



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED  
SEPTEMBER 30, 2020 AND 2019

*(Unaudited - Expressed in Canadian Dollars)*

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed interim financial statements.

**Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**  
**Consolidated Interim Statements of Financial Position**  
*(Unaudited - Expressed in Canadian Dollars)*

		September 30, 2020 \$	June 30, 2020 \$
	Note		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,048,274	1,861,336
Amounts receivable	4	89,408	55,224
Prepaid expenses and deposits		28,076	50,573
<b>Total current assets</b>		<u>1,165,758</u>	<u>1,967,133</u>
<b>Total Assets</b>		<u>1,165,758</u>	<u>1,967,133</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	430,137	69,134
<b>Total current liabilities</b>		<u>430,137</u>	<u>69,134</u>
<b>EQUITY</b>			
Share capital	5	30,448,397	30,448,277
Reserves	5	4,215,567	4,215,567
Foreign currency translation		(6,394)	(17,305)
Deficit		(33,921,949)	(32,748,540)
<b>Total equity</b>		<u>735,621</u>	<u>1,897,999</u>
<b>Total Equity and Liabilities</b>		<u>1,165,758</u>	<u>1,967,133</u>

**NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)**

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 26, 2020. They are signed on the Company's behalf by:

"Philip O'Neill" , Director

"Ali Zamani" , Director

**Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**  
**Consolidated Interim Statements of Loss and Comprehensive Loss**  
*(Unaudited - Expressed in Canadian Dollars)*

		Three months ended September 30,	
	Note	2020 \$	2019 \$
<b>Expenses</b>			
Exploration and evaluation	3	871,510	132,175
General and administrative	6	294,092	304,007
Professional fees		11,766	109,214
Share-based payments	5,7	-	474,526
<b>Loss before other items</b>		<b>(1,177,368)</b>	<b>(1,019,922)</b>
Foreign exchange loss		(4,023)	-
Interest income		7,982	8,914
<b>Loss for the period</b>		<b>(1,173,409)</b>	<b>(1,011,008)</b>
<b>Other comprehensive items</b>			
Exchange differences on translation of foreign operations		10,911	(6,937)
<b>Comprehensive loss for the period</b>		<b>(1,162,498)</b>	<b>(1,017,945)</b>
<b>Loss per share – basic and diluted (\$)</b>		<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>			
<b>– basic and diluted</b>		<b>103,342,497</b>	<b>95,733,062</b>

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

**Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**  
**Consolidated Interim Statements of Cash Flows**  
(Unaudited - Expressed in Canadian Dollars)

	Three months ended September 30,	
	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(1,173,409)	(1,011,008)
Adjustments for:		
Interest income	-	-
Share-based payments	-	474,526
	<u>(1,173,409)</u>	<u>(536,482)</u>
Change in non-cash working capital items:		
(Increase) decrease in amounts receivable	(34,184)	220,955
Decrease in prepaid expenses and deposits	22,497	64,441
Increase (decrease) in accounts payable and accrued liabilities	361,003	(174,696)
Net cash used in operating activities	<u>(824,093)</u>	<u>(425,782)</u>
<b>Cash flows from financing activities</b>		
Repayment of convertible note	-	(450,000)
Issuance of common shares in private placement	-	4,000,000
Warrants exercised	120	-
Net cash generated from financing activities	<u>120</u>	<u>3,550,000</u>
<b>Net (decrease) increase in cash</b>	<b>(823,973)</b>	<b>3,124,218</b>
Cash and cash equivalents at beginning of period	1,861,336	318,553
Effect of exchange rate on cash	10,911	(6,937)
<b>Cash and cash equivalents at end of period</b>	<b><u>1,048,274</u></b>	<b><u>3,435,834</u></b>
<b>Supplemental cash flow information</b>		
Cash paid for income taxes	-	-
Cash paid for interest	-	-
<b>Breakdown of cash and cash equivalents</b>		
	2020	2019
	\$	\$
Cash	1,048,274	1,435,834
Guaranteed investment certificate	-	2,000,000
Total	<u>1,048,274</u>	<u>3,435,834</u>

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

**Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**  
**Consolidated Interim Statements of Changes in Equity (Deficiency)**  
(Unaudited - Expressed in Canadian Dollars)

	Share capital		Reserves				Total equity (deficiency)
	Number of shares	Amount \$	Warrants \$	Equity settled share-based payments \$	Foreign currency translation \$	Deficit \$	
Balance at June 30, 2019	53,341,758	26,564,912	215,417	3,527,596	(3,472)	(30,469,800)	(165,347)
Shares issued in private placement	50,000,000	4,000,000	-	-	-	-	4,000,000
Share issuance cost	-	(90,525)	-	-	-	-	(90,525)
Share-based compensation	-	-	-	474,526	-	-	474,526
Total comprehensive (loss) for the period	-	-	-	-	(6,937)	(1,009,036)	(1,015,973)
Balance at September 30, 2019	103,341,758	30,474,387	215,417	4,002,122	(10,409)	(31,478,836)	3,202,681
Share issuance cost	-	(26,110)	-	-	-	-	(26,110)
Share-based compensation	-	-	-	(1,972)	-	-	(1,972)
Total comprehensive (loss) for the period	-	-	-	-	(6,896)	(1,269,704)	(1,276,600)
Balance at June 30, 2020	103,341,758	30,448,277	215,417	4,000,150	(17,305)	(32,748,540)	1,897,999
Warrants exercised	1,000	120	-	-	-	-	120
Total comprehensive (loss) for the period	-	-	-	-	10,911	(1,173,409)	(1,162,498)
Balance at September 30, 2020	103,342,758	30,448,397	215,417	4,000,150	(6,394)	(33,921,949)	735,621

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

## **Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)*

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

Mexican Gold Mining Corp. (formerly Mexican Gold Corp.) (the “Company”) was incorporated under the Business Corporations Act (Alberta) on October 5, 2006. On January 17, 2011 the Company was continued into the jurisdiction of Ontario and on February 10, 2020, was continued as a British Columbia corporation under the Business Corporations Act in the Province of British Columbia. The address of the Company’s registered office is 2500 – 700 West Georgia Street, Vancouver, BC, Canada V7Y 1B3.

The Company is a mineral exploration company engaged in the acquisition, exploration and evaluation of resource properties in Mexico. The Company’s resource properties presently have no proven or probable reserves, and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable resources. The recoverability of expenditures on its resource properties is dependent upon the existence of economically recoverable resources, the Company securing and maintaining title and beneficial interest in the properties, and the ability of the Company to obtain the necessary financing to complete the exploration and development and future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis and do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. As at September 30, 2020, the Company had an accumulated deficit of \$33,921,949 and equity of \$735,621. In addition, the Company has working capital of \$735,621 and negative cash flow from operating activities of \$824,093. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These items may cast a significant doubt on the Company’s ability to continue as a going concern.

On March 11, 2020, the World Health Organization declared the global outbreak of a novel coronavirus identified as “COVID-19” a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. Significant economic and social impacts have limited the Company’s ability to continue its exploration and evaluation activities as intended. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on November 26, 2020.

## **Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **a) Statement of compliance**

The Company's condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including International Accounting Standards 34 "Interim Financial Reporting".

These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2020, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and included in Part I of the Handbook of the Chartered Professional Accountants of Canada.

The policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent annual financial statements and were consistently applied to all the periods presented.

#### **b) Basis of presentation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### **c) Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary as follows:

	Place of Incorporation	Principal Activity
Roca Verde Exploracion Mexico, S.A. de C.V.	Mexico	Exploration company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

#### **d) Significant Accounting Estimates and Judgments**

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



## **Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at year end that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

#### **(i) Critical accounting estimates**

- The valuation of share-based payments. The fair value of common share purchase options granted is determined at the issue date using the Black-Scholes pricing model. The fair value of common shares issued for finders fees are based on the closing price of the transaction those fees pertain to.
- The determination of tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and make estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. We provide for such differences where known based on our best estimate of the probable outcome of these matters.

#### **(ii) Critical accounting judgments**

- Presentation of the condensed consolidated interim financial statements as a going concern which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.
- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and the Mexican peso of its subsidiary company, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. Management also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and the degree of autonomy the foreign operation has with respect to operating activities.

## Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. EXPLORATION AND EVALUATION

The following tables summarize the accumulated costs incurred to date with respect to the Company's interest in resource properties owned, leased or under option that the Company continues to explore as at September 30, 2020 and September 30, 2019:

	Las Minas \$
<b>Three months ended September 30, 2020</b>	
<b>Exploration and evaluation expenditures</b>	
Cumulative exploration and evaluation expense – June 30, 2020	15,927,644
Drilling	710,318
Environmental studies	13,285
Geological and consulting	905
Operational support	87,459
Resource estimation	59,543
	<u>871,510</u>
Cumulative exploration and evaluation expense – September 30, 2020	<u>16,799,154</u>
<b>Three months ended September 30, 2019</b>	
<b>Exploration and evaluation expenditures</b>	
Cumulative exploration and evaluation expense – June 30, 2019	15,201,488
Geological and consulting	20,937
Operational support	32,033
Resource estimation	79,205
	<u>132,175</u>
Cumulative exploration and evaluation expense – September 30, 2019	<u>15,333,663</u>

#### *Las Minas Project*

As at September 30, 2020, the Company owns a 100% interest in the Las Minas and La Miqueta properties, collectively named the Las Minas Project, through its wholly owned subsidiary Roca Verde Exploracion de Mexico, S.A. de C.V (“Roca Verde”). The project is comprised of six mineral concessions located in the Las Minas district in the state of Veracruz, Mexico consisting of the Pepe, Pepe Tres, San Jose, Pueblo Nuevo, La Luz I and San Valentin mineral concessions.

The project rights were acquired by making staged payments in cash and common shares of the Company to the vendors from 2010 through 2018, under two separate, fully executed option agreements. Each of the vendors retained a 1.5% Net Smelter Return (“NSR”) subject to a buyback provision, at the Company’s discretion, to purchase one third or 0.5% NSR for US\$500,000 from each of the vendors. Pursuant to the terms of the purchase and sale agreement of the Pepe, Pepe Tres and San Jose mineral concessions, Roca Verde has a right of first refusal (“ROFR”) in the event that the vendor intends to transfer all or part of the NSR.

## Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. EXPLORATION AND EVALUATION (continued)

#### Assignment of Royalty Rights

On June 17, 2019, the Company entered into a letter agreement ("Letter Agreement") pursuant to which the Company caused its wholly owned subsidiary, Roca Verde, to sell and assign (the "Assignment") the ROFR and the buyback provision allowing the Company to purchase one third or 0.5% NSR for US\$500,000 on the Pepe, Pepe Tres and San Jose mineral concessions to 1198578 B.C. Ltd. ("BC Co") for consideration of:

- BC Co making a cash payment of \$50,000 direct to Roca Verde (paid);
- BC Co advancing a loan of \$450,000 to the Company (paid);
- BC Co depositing \$500,000 (the "Escrow Funds") into escrow with the Company's legal counsel, Farris LLP, as escrow agent (paid).

#### Equity Financing

In accordance with the terms of the Letter Agreement, BC Co used the Escrow Funds to subscribe to and participate in the equity financing completed on July 15, 2019 (see Note 5 – Share Capital and Reserves), for a minimum subscription amount of \$500,000.

#### Exercise of Royalty Rights

In the event that BC Co exercises the ROFR prior to the Company's board of directors making a decision to commence production on any portion of the Property (a "Production Decision"), then at the time that a Production Decision is made, the Company must pay BC Co US\$500,000 (the "Payment Obligation"), which BC Co must use to exercise the buyback provision to purchase one third or 0.5% NSR from the vendor.

In the event that the Company, proposes to sell, transfer, assign or dispose of any portion of the Property prior to a Production Decision having been made, the Company must first ensure that any prospective purchaser or transferee of the Property must agree in writing to be bound, in favour of BC Co to:

- satisfy payment of the Payment Obligation in the event that a Production Decision is made; and
- that it shall not to sell, transfer, assign or dispose of any portion of the Property, unless and until the prospective purchaser or transferee of the Property agrees in writing to be bound, in favour of BC Co to satisfy payment of the Payment Obligation in the event that a Production Decision is made.

### 4. AMOUNTS RECEIVABLE

The following table summarizes amounts receivable as at September 30, 2020 and June 30, 2020:

	September 30, 2020 \$	June 30, 2020 \$
Canadian Goods and Services Taxes recoverable	5,527	11,009
Mexican Value Added Taxes ("VAT") recoverable	83,881	12,264
Interest receivable	-	31,951
<b>Total</b>	<b>89,408</b>	<b>55,224</b>

## Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 5. SHARE CAPITAL AND RESERVES

#### *Authorized Share Capital*

At September 30, 2020, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### *Details of Issues of Common Shares in fiscal 2021*

During the three months ended September 30, 2020, 1,000 warrants were exercised at a price of \$0.12 per share for gross proceeds of \$120.

#### *Details of Issues of Common Shares in fiscal 2020*

On July 15, 2019, the Company closed a non-brokered private placement comprised of 50,000,000 units of the Company at \$0.08 per unit for gross proceeds of \$4,000,000. Each unit consisted of one common share and one transferable warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at price of \$0.12 per share for a period of five years, expiring July 15, 2024. Share issuance costs of \$116,635 relating to the private placement were paid.

#### *Share Purchase Option Compensation Plan*

The Company has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Company. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Company at the date of the grant of the option.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX-V. Share purchase options granted generally vest immediately, are subject to a four-month hold period and may be exercised during a period, which cannot exceed ten years, all to be determined by the Board of Directors.

The continuity of share purchase options for the three months ended September 30, 2020 is as follows:

Expiry date	Exercise Price	June 30, 2020	Granted	Exercised	Cancelled/ Expired	September 30, 2020	Options exercisable
July 17, 2024	\$0.105	4,150,000	-	-	-	4,150,000	4,150,000
September 1, 2024	\$0.115	650,000	-	-	-	650,000	650,000
March 7, 2027	\$0.300	540,000	-	-	-	540,000	540,000
May 29, 2027	\$0.360	150,000	-	-	-	150,000	150,000
May 29, 2027	\$0.550	250,000	-	-	-	250,000	250,000
April 20, 2028	\$0.390	64,000	-	-	-	64,000	64,000
		5,804,000	-	-	-	5,804,000	5,804,000
Weighted average exercise price \$		0.15	-	-	-	0.15	0.15
Weighted average contractual remaining life (years)		4.55	-	-	-	4.30	4.30

**Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)***5. SHARE CAPITAL AND RESERVES (continued)**

The continuity of share purchase options for the three months ended September 30, 2019 is as follows:

Expiry date	Exercise Price	June 30, 2019	Granted	Exercised	Cancelled/ Expired	September 30, 2019	Options exercisable
March 20, 2020	\$0.800	184,000	-	-	(61,000)	123,000	123,000
May 24, 2022	\$0.350	400,000	-	-	(400,000)	-	-
May 29, 2022	\$0.360	100,000	-	-	(100,000)	-	-
July 17, 2024	\$0.105	-	4,150,000	-	-	4,150,000	4,150,000
September 1, 2024	\$0.115	-	650,000	-	-	650,000	650,000
March 7, 2027	\$0.300	1,250,000	-	-	(575,000)	675,000	675,000
May 29, 2027	\$0.360	950,000	-	-	(600,000)	350,000	350,000
May 29, 2027	\$0.550	250,000	-	-	-	250,000	250,000
November 20, 2027	\$0.360	200,000	-	-	(200,000)	-	-
December 12, 2027	\$0.350	167,466	-	-	(167,466)	-	-
April 20, 2028	\$0.390	174,000	-	-	(110,000)	64,000	21,333
May 16, 2028	\$0.370	100,000	-	-	(100,000)	-	-
		3,775,466	4,800,000	-	(2,313,466)	6,262,000	6,219,333
Weighted average exercise price \$		0.44	0.11	-	0.36	0.18	0.18
Weighted average contractual remaining life (years)		6.94	-	-	-	5.32	5.32

The weighted average fair value of share purchase options granted during the three months ended September 30, 2020 is \$Nil (three months ended September 30, 2019 - \$0.097).

Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Three months ended September 30,	
	2020	2019
Risk-free interest rate	-	1.41%
Expected option life in years	-	5.0
Expected share price volatility	-	148.96%
Grant date share price	-	\$0.106
Expected forfeiture rate	-	-
Expected dividend yield	-	-

## Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 5. SHARE CAPITAL AND RESERVES (continued)

The continuity of warrants for the three months ended September 30, 2020 is as follows:

Expiry date	Exercise Price	June 30, 2020	Issued	Exercised	Expired/ Forfeited	September 30, 2020
April 10, 2021	\$0.60	3,489,833	-	-	-	3,489,833
November 22, 2021	\$0.30	10,315,000	-	-	-	10,315,000
November 22, 2021*	\$0.30	356,300	-	-	-	356,300
March 13, 2022	\$0.30	400,000	-	-	-	400,000
March 13, 2022*	\$0.10	10,500	-	-	-	10,500
July 15, 2024	\$0.12	50,000,000	-	(1,000)	-	49,999,000
		64,571,633	-	(1,000)	-	64,570,633
Weighted average exercise price \$		0.18	-	0.12	-	0.18

\*Finder's warrants.

The continuity of warrants for the three months ended September 30, 2019 is as follows:

Expiry date	Exercise Price	June 30, 2019	Issued	Exercised	Expired/ Forfeited	September 30, 2019
April 10, 2021	\$0.60	3,489,833	-	-	-	3,489,833
November 22, 2021	\$0.30	10,315,000	-	-	-	10,315,000
November 22, 2021*	\$0.30	356,300	-	-	-	356,300
March 13, 2022	\$0.30	400,000	-	-	-	400,000
March 13, 2022*	\$0.10	10,500	-	-	-	10,500
July 15, 2024	\$0.12	-	50,000,000	-	-	50,000,000
		14,571,633	50,000,000	-	-	64,571,633
Weighted average exercise price \$		0.37	0.12	-	-	0.18

\*Finder's warrants.

### 6. GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes the general and administrative expenses incurred for the three months ended September 30, 2020 and 2019:

	Three months ended September 30,	
	2020	2019
	\$	\$
Corporate development and investor relations	50,499	76,776
Office and sundry	69,779	34,468
Salaries and consulting	164,668	132,916
Transfer agent and filing fees	4,928	44,537
Travel	4,218	15,310
Total	294,092	304,007

### 7. RELATED PARTY BALANCES AND TRANSACTIONS

#### Key management personnel compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

## Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

During the three months ended September 30, 2020, key management personnel compensation totaled \$100,250 (three months ended September 30, 2019 - \$484,502) comprised of salaries and wages of \$87,500 (three months ended September 30, 2019 - \$57,500) paid to the Chief Executive Officer and Chief Financial Officer, \$Nil (three months ended September 30, 2019 - \$9,086) paid to a company controlled by the former Chief Financial Officer for accounting and management services, \$3,750 (three months ended September 30, 2019 - \$3,750) paid to the Corporate Secretary, \$9,000 (three months ended September 30, 2019 - \$8,500) paid to directors and share-based compensation of \$Nil (three months ended September 30, 2019 - \$353,752) relating to no (three months ended September 30, 2019 - 3,650,000) stock options granted to directors and officers of the Company and the vesting of previously granted stock options to directors and officers of the Company.

As at September 30, 2020, \$3,750 (June 30, 2020 - \$3,750) is included in accounts payable and accrued liabilities for amounts owed to key management personnel.

Under the terms of their management agreements, certain officers of the Company are entitled to a range of 12 to 24 months of base pay in the event of their agreements being terminated without cause.

### 8. SEGMENTED INFORMATION

The Company currently operates in one operating segment, the exploration of resource properties in Mexico. Management of the Company makes decisions about allocating resources based on the one operating segment. The Company's total assets and liabilities are segmented geographically as follows:

	September 30, 2020		
	Canada	Mexico	Total
	\$	\$	\$
Current Assets	971,268	194,490	1,165,758
Current Liabilities	(20,757)	(409,380)	(430,137)
Total	950,511	(214,890)	735,621
Loss for the period	(307,603)	(865,806)	(1,173,409)

  

	June 30, 2020		
	Canada	Mexico	Total
	\$	\$	\$
Current Assets	1,892,796	74,337	1,967,133
Current Liabilities	(36,282)	(32,852)	(69,134)
Total	1,856,514	41,485	1,897,999
Loss for the year	(1,623,920)	(654,820)	(2,278,740)

### 9. FINANCIAL INSTRUMENTS

The Company's operations include the acquisition and exploration of mineral properties in Mexico. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

## **Mexican Gold Mining Corp. (formerly Mexican Gold Corp.)**

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*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)*

### **9. FINANCIAL INSTRUMENTS (continued)**

#### **(a) Fair Values**

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have financial instruments carried at fair value.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

#### **(b) Financial Instrument Risk Exposure**

##### *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. The Company does not have financial instruments that potentially subject the Company to credit risk. Overall the Company's credit risk has not changed significantly from the prior year. The Company places its cash and cash equivalents with financial institutions with high credit ratings, therefore the credit risk is minimal.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to fund exploration programs and may require doing so again in the future. The Company has \$430,137 in accounts payable and accrued liabilities that are due within one year of the date of the statement of financial position.

##### *Market risk*

#### **(i) Currency risk**

Financial instruments that impact the Company's profit or loss due to currency fluctuation include cash accounts and accounts payable and accrued liabilities denominated in Mexican pesos. The sensitivity of the Company's profit or loss to a change in the exchange rate between the Mexican peso and the Canadian dollar at September 30, 2020 would change the Company's comprehensive loss by \$16,796 as a result of a 10% change in the Canadian dollar exchange rate relative to the Mexican peso.



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### **9. FINANCIAL INSTRUMENTS (continued)**

#### ***(ii) Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As the Company deposits its cash into fixed rate guaranteed investment certificates with one year maturities or less, the Company is not exposed to interest rate risk.

#### ***(iii) Price risk***

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly gold. Commodity prices, especially gold, greatly affect the value of the Company and the potential value of its property and investments.

### **10. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- To safeguard its ability to continue as a going concern in order to develop and operate its current projects;
- Pursue strategic growth initiatives; and
- To maintain a flexible capital structure which lowers the cost of capital.

In assessing the capital structure, management includes in its assessment the components of equity. In order to facilitate the management of capital requirements, the Company prepares annual expenditure budgets and continuously monitors and reviews actual and forecasted cash flows. The annual and updated budgets are monitored and approved by the Board of Directors. To maintain or adjust the capital structure, the Company may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets. The Company's current capital resources are insufficient to carry out exploration plans and support operations through the current operating period. The Company is dependent upon the ability to raise additional funding to meet its obligations and commitments.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the three months ended September 30, 2020.