for the 5 trading days immediately prior to the payment date. DSUs awarded under the DSU Plan in lieu of annual or bonus compensation will vest immediately.

In addition, the Board of Directors has the authority to make discretionary awards of DSU's to Participants under the DSU Plan. DSUs granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Board of Directors. Generally, DSUs will vest equally over three years, with one-third of the awarded DSUs vesting on each of the first, second and third anniversaries of the date of the award.

All unvested DSUs will vest immediately in the case of a change of control of the Company. In addition, in the event of the death or termination without cause of a Participant that received DSUs, the Participant's DSUs will vest immediately. The Board of Directors may at any time shorten the vesting period of any or all DSUs.

The maximum number of common shares issuable under the DSU Plan is 10,000,000. Each DSU held by a Participant must be redeemed by the Company within 10 years of the grant for DSU Plan shares issued from treasury. Each vested DSU held by a Participant who ceases to be an eligible employee, director or officer shall be redeemed by the Company effective as at the separation date for DSU Plan shares issued from treasury.

The fair value of the DSU's is determined based on the Company's trading price of its common shares on the day of the grant.

On May 22, 2020, the Board of Directors approved the issuance of 1,450,000 DSUs to officers and an employee of the Company. The 1,450,000 DSU's vest immediately and the grant date fair value amounted to \$225,000.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
For the period ended September 30, 2021

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**9 Shareholders' equity** (continued)

**Deferred share units** (continued)

The Company recognized \$4,000 (2020 - \$236,000) in stock-based compensation expense to the consolidated statement of loss and comprehensive loss for the period ended September 30, 2021, in relation to the outstanding DSUs.

**10 Supplemental cash flow information**

As at September 30, 2021, the Company's accounts payable included expenditures on resource properties of \$1,872,499 (March 31, 2021 - \$1,423,189).

**11 Financial instruments and other**

**Credit risk**

The Company manages credit risk by holding its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. The Company also has approximately \$1.8 million of Mexican VAT receivable as at September 30, 2021. The Company has recorded the VAT to resource properties. While the Company is still pursuing collection, with the delay in processing and collection, management determined that it was appropriate to reclassify this amount to the resource property to which the VAT paid is related. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

Management concluded that the Company has sufficient cash on hand to meet its obligations as they become due for the next twelve months, considering the Company's planned exploration and development activities on its resource properties. The Company has the ability to scale its exploration and development activities, and will do so as necessary, based on cash availability. The Company will need to raise further financing to fund future additional exploration and development activities.



Notes to Unaudited Interim Condensed Consolidated Financial Statements  
**For the period ended September 30, 2021**

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**11 Financial instruments and other** (continued)

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

a) Interest rate risk

The Company has no interest-bearing debt, except for the loan payable (note 7), and is not exposed to any significant interest rate risk.

b) Foreign currency risk

The Company operates in Mexico, giving rise to foreign currency risk. To limit the Company’s exposure to this risk, cash is primarily held with high quality financial institutions in Canada.

As at September 30, 2021, the Company held the following financial instruments in foreign currencies:

	<b>US\$</b>	<b>Pesos</b>
Cash	5,160	9,471
Accounts payable and accrued liabilities	930,762	10,796,728

c) Price risk

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

**12 Commitments**

The minimum annual payments in relation to the Company’s El Tigre Agreement (note 5) are as follows:

	<b>\$</b>
Year ending March 31, 2022	165,271
2023	165,271
2024	165,271

