

CAPITAN MINING INC.

Condensed Interim Consolidated Financial Statements
For the Six Months Ended March 31, 2021

(Unaudited- Expressed in Canadian Dollars)

CAPITAN MINING INC.

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NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED 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 consolidated financial statements, they must be accompanied by a notice indicating that these condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The attached condensed interim consolidated financial statements for the six months ended March 31, 2021 have not been reviewed by the Company's auditors.

CAPITAN MINING INC.Condensed Interim Consolidated Statement of Financial Position as at
(Unaudited- Expressed in Canadian Dollars)

	Notes	March 31, 2021	September 30, 2020
Assets			
Cash		\$ 1,415,521	\$ 2,403,630
Share subscriptions receivable	9	-	44,055
Taxes receivable	6	246,711	97,022
Prepaid expenses	7	30,535	6,655
		1,692,767	2,551,362
Exploration and evaluation assets	8	4,530,963	3,573,242
Total Assets		\$ 6,223,730	\$ 6,124,604
Liabilities			
Accounts payable and accrued liabilities		\$ 346,325	\$ 42,076
		\$ 346,325	\$ 42,076
Shareholders' Equity			
Share capital	9	\$ 7,238,790	\$ 7,080,929
Reserves	9	218,526	138,656
Accumulated other comprehensive loss		(73,458)	(20,578)
Deficit		(1,506,453)	(1,116,479)
		5,877,405	6,082,528
Total Liabilities and Shareholders' Equity		\$ 6,223,730	\$ 6,124,604

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

On behalf of the Board on May 28, 2021

John-Mark Staude DirectorArturo Bonillas Director

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

CAPITAN MINING INC.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

			Three months ended March 31, 2021	Three months ended March 31, 2020	Six months ended March 31, 2021	Period from Incorporation on October 30, 2019 to March 31, 2020
	Notes					
Expenses						
Management and consulting fees	10	\$	45,523	400	90,253	400
Filing fees			9,169	3,500	12,649	3,500
Foreign exchange loss			1,774	36	(4,670)	36
Investor relations			135,772	3,051	182,981	3,051
General and administration			411	365	3,031	365
Professional fees			16,441	9,181	25,590	18,113
Share-based compensation	9		39,935	-	79,870	-
Travel and entertainment			-	2,681	-	2,681
Net loss for the period			(249,025)	(19,214)	(389,974)	(28,146)
Foreign exchange movements			(54,878)	(16,024)	(73,458)	(16,061)
Comprehensive loss for the period		\$	(303,903)	(35,238)	(463,432)	(44,207)
Weighted average number of common shares outstanding			4,966,201	1	4,765,982	1
Loss per share		\$	(0.05)	(19,214)	(0.08)	(28,146)

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

CAPITAN MINING INC.

Condensed Interim Consolidated Statement of Cash Flows

For the six months ended March 31,

(Unaudited - Expressed in Canadian Dollars)

	Notes	Six months ended March 31, 2021	Period from Incorporation on October 30, 2019 to March 31, 2020
OPERATING ACTIVITIES			
Net loss for the period		\$ (389,974)	\$ (28,146)
Items not involving cash			
Share-based payments	9	79,870	-
Changes in non-cash working capital items:			
Accounts payable and accrued liabilities		304,249	3,101
Taxes receivable		(105,634)	(8,053)
Prepaid expenses		(23,880)	(522)
		(135,369)	(33,620)
INVESTING ACTIVITIES			
Exploration and evaluation assets	8	(982,493)	-
		(982,493)	-
FINANCING ACTIVITIES			
Shares issued on date of incorporation		-	1
Share subscriptions received in advance		-	58,000
Advances from Riverside Resources Inc.		-	37,502
Proceeds from shares issuance, net of issuance costs	9	157,861	-
		157,861	95,503
Effect of foreign exchange on cash		(28,108)	(16,061)
Income (Decrease) in cash		(988,109)	45,822
Cash, beginning of the period		2,403,630	-
Cash, end of the period		\$ 1,415,521	\$ 45,822

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

CAPITAN MINING INC.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Unaudited- Expressed in Canadian Dollars)

		<u>Capital Stock</u>						
	Note	Shares	Amount	Share subscriptions received in advance	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance at Incorporation		1	\$ 1		-	-	-	1
Share subscriptions received in advance	9	-	-	58,000	-	-	-	58,000
Foreign exchange movement		-	-	-	-	(16,061)	-	(16,061)
Loss for the period		-	-	-	-	-	(28,146)	(28,146)
Balance at March 31, 2020		1	\$ 1	58,000	-	(16,061)	(28,146)	13,794
Balance at September 30, 2020		36,860,260	\$ 7,080,929	-	138,656	(20,578)	(1,116,479)	6,082,528
Shares issued, re: Riverside's warrants exercised under Plan of Arrangement	9	579,886	111,775	-	-	-	-	111,775
Exercise of options	9	345,651	46,086	-	-	-	-	46,086
Share-based payments	9	-	-	-	79,870	-	-	79,870
Foreign exchange movement		-	-	-	-	(52,880)	-	(52,880)
Loss for the period		-	-	-	-	-	(389,974)	(389,974)
Balance at March 31, 2021		37,785,797	\$ 7,238,790	-	218,526	(73,458)	(1,506,453)	5,877,405

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

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

1. Nature and continuance of operations

Capitan Mining Inc. (“Capitan” or the “Company”) was incorporated on October 30, 2019 under the laws of the Business Corporation Act (British Columbia) as part of a plan of arrangement (the “Plan of Arrangement”) to reorganize Riverside Resources Inc. (“Riverside”). The Company’s head office address is 550 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6. On August 21, 2020, the Company listed on the TSX Venture Exchange (the “Exchange”) with symbol CAPT.

The Company’s business activity is the acquisition and exploration of mineral properties in Mexico.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

The Company’s ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain necessary financing to meet the Company’s liabilities and commitments as they become payable, acquiring assets or a business, and the ability to generate future profitable production or operations or sufficient proceeds from the disposition thereof. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

2. Plan of Arrangement

On August 14, 2020, the Riverside completed a Plan of Arrangement under the provision of the *Business Corporations Acts* (British Columbia) pursuant to which the 100% interest of the Peñoles Project was spun-out to Capitan.

Under the Plan of Arrangement, Riverside’s shareholders exchanged each existing common share of Riverside for one “new” Riverside common share and 0.2594 common share of Capitan.

The fair value of consideration paid pursuant to the Plan of Arrangement consisted of 17,500,000 Capitan’s common shares with a value of \$3,500,000 (Note 9) and was allocated to the Peñoles Project:

Assets	\$
Exploration and evaluation assets	3,500,000
Fair value of net assets	3,500,000

The Plan of Arrangement resulted in an increase of share capital amounting to \$3,500,000 (Note 9). Fair value of the shares issued was based on the concurrent private placement share price.

Spin-out stock options

Spin-out stock options in Note 9 were issued pursuant to the Plan of Arrangement, whereby holders of outstanding Riverside stock options received, in exchange for each stock option, one Riverside replacement stock option and 0.2594 Capitan stock option, with exercise prices of the Riverside replacement stock options and the Capitan stock options based on the proportional market value of the two companies after completion of the Plan of Arrangement. A total of 1,005,824 stock options were issued by Capitan at exercise prices ranging from \$0.10 to \$0.385 with expiry dates ranging from January 7, 2021 to March 27, 2025. The fair value per spin-out stock option was determined to be \$4,297.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

2. Plan of Arrangement (continued)

Other Share issuance liabilities

Other Shares issuance liabilities in Note 9 pursuant to the Plan of Arrangement exist when a holder exercises a Riverside warrant they will be entitled to receive one new Riverside share and 0.2594 of a Capitan share. The exercise price of the Riverside warrants remains the same; however, Riverside will compensate Capitan for each Capitan share that is issued on exercise of a Riverside warrant.

3. Basis of presentation

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

4. Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS 34”), “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these interim financial statements comply with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

5. Significant accounting policies

a. Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All inter-company transactions and balances have been eliminated upon consolidation.

Name of subsidiary	Country of incorporation	Proportion of ownership	Principal activity
Rios de Suerte S.A. de C.V. (“Rios”)	Mexico	100%	Mineral exploration

b. Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar and the Mexican Pesos for Rios. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the functional currency for an entity are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

5. Significant accounting policies (continued)

b. Foreign currency translation (continued)

The subsidiary with a Mexican Peso functional currency have been translated into Canadian dollars as follows:

Assets and liabilities are translated at period end exchange rates, while revenues and expenses are translated using average rates over the period. Translation gains and losses relating to the foreign operations are included in accumulated other comprehensive loss as a separate component of shareholders' equity.

c. Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. The Company records exploration and evaluation asset interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of exploration and evaluation asset interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these exploration and evaluation asset interests are capitalized on the basis of specific claim blocks until the exploration and evaluation asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an exploration and evaluation asset interest is abandoned, the exploration and evaluation asset interests and deferred exploration costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of exploration and evaluation asset interests is based on cash paid and the assigned value of share consideration issued (where shares are issued) for exploration and evaluation asset interest acquisitions and exploration costs incurred. The recorded amount may not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Property option payments received from its farm-out partners are recorded as a reduction to the capitalized cost of exploration and evaluation assets. Once the capitalized cost is recovered, they are recorded as property income. Management fees received pursuant to exploration alliance arrangements are recorded as a reduction in consulting fees.

d. Provision for environmental rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. The Company currently does not have any significant provisions for environmental rehabilitation.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

5. Significant Accounting Policies (continued)

e. Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

f. Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current asset based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

5. Significant Accounting Policies (continued)

f. Financial instruments (continued)

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial instrument	Classification
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized cost

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Amortized cost - This category comprises liabilities initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

g. Loss per share

Basic loss per common share is calculated by dividing net loss available to common shareholders by the weighted-average number of shares outstanding during the year. The effect of dilutive stock options warrants and similar instruments on loss per share is recognized on the use of the proceeds that could be obtained upon these and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per share value excludes all dilutive potential common shares if their effect is anti-dilutive.

h. Income taxes

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

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

5. Significant Accounting Policies (continued)

h. Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they revert, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

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.

i. Critical accounting estimates, judgments, and assumptions

The preparation of these consolidated 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 amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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. Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

Critical accounting judgments

- the measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets;
- going concern presentation of the consolidated financial statements as discussed in Note 1, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due; and
- management's determination of the functional currency of the Company and each of its subsidiaries requires judgment based on the factors outline in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Exploration and evaluation assets

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

5. Significant Accounting Policies (continued)

i. Critical accounting estimates, judgments, and assumptions (continued)

Exploration and evaluation assets

Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

Share-based payments

Charges for share-based payments are based on the fair value on the date the awards are granted. Stock options are valued using the Black-Scholes option pricing model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding.

j. Capital stock

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

k. Share-based payments

The stock option plan allows the Company's employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to capital stock.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

5. Significant Accounting Policies (continued)

1. Right-of-use assets and lease liability

The Company adopted IFRS 16, *Leases*, on October 1, 2019. Upon entering into a contract, the Company assesses whether the contract is, or contains, a lease. For all lease agreements in which it is determined to be the lessee, the Company recognizes a right-of-use asset and a corresponding lease liability, except for short-term leases with a term of 12 months or less and leases of low value assets. When recognizing a right-of-use asset and corresponding lease liability, the Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest owing on the lease liability using the effective interest rate method, and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, payments made on or before the lease commencement, and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset.

The Company does not currently have any leases that satisfy the conditions under IFRS 16 to record a right-of-use asset and corresponding lease liability.

6. Receivables

Receivables mainly consist of tax refunds from the Federal Government of Canada and Mexico.

	March 31, 2021	September 30, 2020
GST recoverable amounts in Canada	\$ 72,079	\$ 72,485
IVA recoverable amounts in Mexico	174,632	24,537
	<u>\$ 246,711</u>	<u>\$ 97,022</u>

7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

	March 31, 2021	September 30, 2020
Expense advances	\$ 25,534	\$ 1,654
Prepaid deposit	5,001	5,001
	<u>\$ 30,535</u>	<u>\$ 6,655</u>

8. Exploration and evaluation assets

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation assets in which the Company has an interest are located in Mexico.

The terms of the Company with respect to its exploration and evaluation assets are subject to change if and when the Company and its partners mutually agree to new terms and conditions.

Peñoles, Durango, Mexico

On August 14, 2020, the Company completed the acquisition of 100% interest in the Peñoles Property for \$3,500,000 by issuing 17,500,000 common shares to Riverside in connection with the Plan of Arrangement as per mentioned in Note 2.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

8. Exploration and evaluation assets (continued)

The breakdown of exploration and evaluation assets is as follows:

	March 31, 2021	September 30, 2020
Acquisition costs	\$ 25,150	\$ 3,503,199
Exploration costs:		
Assaying	137,246	-
Field & camp costs	20,018	3,333
Geological consulting	230,421	62,827
Drilling	553,417	-
Transport & support	14,273	8,107
Total current exploration costs	955,375	74,267
Professional & other fees:		
Legal fees	1,968	105
Total current professional & other fees	1,968	105
Total costs incurred during the period	982,493	3,577,571
Balance, Opening	3,573,242	-
Foreign exchange movements	(24,772)	(4,329)
	\$ 4,530,963	\$ 3,573,242
Cumulative costs:		
Acquisition	\$ 3,528,349	\$ 3,503,199
Exploration	1,029,642	74,267
Professional & other fees	2,073	105
Foreign exchange movements	(29,101)	(4,329)
	\$ 4,530,963	\$ 3,573,242

9. Share capital and reserves

The common shares have no par value and the number of authorized shares is unlimited.

Shares issued for the period ended March 31, 2021

During the six months ended March 31, 2021, the Company issued 579,886 common shares for the exercise of 2,235,500 Riverside's warrants, as a result, Capitan was compensated for \$111,775.

During the six months ended March 31, 2021, the Company issued 345,651 common shares for the exercise of options for net proceed of \$46,086.

Shares issued for the period ended September 30, 2020

The Company issued one share upon incorporation.

On August 24, 2020, the Company completed a non-brokered private placement for the gross proceed of \$3,840,885 by issuance of 19,204,425 common shares at \$0.20 per share. In addition, the Company paid cash finders' fees of \$261,875 and issued 350,000 non-transferable broker warrants with a value of \$28,137. Each broker warrant entitles the holder to acquire one common share at a price of \$0.25 per share for a period of 12 months from the closing of the private placement.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

9. Share capital and reserves (continued)

On August 14, 2020 the Company issued 3,500,000 shares to Riverside in relation to the Plan of Arrangement (Note 2).

Share purchase and finders' warrants

	Number of warrants	Weighted average exercise price
Outstanding warrants, October 30, 2019	-	\$ -
Issued	350,000	0.25
Outstanding warrants, September 30 and March 31, 2021	350,000	\$ 0.25

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

Expiry date (mm/dd/yyyy)	Number of warrants outstanding	Weighted average remaining life in years	Exercise price
08/24/2021	350,000	0.40	0.25
	350,000	0.40	\$ 0.25

Share issuance costs relating to 350,000 finders' warrants issued during the year ended September 30, 2020, using the Black-Scholes option pricing model was \$28,137, which was recorded as reserves on the statements of financial position and as share issuance costs in equity. The associated share issuance costs for the finder's warrants granted during the period was calculated based on the following weighted average assumptions:

	2020
Forfeiture rate	0.00%
Estimated risk-free rate	0.98%
Expected volatility	82.32%
Estimated annual dividend yield	0.00 %
Expected life of warrants	1.00 year
Fair value per warrants granted	\$ 0.08

Other share issuance liabilities

The Company is liable to issue shares pursuant to the Plan of Arrangement, when a Riverside warrant is exercised the holder will receive one new Riverside common share and 0.2594 of a Capitan common share. The exercise price of the Riverside warrants remains the same; however, Riverside will compensate Capitan for each Capitan common share issued on exercise of a Riverside warrant. During the six months ended March 31, 2021, 2,235,500 (September 30, 2020 -601,100) Riverside's warrants were exercised, as a result, Capitan issued 579,886 common shares and Riverside provided proceeds to Capitan of \$111,775. As at March 31, 2021, Riverside holds warrants which holders could exercise and receive up to nil (September 30, 2020 -3,465,698) shares of Capitan as a result of these warrants expired on March 19, 2021.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

9. Share capital and reserves (continued)

Stock options

The Company has established a rolling stock option plan (“Option Plan”) enabling the directors to grant options to employees, officers, directors, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Option Plan, provided that the total number of shares reserved for issuance by the Board shall not exceed 10% of the issued and outstanding listed shares (on a non-diluted basis). Options are non-assignable and may be granted for a term not exceeding that permitted by the Exchange, currently ten years. All stock options issued are subject to vesting terms. Options issued to directors, vest in the amount of 25% every 12 months from the date of grant; and options issued to officers and/or consultants vest in the amount of 33% between 12 and 24 months depending on date of grant and nature of service. The exercise price of each option equals the market price, minimum price, or discounted market price of the Company’s shares as calculated on the date of grant.

Share-based payments relating to options vested during the period ended March 31, 2021, using the Black-Scholes option pricing model was \$79,870 (September 30, 2020- \$106,222) which was recorded as reserves on the statements of financial position and as share-based payment expense in profit or loss. The associated share-based payment expense for the options granted during the period was calculated based on the following weighted average assumptions:

	2020
Forfeiture rate	0.00%
Estimated risk-free rate	0.36 %
Expected volatility	83.93%
Estimated annual dividend yield	0.00 %
Expected life of options	5.00 years
Fair value per option granted	\$ 0.16

The number and weighted average exercise prices of the stock options are as follows:

	Number of options	Weighted average exercise price
Outstanding options, October 31, 2019	-	\$ -
Spin-out stock options granted	1,005,824	0.21
Granted	2,085,000	0.25
Outstanding options, September 30, 2020	3,090,824	\$ 0.24
Exercised	(345,651)	0.13
Cancelled	(311,280)	0.24
Outstanding options, March 31, 2021	2,433,893	\$ 0.25

The spin-out stock options noted above were issued pursuant to the Plan of Arrangement, whereby holders of outstanding Riverside stock options received, in exchange for each stock option, one Riverside replacement stock option and one Capitan stock option, both with exercise prices based on the proportional market value of the two companies after completion of the Plan of Arrangement. The fair value per spin-out stock option was determined to be \$4,297, using the following weighted average assumptions: risk-free interest rate 0.29%; expected life of spin-out option 2.0 years; expected volatility 82.4% and expected dividend 0.00%.

On September 8, 2020, the Company granted 2,085,000 incentive stock options (the “Options”) to certain Directors, Officers and Consultants of the Company. The Options are exercisable at \$0.25 per share for a period of five years from the date of grant. Options granted to individuals in their capacity as a Director vest in four equal installments over 36 months and Options granted to Officers and Consultants vest in three equal installments over 24 months.

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

9. Share capital and reserves (continued)**Stock options (continued)**

During the period ended March 31, 2021, some of the consultants from the Company resigned and subsequently 311,280 options were cancelled.

As at March 31, 2020, the Company has outstanding stock options exercisable as follows:

Expiry date (mm/dd/yyyy)	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
12/16/2021	90,790	0.71	\$ 0.385	90,790
11/03/2022	66,147	1.59	\$ 0.270	66,147
01/08/2024	54,474	2.78	\$ 0.155	54,474
11/15/2024	124,512	3.63	\$ 0.110	124,512
03/27/2025	12,970	3.99	\$ 0.150	12,970
09/08/2025	2,085,000	4.44	\$ 0.250	569,999
	2,433,893	4.14		918,892

10. Related party transactions

The Company entered into the following transactions with related parties:

Payee / Payer	Nature of transactions	Period Ending March 31,	Fees (Income) (\$)	Amount payable (receivable) at period end (\$)
Arriva Management Inc.	Management and consulting fees (i)	2021	24,000	Nil
		2020	-	Nil
GSBC Financial Management Inc.	Management and consulting fees (i)	2021	36,000	Nil
		2020	-	Nil
Alberto Orozco	Management and consulting fees (i)	2021	75,000	Nil
		2020	-	Nil

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. The remuneration of directors and key management personnel during the period ended March 31, 2021 is as follows:

	2021	2020
Management and consulting fees (i)	\$ 135,000	\$ -
Share-based payments	67,441	-
	\$ 202,441	\$ -

(i) Management and consulting fees of the key management personnel for the period were allocated as follows: \$60,000 (2020- \$nil) expensed to consulting fees and \$75,000 (2020- \$nil) capitalized to exploration and evaluation assets.

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Notes to the Condensed Interim Consolidated Financial Statements

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11. Financial instruments

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

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

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

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

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statement of financial position. The fair value of the Company's cash under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2021, the Company had cash of \$1,415,521 to settle current liabilities of \$346,325. The Company believes it has sufficient funds to meet its current liabilities as they become due.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, silver and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in Mexican pesos.

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the Mexican peso. A 10% fluctuation in the Mexico peso against the Canadian dollar would affect loss for the period by \$16,516.

12. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. 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 properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

CAPITAN MINING INC

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2021

(Unaudited - Expressed in Canadian Dollars)

13. Segmented information

The Company operates in one reportable segment, being the acquisition and exploration of mineral property interests in Mexico.

14. Subsequent events

On May 7, 2021, the Company completed a non-brokered private placement and issued 16,000,000 common shares at a price of \$0.20 per share for gross proceeds of \$3,200,000. There was no finder's fee paid on this private placement.

Capitan Mining Inc.

Management's Discussion and Analysis

For the Six Months Ended March 31, 2021

Capitan Mining Inc.

Management Discussion and Analysis
For the Six Months Ended March 31, 2021

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is an overview of the activities of Capitan Mining Inc. (the "Company" or "Capitan") for the period ended March 31, 2021. The MD&A is intended to help the reader understand the Company's operations, financial performance and present and future business environment. The MD&A should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto of the Company for the six months ended March 31, 2021, the audited consolidated financial statements and related notes thereto of the Company for the years ended September 30, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the annual Management Discussion and Analysis ("MD&A") for the years ended September 30, 2020 of the Company. All amounts are stated Canadian dollars. The date of this MD&A is May 28, 2021.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol CAPT.

Forward-Looking Statements

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of our common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com).

DESCRIPTION OF BUSINESS AND OVERVIEW

Capitan Mining Inc. was incorporated on October 30, 2019 to focus on the exploration and development of gold-silver projects with an emphasis on projects throughout Mexico. The head office and principal address of the Company is 550-800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

Capitan is as part of a plan of arrangement (the "Arrangement") to reorganize Riverside Resources Inc ("Riverside"). On April 1, 2020, Riverside received shareholder approval for a strategic reorganization of its exploration business. In connection with the reorganization, the Company would complete the acquisition of its interest in the Peñoles Property for \$3,500,000 to be paid by issuing 17,500,000 common shares to Riverside. Riverside would then complete a share capital reorganization whereby it will spin-out the Company's shares to Riverside's shareholders.

On August 14, 2020, Riverside completed the Arrangement to spin out the shares of Capitan to the shareholders of Riverside. Capitan and its shareholders hold 100% interest of the gold-silver resource at the Peñoles Project. Pursuant to the Arrangement, holders of common shares of Riverside received one new common share of Riverside (each, a "Riverside Share") and 0.2594 of a Capitan share (each, a "Capitan Share") for each common share held. The fair value of consideration paid pursuant to the

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Plan of Arrangement consisted of 17,500,000 Capitan's common shares with a value of \$3,500,000 and was allocated to the Peñoles Project.

On August 21, 2020, the Company was listed on the TSX Venture Exchange under the symbol CAPT.

On August 24, 2020, the Company completed a non-brokered private placement for gross proceed of \$3,840,885 by issuance of 19,204,425 common shares at \$0.20 per share. In addition, the Company paid cash finders' fees of \$261,875 and issued 350,000 non-transferable broker warrants with a value of \$28,137. Each broker warrant entitles the holder to acquire one common share at a price of \$0.25 per share for a period of 12 months from the closing of the private placement.

Spin-out stock options were issued pursuant to the Plan of Arrangement, whereby holders of outstanding Riverside stock options received, in exchange for each stock option, one Riverside replacement stock option and 0.2594 Capitan stock option, with exercise prices of the Riverside replacement stock options and the Capitan stock options based on the proportional market value of the two companies after completion of the Plan of Arrangement. A total of 1,005,824 stock options were issued by Capitan at exercise prices ranging from \$0.10 to \$0.385 with expiry dates ranging from January 7, 2021 to March 27, 2025. The fair value per spin-out stock option was determined to be \$4,297.

The Company is liable to issue shares pursuant to the Plan of Arrangement, when a Riverside warrant is exercised the holder will receive one new Riverside common share and 0.2594 of a Capitan common share. The exercise price of the Riverside warrants remains the same; however, Riverside will compensate Capitan for each Capitan common share issued on exercise of a Riverside warrant. During the six months ended March 31, 2021, 2,235,500 (September 30, 2020 -601,100) Riverside's warrants were exercised, as a result, Capitan issued 579,886 common shares and Riverside provided proceeds to Capitan of \$111,775. As at March 31, 2021, Riverside holds warrants which holders could exercise and receive up to nil (September 30, 2020 -3,465,698) shares of Capitan as a result of these warrants expired on March 19, 2021.

On September 8, 2020, the Company granted 2,085,000 incentive stock options (the "Options") to certain Directors, Officers and Consultants of the Company. The Options are exercisable at \$0.25 per share for a period of five years from the date of grant. Options granted to individuals in their capacity as a Director vest in three equal installments over 36 months and Options granted to Officers and Consultants vest in four equal installments over 24 months.

During the six months ended March 31, 2021, the Company issued 345,651 common shares for the exercise of options for net proceed of \$46,086. Additionally, some of the consultants from the Company resigned and subsequently 311,280 options were cancelled.

With respect to the exploration property, management of Capitan considers the Peñoles property to be material for the purposes of National Instrument 43-101 – Standards for Disclosure of Mineral Projects. Further information about the Peñoles property can be obtained from the Information Circular of Riverside, dated February 25, 2020 prepared in connection with Riverside's AGM to be held on March 31, 2020, and the 43-101 Technical Report for the Peñoles property, which is available under Riverside on www.sedar.com.

HIGHLIGHTS OF EVENTS OCCURRING DURING AND SUBSEQUENT TO MARCH 31, 2021

As at May 28, 2021, the Company issued 345,651 common shares for the exercise of options for net proceed of \$46,086.

As at May 28, 2021, the Company issued 579,886 common shares for the exercise of 2,235,500 Riverside's warrants, as a result, Capitan was compensated for \$111,775.

On May 7, 2021, the Company completed a non-brokered private placement and issued 16,000,000 common shares at a price of \$0.20 per share for gross proceeds of \$3,200,000. There was no finder's fee paid on this private placement.

Capitan Mining Inc.

Management Discussion and Analysis
For the Six Months Ended March 31, 2021

OPERATIONS

Peñoles Project, Durango

The Peñoles Project, 100% owned by the Company, comprises a large land package of approximately 2,300 hectares located in north-central Durango State within the globally important Central Mexico Silver Belt. Peñoles is an advanced project having an NI43-101-compliant inferred gold and silver resource based on 81 drill-holes (approx. 10,470 metres total) completed by previous operators. Said resource included the Capitan gold zone and the Jesus María historical mine, silver zone. Drilling by previous operators within the Peñoles project, also included the area of the historical San Rafael mine zone, where five diamond holes were completed (approx. 1,021.6 metres total). While said holes intersected mineralization, they are not part of the current inferred resource. The reader is referred to the Company's website and SEDAR filings for detailed information on the resource estimates and on the various previous pre-Capitan exploration programs that were completed on the Project.

The Company has continued detailed field studies, modeling of the geology, targeting and three-dimensional geology volume evaluations using historical and newly generated information. Additionally, community relations activities, including access efforts and long-term access agreement continue to be progressed. Other community efforts include helping with local programs and hiring local people for work and special projects in the community.

In September 2020, Capitan began its initial 6,000-metre drilling campaign at the project, using the reverse circulation (RC) method. The drill program has the objective of expanding the initial inferred mineral gold-silver resource in the Capitan Hill part of the Peñoles project. In March, 2021, the Company completed 28 RC drill holes in this initial exploration phase, totalling 6,172 metres. Results for 20 drill holes have been published in five press releases between November 20, 2020 and March 08, 2021. Results show the further continuity in the Capitan zone gold-silver mineralization from previously defined mineralization from historical drilling. Results from the drill program have also shown continuity of what is now referred to as the "hanging wall" mineralization, right above the "main zone" of mineralization of the Capitan zone.

Initial drill program 2020 drill highlights include:

- 10 drill holes were reported during 2020. All holes intersected gold mineralization.
- On November 30, 2020, the Company announced its first set of drill results from its initial drill campaign. This initial release included results for the first 7 reverse-circulation drill holes completed at the Capitan zone. The drill holes showed expansion of the Capitan gold zone on the down-dip and up-dip dimensions. Additionally, hole 20-CARC-05 intersected significant silver mineralization. One important finding in these results was also the importance of what is now called the hanging-wall zone of disseminated gold mineralization, which was recognized as an important target within the Capitan zone to continue drilling and testing expansion of the gold mineralization. For more details, please refer to the Company's news release dated November 30, 2020.
- On December 16, 2020, the Company announced three further holes from the Capitan zone, highlighting a further extension on both the main zone of mineralization, as well as in the newly named hanging wall zone. For more details, please refer to the Company's news release dated December 16, 2020.

Initial drill program 2021 drill highlights include:

- As of March 31, 2021, results for 10 drill holes had been released. All holes intersected gold mineralization.
- On January 11, 2021, the Company announced 5 further drill holes from the initial 6,000-m program, completing 15 drilled holes up to that point. The reported holes showed, in addition to down-dip extension, also more on strike extension of both the hanging wall and the main zones of mineralization, showing broad zones of near-surface, oxide gold mineralization. Hole 20-CARC-11 also intersected a higher-grade zone within the main zone. For more details, please refer to the Company's news release dated January 11, 2021.
- On February 17, 2021, results for two more holes were announced, with results showing further down-dip gold mineralization extensions of main zone and hanging wall zones, as well as an on-strike component, to the southeast, where very little historical drill information existed. Holes 20-CARC-16 and 20-CARC-17 particularly opened the

Capitan Mining Inc.

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potential for additional, near-surface, hanging-wall type of gold mineralization further to the southwest. For more details, please refer to the Company's news release dated February 17, 2021.

- On March 08, 2021, three more holes were released, focusing more on on-strike extensions of the gold mineralization on-strike, both to the northwest (two holes) and to the southeast (one hole). All three holes successfully intersected mineralization, opening potential for further exploration in those directions. For more details, please refer to the Company's news release dated March 08, 2021.

The Company expects to continue drilling the Capitan gold zone during 2021 to test further extensions of the Capitan zone gold and silver mineralization. The company has also evaluated historical exploration information in additional targets within the property, such as the Pinchazo and Capitan 2 targets to the south of the resource area. Capitan has also been conducting field work for surface evaluation at these targets to define drill targets in these zones.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated information of the Company at September 30, 2020 prepared in accordance with IFRS. The selected consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Company.

Canadian Dollars	2020
Net loss from date of incorporation to September 30,	\$ (1,116,479)
Comprehensive loss from date of incorporation to September 30,	(1,137,057)
Net loss per share, basic and fully diluted	(0.24)
Cash	2,403,630
Total assets	6,124,604

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Three-month period ended March 31, 2021 and 2020

During the three months ended March 31, 2020, the Company had a net loss of \$249,025 and a net loss of \$19,214 during the same period last year, an increase in net loss of \$229,811. The increase in net loss was primarily due to the increases in consulting fee of \$45,123, investor relations of \$132,721, professional fee of \$7,260 compared to the period ending March 31, 2020. These expenses increased are mainly related to the Company has increased the business activities with additional corporate advisory consulting and marketing services. Besides, the share-based compensation was increased by \$39,935 in connection with the granted options to certain directors, officers and consultants in September 2020.

Six-month period ended March 31, 2021 and 2020

During the six months ended March 31, 2020, the Company had a net loss of \$389,974 and a net loss of \$28,146 during the same period last year, an increase in net loss of \$361,828. The increase in net loss was primarily due to the increases in consulting fee of \$89,253, investor relations of \$179,930, professional fee of \$7,477 and filing fee of \$9,149 compared to the period ending March 31, 2020. These expenses increased are mainly related to the Company has increased the business activities with additional corporate advisory consulting, promotions and marketing services. Besides, the share-based compensation was increased by \$79,870 in connection with the granted options to certain directors, officers and consultants in September 2020.

Exploration and evaluation assets

Peñoles, Durango, Mexico

On August 14, 2020, the Company completed the acquisition of 100% interest in the Peñoles Property for \$3,500,000 by issuing 17,500,000 common shares to Riverside in connection with the reorganization as previously mentioned.

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For the Six Months Ended March 31, 2021

The breakdown of exploration and evaluation assets is as follows:

	March 31, 2021	September 30, 2020
Acquisition costs	\$ 25,150	\$ 3,503,199
Exploration costs:		
Assaying	137,246	-
Field & camp costs	20,018	3,333
Geological consulting	230,421	62,827
Drilling	553,417	-
Transport & support	14,273	8,107
Total current exploration costs	955,375	74,267
Professional & other fees:		
Legal fees	1,968	105
Total current professional & other fees	1,968	105
Total costs incurred during the period	982,493	3,577,571
Balance, Opening	3,573,242	-
Foreign exchange movements	(24,772)	(4,329)
	\$ 4,530,963	\$ 3,573,242
Cumulative costs:		
Acquisition	\$ 3,528,349	\$ 3,503,199
Exploration	1,029,642	74,267
Professional & other fees	2,073	105
Foreign exchange movements	(29,101)	(4,329)
	\$ 4,530,963	\$ 3,573,242

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties related to the mineral exploration industry. Some of these risk factors include risks associated with land titles, exploration and development, government and environmental regulations, permits and licenses, competition, dependence on key personnel, fluctuating mineral and metal prices, the requirement and ability to raise additional capital through future financings and price volatility of publicly traded securities.

Property Risks

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral claims. Upon completion to the Arrangement, the Company intends to investigate title to all of its exploration and evaluation asset interests. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Mexico.

Title Risks

Although the Company will exercise due diligence with respect to determining title to the properties in which will earn a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests, and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Capitan Mining Inc.

Management Discussion and Analysis
For the Six Months Ended March 31, 2021

Exploration and Development

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Substantial expenses are required to establish reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company after the Company acquires the Peñoles property.

Environmental Regulations Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. We intend to comply fully with all environmental regulations.

The future operations of the Company, including development activities and commencement of production on our properties, require permits from various federal, state or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company intends to conduct exploration activities which are subject to substantial regulation under applicable laws by governmental agencies that may require that we obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Dependence on Key Personnel

The success of the Company will largely be dependent on the performance of the directors and officers. There is no assurance that the Company will be able to maintain the services of the directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and the prospects.

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Fluctuating Mineral and Metal Prices

Factors beyond our control may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors on the exploration activities cannot be predicted. For example, gold prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices. In addition, the price of gold has on occasion been subject to rapid short-term changes due to speculative activities.

Future Financings

The Company's continued operation will be dependent upon the ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures or reduce or terminate some or all of the operations.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of securities distributed hereunder will be affected by market volatility.

Risks Related to COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company continues to closely monitor developments in the novel coronavirus ("COVID-19") pandemic, including the potential impact on the Company's operations.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly consolidated financial information for each of the last quarters from incorporation on October 30, 2019 with the figures for each quarter in Canadian dollars.

Quarter end	Professional fee	Investor relations	Net loss	(Loss) per share (basic & fully diluted)
Mar-31-2021	16,441	135,772	(249,025)	(0.05)
Dec-31-2020	9,149	47,209	(140,949)	(0.03)
Sep-30- 2020	123,882	161,636	(676,254)	(0.24)
Jun-30-2020	225,362	15,000	(412,079)	(412,079)
Mar-31-2020	9,181	-	(19,214)	(19,241)
Dec-31-2019	8,932	3,051	(8,932)	(8,932)

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LIQUIDITY AND CAPITAL RESOURCES

Upon completion of its listing on the TSX-V, the Company currently depends on Riverside for funding of its operation. The Company will rely on equity financings and exploration alliances for its working capital requirements and to fund its planned exploration and development activities. Management ensures the Company has sufficient cash in its treasury to maintain underlying option payments and keep claims in good standing. Decrease in cash and cash equivalents from the year ended September 31, 2020 to the period ended March 31, 2021 was \$988,109. Working capital as at March 31, 2020 was \$1,346,442.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements or off-balance sheet financing structures in place.

RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are recorded at their exchange amount which is the price agreed to between the Company and the directors and officers.

The Company entered into the following transactions with related parties:

Payee / Payer	Nature of transactions	Period Ending March 31,	Fees (Income) (\$)	Amount payable (receivable) at period end (\$)
Arriva Management Inc.	Management and consulting fees (i)	2021	24,000	Nil
		2020	-	Nil
GSBC Financial Management Inc.	Management and consulting fees (i)	2021	36,000	Nil
		2020	-	Nil
Alberto Orozco	Management and consulting fees (i)	2021	75,000	Nil
		2020	-	Nil

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. The remuneration of directors and key management personnel during the period ended March 31, 2021 is as follows:

	2021	2020
Management and consulting fees (i)	\$ 135,000	\$ -
Share-based payments	67,441	-
	<u>\$ 202,441</u>	<u>\$ -</u>

(i) Management and consulting fees of the key management personnel for the period were allocated as follows: \$60,000 (2020- \$nil) expensed to consulting fees and \$75,000 (2020- \$nil) capitalized to exploration and evaluation assets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are described in Note 5 to the condensed interim consolidated financial statements for the period ended March 31, 2021. Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flow.

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Exploration and Evaluation Assets

Pre-exploration costs are expensed as incurred. The Company records exploration and evaluation asset interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of exploration and evaluation asset interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these exploration and evaluation asset interests are capitalized on the basis of specific claim blocks until the exploration and evaluation asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an exploration and evaluation asset interest is abandoned, the exploration and evaluation asset interests and deferred exploration costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of exploration and evaluation asset interests is based on cash paid and the assigned value of share consideration issued (where shares are issued) for exploration and evaluation asset interest acquisitions and exploration costs incurred. The recorded amount may not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Property option payments received from its farm-out partners are recorded as a reduction to the capitalized cost of exploration and evaluation assets. Once the capitalized cost is recovered, they are recorded as property income. Management fees received pursuant to exploration alliance arrangements are recorded as a reduction in consulting fees.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Critical Accounting Estimates, Judgments, and Assumptions

The preparation of these consolidated 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 amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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,

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including expectations of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

Critical accounting judgments

- the measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets;
- going concern presentation of the consolidated financial statements as discussed in Note 1, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due; and
- management's determination of the functional currency of the Company and each of its subsidiaries requires judgment based on the factors outline in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Exploration and evaluation assets

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount.

Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

Share-based payments

Charges for share-based payments are based on the fair value on the date the awards are granted. Stock options are valued using the Black-Scholes option pricing model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding.

Functional currencies

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. That of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

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Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Share-based payments

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

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Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The following table shows the classification of the Company's financial assets and liabilities under IFRS 9:

Financial asset or liability	IFRS 9 Classification
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized cost

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category comprises liabilities initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

The Company has classified its cash as FVTPL. The Company's receivables and accounts payable and accrued liabilities are classified as amortized cost. Refer to the audited financial statement September 30, 2020, Note 11 for additional details.

Financial instruments

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

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

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

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

The fair value of the Company's receivables, accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statements of financial position. The fair value of the Company's cash under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2021, the Company had cash of \$1,415,521 to settle current liabilities of \$346,325. The Company believes it has sufficient funds to meet its current liabilities as they become due.

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Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, silver and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in Mexican pesos.

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the Mexican peso. A 10% fluctuation in the Mexico peso against the Canadian dollar would affect loss for the period by \$16,516.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares. No preferred shares have been issued to date. An aggregate of 53,785,797 common shares were issued and outstanding as of the date of this MD&A.

The Company has 350,000 share purchase warrants outstanding as of the date of this MD&A.

The following summarizes information about the stock options outstanding as of the date of this MD&A:

Expiry date (mm/dd/yyyy)	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
12/16/2021	90,790	0.71	\$ 0.385	90,790
11/03/2022	66,147	1.59	\$ 0.270	66,147
01/08/2024	54,474	2.78	\$ 0.155	54,474
11/15/2024	124,512	3.63	\$ 0.110	124,512
03/27/2025	12,970	3.99	\$ 0.150	12,970
09/08/2025	2,085,000	4.44	\$ 0.250	569,999
	2,433,893	4.14		918,892