



CONDOR RESOURCES INC.

Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the Six Months Ended August 31, 2021 and 2020
(Unaudited – prepared by Management)**

CONDOR RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, Canada

October 25, 2021

CONDOR RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited, prepared by management and expressed in Canadian Dollars)

| | As at August 31, 2021 | As at February 28, 2021 |
|---|--------------------------|----------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 288,819 | \$ 555,341 |
| Prepaid expenses | 8,211 | 12,493 |
| Accounts receivable | 8,745 | 9,282 |
| Marketable securities (Note 5) | 128,000 | 228,000 |
| Total Current Assets | 433,775 | 805,116 |
| Non-Current Assets | | |
| Equipment (Note 6) | 37,236 | 42,062 |
| Exploration and evaluation assets (Note 7) | 2,772,415 | 2,472,017 |
| Other receivable (Note 8) | 2,826,436 | 2,705,154 |
| Total Non-Current Assets | 5,636,087 | 5,219,233 |
| TOTAL ASSETS | \$ 6,069,862 | \$ 6,024,349 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 9) | \$ 78,720 | \$ 107,722 |
| Non-Current Liabilities | | |
| Loan (Note 10) | 40,000 | 40,000 |
| TOTAL LIABILITIES | 118,720 | 147,722 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 11) | 22,186,422 | 22,062,419 |
| Contributed surplus (Note 11) | 3,668,305 | 3,703,452 |
| Deficit | (19,903,585) | (19,889,244) |
| TOTAL SHAREHOLDERS' EQUITY | 5,951,142 | 5,876,627 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 6,069,862 | \$ 6,024,349 |

Nature of operations (Note 1)

Approved on behalf of the Board:

"Paul Larkin" Director"Lyle Davis" Director

See accompanying notes to consolidated financial statements.

CONDOR RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited, prepared by management and expressed in Canadian Dollars)

| | For the Three Months Ended August 31, | | For the Six Months Ended August 31, | |
|--|--|--------------|--|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Administrative expenses | | | | |
| Foreign exchange (gain) loss (Note 8) | \$ 170 | \$ (1,956) | \$ 7,158 | \$ (2,780) |
| Insurance | 3,113 | 2,117 | 6,226 | 4,235 |
| Investor relations | 249 | 2,645 | 249 | 2,645 |
| Management fees and consulting fees | 40,787 | 43,400 | 82,752 | 82,624 |
| Office and miscellaneous | 4,435 | 5,358 | 8,740 | 9,736 |
| Professional fees | 17,551 | 20,625 | 20,222 | 22,612 |
| Project generation | 10,683 | 15,746 | 20,325 | 25,834 |
| Regulatory fees | 7,022 | 7,009 | 8,718 | 7,844 |
| Stock-based compensation | 1,139 | 232,247 | 17,856 | 232,247 |
| Travel and entertainment | - | 1,942 | - | 1,942 |
| | (85,149) | (329,133) | (172,246) | (386,939) |
| Other items | | | | |
| Interest income | 111 | 1,446 | 530 | 1,446 |
| Other income (Note 7(o)) | 136,092 | - | 136,092 | - |
| Revaluation of other receivable (Note 8) | 183,760 | - | 121,283 | - |
| Gain (loss) on sale of marketable securities | - | 29,155 | - | 11,535 |
| Unrealized gain (loss) on marketable securities (Note 5) | (22,000) | 186,000 | (100,000) | 192,975 |
| | 297,963 | 216,601 | 157,905 | 205,956 |
| Net Loss and Comprehensive Loss for the Period | \$ 212,814 | \$ (112,532) | \$ (14,341) | \$ (180,983) |
| Basic And Diluted Loss Per Share Outstanding | \$ 0.00 | \$ (0.00) | \$ (0.00) | \$ (0.00) |
| Weighted Average Number Of Shares Outstanding | 125,339,917 | 120,330,841 | 125,196,819 | 114,779,074 |

See accompanying notes to consolidated financial statements.

CONDOR RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited, prepared by management and expressed in Canadian Dollars)

| | For the Six Months Ended August 31, | |
|--|--|--------------|
| | 2021 | 2020 |
| Cash and cash equivalents provided by (used in): | | |
| Operating Activities | | |
| Net loss for the period | \$ (14,341) | \$ (180,983) |
| Items not affecting cash: | | |
| Stock-based compensation | 17,856 | 232,247 |
| Unrealized (gain) loss on marketable securities | 100,000 | (192,975) |
| Loss on sale of marketable securities | - | (11,535) |
| Revaluation of other receivable | (121,283) | - |
| Recoveries included in income and reclassified to investing activities | (136,092) | - |
| Changes in non-cash operating working capital items: | | |
| Decrease in prepaid expenses | 4,282 | 4,912 |
| (Increase) decrease in accounts receivable | 536 | (158) |
| Increase (decrease) in accounts payable and accrued liabilities | (29,455) | 7,307 |
| | (178,497) | (141,185) |
| Investing Activities | | |
| Exploration and evaluation expenditures | (407,965) | (282,141) |
| Expenditure recoveries/option proceeds | 248,940 | 132,830 |
| Sale of marketable securities | - | 95,160 |
| | (159,025) | (54,151) |
| Financing Activities | | |
| Share capital issued | 71,000 | 1,062,750 |
| Share issue costs | - | (29,999) |
| Loan received | - | 40,000 |
| | 71,000 | 1,072,751 |
| Decrease in cash and cash equivalents during the period | (266,522) | 877,415 |
| Cash and cash equivalents - beginning of period | 555,341 | 61,088 |
| Cash and cash equivalents - end of period | \$ 288,819 | \$ 938,503 |

See accompanying notes to consolidated financial statements.

CONDOR RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited, prepared by management and expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Contributed Surplus | Deficit | Total Equity |
|--|------------------|---------------|---------------------|-----------------|--------------|
| Balance, February 29, 2020 | 109,227,308 | \$ 20,833,387 | \$ 3,515,810 | \$ (22,223,374) | \$ 2,125,823 |
| Private placement financing | 13,200,000 | 990,000 | - | - | 990,000 |
| Share issuance costs | - | (29,999) | - | - | (29,999) |
| Options exercised | 995,000 | 72,750 | - | - | 72,750 |
| Fair value of options exercised | - | 48,381 | (48,381) | - | - |
| Stock-based compensation | - | - | 232,247 | - | 232,247 |
| Net income and comprehensive income for the period | - | - | - | (180,983) | (180,983) |
| Balance, August 31, 2020 | 123,422,308 | 21,914,519 | 3,699,676 | (22,404,357) | 3,209,838 |
| Options exercised | 1,600,000 | 91,500 | - | - | 91,500 |
| Fair value of options exercised | - | 56,400 | (56,400) | - | - |
| Stock-based compensation | - | - | 60,176 | - | 60,176 |
| Net income and comprehensive income for the period | - | - | - | 2,515,113 | 2,515,113 |
| Balance, February 28, 2021 | 125,022,308 | 22,062,419 | 3,703,452 | (19,889,244) | 5,876,627 |
| Warrants exercised | 100,000 | 11,500 | - | - | 11,500 |
| Options exercised | 760,000 | 59,500 | - | - | 59,500 |
| Fair value of options exercised | - | 53,003 | (53,003) | - | - |
| Stock-based compensation | - | - | 17,856 | - | 17,856 |
| Net loss and comprehensive loss for the period | - | - | - | (14,341) | (14,341) |
| Balance, August 31, 2021 | 125,882,308 | \$ 22,186,422 | \$ 3,668,305 | \$ (19,903,585) | \$ 5,951,142 |

See accompanying notes to consolidated financial statements.

CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited, prepared by management and expressed in Canadian dollars)
For the six months ended August 31, 2021 and 2020

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Condor Resources Inc. (the “Company”) was incorporated in British Columbia on November 26, 2003. The company’s primary business is the acquisition and exploration of mineral properties and is considered to be an exploration stage company.

The Company is listed on the TSX Venture Exchange (“TSX-V”), having the symbol CN-V, as a Tier 2 mining issuer.

The address of the Company’s corporate office and principal place of business is Suite 520 - 800 West Pender Street, Vancouver, British Columbia, V6C 2V6.

The Company is currently engaged in the exploration and development of mineral properties in Peru and has not yet determined whether its properties contain ore reserves that are economically recoverable and, to date, the Company has not generated any revenue from operations. The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of business. The Company has no current or anticipated source of operating revenue, has incurred losses since inception, and its long term viability remains entirely dependent upon the receipt of equity and/or related party debt financing on terms which are acceptable to it. Although such financing has been available to the Company in the past, there can be no guarantee that it will continue to be so in the future.

2. BASIS OF PRESENTATION AND MEASUREMENT

(a) Statement of Compliance

These condensed consolidated interim financial statements of the Company for the six months ended August 31, 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”). Accordingly, these condensed consolidated interim financial statements follow the same accounting principles and methods of application as the annual consolidated financial statements for the year ended February 28, 2021 but may condense or omit certain disclosures that otherwise would be present in annual financial statements prepared in accordance with IFRS. These financial statements should therefore be read in conjunction with the annual consolidated financial statements for the year ended February 28, 2021. Results for the period ended August 31, 2021, are not necessarily indicative of future results.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 25, 2021.

CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited, prepared by management and expressed in Canadian dollars)
For the six months ended August 31, 2021 and 2020

2. BASIS OF PRESENTATION AND MEASUREMENT (continued)

(b) Financial Statement Presentation

These financial statements include the accounts of the Company, its 100% owned Peruvian subsidiary, Condor Exploration Peru S.A.C., and its 85%-owned Peruvian subsidiary, Ferroaluminios Peru No.4 S.A.C. All significant inter-company transactions and balances have been eliminated on consolidation. All amounts are stated in Canadian dollars unless otherwise indicated.

| Name of Subsidiary | Place of Operation | Ownership Interest | Principal Activity |
|---------------------------------|--------------------|--------------------|--|
| Condor Exploration Peru S.A.C. | Peru | 100% | Carries out business for Peruvian properties |
| Ferroaluminios Peru No.4 S.A.C. | Peru | 85% | Carries out business for Peruvian properties |

On December 21, 2020, the Company entered into an agreement to sell its formerly 100% owned Peruvian subsidiary, Minas Lucero Del Sur S.A.C. ("MLDS") See Note 7(h). The accounts of this subsidiary were consolidated up to the date of disposition.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Exploration and evaluation assets

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable.

The Company capitalizes mineral property expenditures applicable to property interests for which it has an exploration license as deferred mineral property costs.

The costs of acquiring mineral properties and exploration expenditures are deferred until such time as the mineral properties are placed into production or the prospect is determined by management to be impaired, or is abandoned. Upon production, the deferred costs are amortized on a unit-of-production basis while in circumstances of impairment or abandonment the costs are written off.

Any option or royalty payments received by the Company from third parties are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received.

CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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For the six months ended August 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Exploration and evaluation assets (cont'd...)

Title to mineral properties involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and to the best of the Company's knowledge, titles to all of its properties are in good standing.

(b) Stock-based compensation

The Company accounts for stock-based compensation using the fair value-based method with respect to all stock-based payments to directors, employees and non-employees. Under the fair value-based method, stock-based compensation is measured at fair value and recognized in operations over the vesting period. Fair value is determined using the Black-Scholes option pricing model. Any consideration paid on exercise of stock options together with the related fair value previously recognized in contributed surplus is credited to share capital.

(c) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital at the amount for which the stock option and warrant enabled the holder to purchase shares of the Company. Share capital issued for non-monetary consideration is recorded at fair value based on the quoted market price on the date of issuance. Share issue costs, which include commissions and professional and regulatory fees are charged directly to share capital.

(d) Foreign currency translation

The functional and reporting currency of the Company, inclusive of the accounts of each of its consolidated subsidiaries, is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date. Foreign exchange gains and losses are included in operations.

(e) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income taxes (cont'd...)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. On initial recognition, financial assets are recorded at fair value and are subsequently classified and measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI").

The Company's financial instruments are classified and subsequently measured as follows:

| Financials Assets | Classification |
|---|-----------------------|
| Cash and cash equivalents | Amortized cost |
| Accounts receivables (excluding sales tax receivable) | Amortized cost |
| Marketable securities | FVTPL |
| Other receivable | FVTPL |
| Financial Liabilities | |
| Accounts payable and accrued liabilities | Amortized cost |
| Loan | Amortized cost |

The classification of financial assets is based on how the entity manages its financial instruments and the contractual cash flow characteristics of each financial asset. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statement of income (loss).

(g) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted loss per share is presented as the same as basic loss per share.

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Notes to the Condensed Consolidated Interim Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment

At each reporting period, management reviews mineral properties for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated 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. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

(i) Cash and cash equivalents

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restrictions or penalties.

(j) Equipment

Equipment is recorded at cost. Amortization is recorded on a declining balance basis over the estimated useful lives of the related assets at the following annual rates:

| | |
|--------------------------------|-----|
| Office furniture and equipment | 20% |
| Computer equipment | 50% |
| Motor vehicles | 20% |

(k) New accounting standards and interpretations issued but not yet effective:

The Company has reviewed any new and revised accounting pronouncements that are issued and effective as of March 1, 2020 and has determined that these new and revised standards did not have a material impact on the Company's consolidated financial statements.

CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Financial statement items that are subject to significant estimation uncertainty include the valuation of stock-based compensation and the carrying value of exploration and evaluation assets.

In addition, as disclosed in Note 8, the Company's carrying amount for the other receivable is derived based on variables which involve significant uncertainty and estimation, including inputs used in the determination of the current value of the receivable and the effect of changes in foreign exchange rates.

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

- i) Critical judgment is applied for the determination of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the Company and its subsidiaries, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- ii) The Company has selected a policy of capitalizing exploration and evaluation expenditures that it has an exploration license in as exploration and evaluation assets. Acquisition and exploration costs incurred in respect to a particular property interest before the formal exploration licenses are acquired, but where such subsequent acquisition can be reasonably assured, are also capitalized as exploration and evaluation assets. At each period end, management applies its judgment in determining whether facts and circumstances suggest that the carrying amount of the asset exceeds its recoverable amount, and if so, the carrying value of the asset is tested for impairment.
- iii) Critical judgment and estimates are applied for the determination that the Company will continue as a going concern for the next year.

5. MARKETABLE SECURITIES

Marketable securities consist of 400,000 common shares of Chakana Copper Corp. ("Chakana") that were received during fiscal 2019 and 2020 as described at Note 7(f), and are stated at their August 31, 2021 fair market value of \$128,000. During the six months ended August 31, 2021, the Company sold Nil common shares of Chakana for gross proceeds of \$Nil (August 31, 2020 – Sold 435,000 common shares of Chakana for gross proceeds of \$95,160).

CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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6. EQUIPMENT

| | Computer equipment | Motor vehicle | Office furniture and equipment | Total |
|-----------------------------------|-----------------------|------------------|--------------------------------------|-----------|
| COST | | | | |
| Balance, February 29, 2020 | \$ 17,365 | \$ - | \$ 10,433 | \$ 27,798 |
| Additions | 918 | 38,378 | - | 39,296 |
| Balance, February 28, 2021 | \$ 18,283 | \$ 38,378 | \$ 10,433 | \$ 67,094 |
| Additions | - | - | - | - |
| Balance, August 31, 2021 | \$ 18,283 | \$ 38,378 | \$ 10,433 | \$ 67,094 |
| AMORTIZATION | | | | |
| Balance, February 29, 2020 | \$ 16,440 | \$ - | \$ 4,301 | \$ 20,741 |
| Amortization | 1,620 | 1,280 | 1,391 | 4,291 |
| Balance, February 28, 2021 | \$ 18,060 | \$ 1,280 | \$ 5,692 | \$ 25,032 |
| Amortization | 191 | 3,617 | 1,018 | 4,826 |
| Balance, August 31, 2021 | \$ 18,251 | \$ 4,897 | \$ 6,710 | \$ 29,858 |
| CARRYING AMOUNTS | | | | |
| As at February 28, 2021 | \$ 223 | \$ 37,098 | \$ 4,741 | \$ 42,062 |
| As at August 31, 2021 | \$ 32 | \$ 33,481 | \$ 3,723 | \$ 37,236 |

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7. EXPLORATION AND EVALUATION ASSETS

The following schedules of mineral property costs set forth the expenditures incurred on these properties as at August 31, 2021 and February 28, 2021.

Summary of Exploration and Evaluation Expenditures

| | As at August 31, 2021 | As at February 28, 2021 |
|----------------------------|--------------------------|----------------------------|
| Acquisition costs | \$ 62,509 | \$ 62,509 |
| Deferred exploration costs | 2,250,683 | 1,960,403 |
| | <u>2,313,192</u> | <u>2,022,912</u> |
| IGV taxes | 459,222 | 449,105 |
| Total | <u>\$ 2,772,414</u> | <u>\$ 2,472,017</u> |

As their recoverability from government authorities is uncertain, IGV input credits are capitalized and included within the carrying value of the related property interests. Any amounts ultimately recovered will therefore be offset against the related deferred costs or included in income if such costs have been expensed.

IGV is a form of value-added tax levied on expenditures incurred in Peru.

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**Schedule of Exploration and Evaluation assets – Peru
For the Six Months Ended August 31, 2021**

| | Pucamayo | Ocos | Chavin | Quriurqu | San Martin | Soledad | Humaya | Huinac Punta | Andrea | Quilisane | Cobreorco | Cantagallo | Total |
|--|---------------------|------------------|-------------------|-------------------|-------------------|-------------|------------------|-------------------|------------------|------------------|-------------------|-----------------|---------------------|
| Acquisition costs | | | | | | | | | | | | | |
| Balance, as at March 1, 2021 | \$ 62,509 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 62,509 |
| Additions during the period | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance, as at August 31, 2021 | 62,509 | - | - | - | - | - | - | - | - | - | - | - | 62,509 |
| Exploration and evaluation expenditures | | | | | | | | | | | | | |
| Balance, as at March 1, 2021 | 874,998 | 24,280 | 179,194 | 127,655 | 298,911 | - | 8,498 | 282,957 | 49,252 | 19,396 | 93,665 | 1,597 | 1,960,403 |
| Additions during the period | | | | | | | | | | | | | |
| Property tenure | 42,195 | - | 14,508 | 4,139 | 2,228 | - | 2,614 | 6,946 | 9,709 | 6,862 | 480 | 747 | 90,428 |
| Community relations | 12,851 | - | - | - | - | - | - | - | - | - | - | - | 12,851 |
| Office and technical support | 70,382 | 10,926 | 9,344 | 3,830 | 5,974 | 112,847 | 2,033 | 34,944 | 4,294 | - | 45,274 | - | 299,848 |
| | 125,428 | 10,926 | 23,852 | 7,969 | 8,202 | 112,847 | 4,647 | 41,890 | 14,003 | 6,862 | 45,754 | 747 | 403,127 |
| Balance, as at August 31, 2021 | 1,000,426 | 35,206 | 203,046 | 135,624 | 307,113 | 112,847 | 13,145 | 324,847 | 63,255 | 26,258 | 139,419 | 2,344 | 2,363,530 |
| Proceeds of option and royalty payments | - | - | - | - | - | (112,847) | - | - | - | - | - | - | (112,847) |
| Overall balances, as at August 31, 2021 | \$ 1,062,935 | \$ 35,206 | \$ 203,046 | \$ 135,624 | \$ 307,113 | \$ - | \$ 13,145 | \$ 324,847 | \$ 63,255 | \$ 26,258 | \$ 139,419 | \$ 2,344 | \$ 2,313,192 |

Costs are exclusive of IGV taxes incurred

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**Schedule of Exploration and Evaluation assets – Peru
For the Year Ended February 28, 2021**

| | Pucamayo | Lucero | Ocros | Chavin | Quriurqu | San Martin | Soledad | Humaya | Huinac Punta | Andrea | Quilisane | Cobreorco | Cantagallo | Total |
|--|-------------------|-------------|------------------|-------------------|-------------------|-------------------|-------------|-----------------|-------------------|------------------|------------------|------------------|-----------------|--------------------|
| Acquisition costs | | | | | | | | | | | | | | |
| Balance, as at March 1, 2020 | \$ 62,509 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 62,509 |
| Additions during the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance, as at February 28, 2021 | 62,509 | - | - | - | - | - | - | - | - | - | - | - | - | 62,509 |
| Exploration and evaluation expenditures | | | | | | | | | | | | | | |
| Balance, as at March 1, 2020 | 714,689 | 15,776 | - | 146,229 | 117,049 | 282,999 | - | 5,695 | 129,925 | 40,822 | 12,040 | 40,554 | 796 | 1,506,574 |
| Additions during the year | | | | | | | | | | | | | | |
| Geophysics | - | - | - | - | - | - | - | - | 75,001 | - | - | 16,185 | - | 91,186 |
| Property tenure | 58,811 | 2,450 | - | 19,155 | 2,401 | 2,388 | - | 2,803 | 15,517 | - | 7,356 | 21,855 | 801 | 133,537 |
| Community relations | 7,155 | - | - | - | - | - | - | - | - | - | - | - | - | 7,155 |
| Office and technical support | 94,343 | 35,028 | 24,280 | 13,810 | 8,205 | 13,524 | 261,915 | - | 62,514 | 8,430 | - | 15,071 | - | 537,120 |
| | 160,309 | 37,478 | 24,280 | 32,965 | 10,606 | 15,912 | 261,915 | 2,803 | 153,032 | 8,430 | 7,356 | 53,111 | 801 | 768,998 |
| Balance, as at February 28, 2021 | 874,998 | 53,254 | 24,280 | 179,194 | 127,655 | 298,911 | 261,915 | 8,498 | 282,957 | 49,252 | 19,396 | 93,665 | 1,597 | 2,275,572 |
| Mineral property costs written off | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds of option and royalty payments | - | (53,254) | - | - | - | - | (261,915) | - | - | - | - | - | - | (315,169) |
| Overall balances, as at February 28, 2021 | \$ 937,507 | \$ - | \$ 24,280 | \$ 179,194 | \$ 127,655 | \$ 298,911 | \$ - | \$ 8,498 | \$ 282,957 | \$ 49,252 | \$ 19,396 | \$ 93,665 | \$ 1,597 | \$2,022,912 |

Costs are exclusive of IGV taxes incurred

CONDOR RESOURCES INC.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

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(a) Ocros and Pucamayo – Combined Amended Agreement: Option to acquire an 85% interest

On February 16, 2009 the Company replaced and superseded its original agreements dated August 21, 2007 on the Ocros, Pucamayo and Condor de Oro prospects.

Pursuant to the February 16, 2009 Amended Peruvian Property Agreement (“Amended Agreement”), the Company paid USD \$400,000 and issued 2,000,000 common shares at a value of \$670,000 to acquire an 85% working interest in each of the Ocros, Pucamayo and Condor de Oro prospects from the property vendor. On the execution and delivery of the agreement, \$95,000 in advances to the property vendor for title perfection for the prospects was forgiven and recorded as acquisition costs. The Company forfeited its interest and allowed the title to lapse in all the original Pucamayo concessions, except Pucamayo 14, prior to March 1, 2016. The Company also forfeited its interest and allowed the title to lapse in the Condor de Oro property in June 2016.

The vendor, a private company controlled by a senior officer of the Company retained a royalty of one per cent (1%) of the “net smelter return” (“NSR”) derived from each of the Ocros concessions and the Pucamayo 14 concession (the “Properties”). The Company shall have the exclusive right to purchase the royalty on one or more of the Properties at any time on payment to the vendor of the sum of USD \$2,000,000 per property.

The vendor will receive an additional 1,000,000 common shares in the capital of the Company on the completion and publication of a positive feasibility study on any or all of the Properties which indicates that commercial production for the applicable property is feasible.

In this agreement “Feasibility Study” shall have the meaning set out in NI 43-101, or such successor policy as may be adopted from time to time by the Canadian Securities Administrators.

Following the closing, the holder of the 15% interest in each of the Properties, a party related to a senior officer of the Company, became a carried and non-contributing interest. The Company will fund all of the vendor’s costs to the commencement of commercial production, such costs to be repaid to the Company, with interest at the Canadian prime rate plus 2%, from 100% of the vendor’s production revenues.

In February 2017, the Company assigned the royalty buyback rights on the Ocros concessions and Pucamayo 14 concession to Sandstorm Gold Ltd. (“Sandstorm”) for consideration of \$100,000.

CONDOR RESOURCES INC.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

(b) Ocros, Ocros Province – option granted

In May 2017, a Comprehensive Agreement (the “Ocros Agreement”) was signed with Compañía Minera Virgen de la Merced S.A.C. (“Merced”) with respect to the Ocros project. Under the Ocros Agreement, Merced has two exclusive options to earn up to a 70% interest in the Ocros concessions over a period of four years.

To exercise the first option and earn 51%, Merced is required to make the following cash payments to the Company and complete exploration work as follows:

- i. US \$75,000 upon signing the Ocros Agreement (received);
- ii. complete 2,000 metres of diamond drilling on or before May 16, 2018 (the first anniversary of the effective date of the agreement (May 16, 2017)) (completed);
- iii. US \$75,000 on or before May 16, 2018 (received);
- iv. US \$75,000 on or before May 16, 2019 (received);
- v. complete a cumulative total of 4,000 metres of diamond drilling on the Ocros Property on or before May 16, 2019 (completed);
- vi. US \$25,000 on or before May 16, 2020, or two months after the date on which an aggregate of 6,000 metres of diamond drilling has been conducted, whichever comes first (received); and
- vii. complete a cumulative total of 6,000 metres of diamond drilling on or before May 16, 2020 (completed).

To exercise the second option and earn an additional 19% in the Ocros property for a total of 70%, Merced must:

- viii. complete 4,000 metres of additional diamond drilling on the Ocros Property and make an additional cash payment of US \$300,000, on or before one year following the exercise of the first option.

(c) Pucamayo, Chinca, Yauyos, and Castrovirreyña Provinces

Subsequent to the February 16, 2009 agreement, the Company dropped all but the Pucamayo 14 concession, and acquired by staking one concession to the east and 2 concessions to the south of Pucamayo 14. These added concessions were not subject to the provisions of the February 16, 2009 agreement and thus owned 100% by the Company. As at March 1, 2016 the project consisted of 19 sq. km., with the Company holding an 85% interest in 6 sq. km. (Pucamayo 14), and a 100% interest in 13 sq. km. of staked concessions. During the fiscal year ended February 28, 2017, the Company acquired unencumbered title to a 100% interest in 94 sq. km. of mineral concessions, and in May 2018 acquired another 2 sq. km. concession by staking. In June 2019, the Company relinquished two concessions, and the total area of the Pucamayo concessions is now 109 sq km. In February 2017, the Company sold a 0.5% NSR royalty on all the Pucamayo concessions except for Pucamayo 14, to Sandstorm for \$50,000.

CONDOR RESOURCES INC.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

(d) Chavin, Santa Province

During the year ended February 28, 2010, the Company acquired two concessions by staking in the Province of Santa, referred to as the Chavin project. During the year ended February 28, 2011, a third concession was acquired by staking.

In November 2015, the Company concluded a production royalty agreement with Compañía Minera Casapalca S.A. ("Casapalca") on the Chavin project. In February 2017, the Company sold a 50% interest in its annual production royalty at Chavin to Sandstorm for \$50,000. In November 2018, Casapalca terminated the production royalty agreement and returned the original three concessions as well as five adjoining concessions to the Company. On termination of the Casapalca production royalty agreement, Sandstorm's interest at Chavin converted to a 0.5% NSR.

(e) San Martin, Castilla Province

During the year ended February 28, 2010, the Company acquired, by staking, one concession in the Province of Castilla for a nominal amount. In 2015, a second contiguous concession was acquired by staking for a nominal amount.

The Company continues to maintain its title and intends to either complete future exploration work or option this property. In February 2017, the Company sold a 0.5% NSR on the San Martin project to Sandstorm for \$50,000.

(f) Soledad, Aija Province

In late 2011, the Company acquired, by sealed bid auction, a 100% interest in one concession in north-central Peru. A second and third concession were acquired by staking in 2015 and 2017.

In April 2017, a Comprehensive Agreement (the "Agreement") was signed with Chakana Resources S.A.C. ("Chakana") with respect to the Soledad project. Pursuant to the Agreement, Chakana has the option to earn a 100% interest in Soledad, over a period of 4.5 years, subject to a 2% NSR in favour of the Company. To earn the 100% interest, Chakana is required to:

- a. complete the following drilling:
 - i. complete a minimum of 3,000m of drilling (or work equivalent) by December 23, 2018 (complete);
 - ii. complete a cumulative total of 5,500m of drilling (or work equivalent) by December 23, 2019 (complete);
 - iii. complete a cumulative total of 8,500m of drilling (or work equivalent) by December 23, 2020 (complete);
 - iv. complete a cumulative total of 12,500m of drilling (or work equivalent) by December 23, 2021 (complete).

CONDOR RESOURCES INC.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

(f) Soledad, Aija Province (continued)

b. make the following cash payments:

- i. US \$10,000 upon signing the MOU (received);
- ii. US \$15,000 upon signing the Agreement (received);
- iii. US \$25,000 by December 23, 2017 (received);
- iv. US \$50,000 by June 23, 2018 (received);
- v. US \$50,000 by December 23, 2018 (received);
- vi. US \$75,000 by June 23, 2019 (received);
- vii. US \$75,000 by December 23, 2019 (received);
- viii. US \$100,000 by June 23, 2020 (received);
- ix. US \$150,000 by December 23, 2020 (received);
- x. US \$200,000 by June 23, 2021 (received);
- xi. US \$200,000 by December 23, 2021;
- xii. US \$4,425,000 by April 23, 2022.

c. issue 500,000 Chakana Resources Corp. shares to Condor by June 23, 2018, provided Chakana has not terminated the Agreement (received).

Should Chakana exercise the option, it would obtain the right to acquire 50% of the NSR royalty held by Condor by payment of US \$2 million to Condor.

In April 2019, the NSR was amended, whereby Condor received 900,000 Chakana shares and US\$275,000 cash in consideration for reducing the royalty it would retain on exercise of the purchase option from a 2% NSR to a 1% NSR. Chakana will have the right to buy down Condor's remaining 1% NSR to a 0.5% NSR by further payment of US \$1 million. Pre-production NSR payments scheduled to commence in 2022 have also been eliminated.

In the event Chakana does not exercise their option to acquire the Soledad concessions, Chakana will retain a 1% NSR royalty on the concessions, which Condor will have the option to reduce to a 0.5% NSR by payment of US\$1 million.

In November 2020, the Company and Chakana amended the payment schedule, whereby the final payment of US\$4,625,000, originally due by December 21, 2021, is now due as to US\$200,000 by December 21, 2021 and the balance of US\$4,425,000 due by April 23, 2022.

CONDOR RESOURCES INC.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

(g) Quriurqu; Aija and Huarmey Provinces

In February 2012, the Company acquired, by staking, one concession located both in the Provinces of Aija and Huarmey for a nominal amount. In January 2016, the Company petitioned for 6 sq. km. contiguous and to the south of Quriurqu, and secured this area at a sealed bid auction conducted by the Ministry of Energy & Mines in September bringing the total to 8.5 sq. km.

The Company continues to maintain its title and intends to complete future exploration work on option this property. In February 2017, the Company sold a 0.5% NSR on the Quriurqu project to Sandstorm for \$50,000.

(h) Lucero, Castilla Province

The Company previously acquired, by staking, three concessions totaling 21 sq. km.

In November 2015, the Company concluded a production royalty agreement with Compañía Minera Casapalca S.A. (“Casapalca”) on the Lucero project. In February 2017, the Company sold 50% of Condor’s production royalties to Sandstorm for \$50,000. In November 2019, Casapalca provided notice of termination of the production royalty agreement. On termination of the Casapalca production royalty agreement, Sandstorm’s interest at Lucero converted to a 0.5% NSR.

In December 2020, the Company entered into an agreement with Calipuy Resources Inc. (“Calipuy”) whereby Calipuy purchased Condor’s wholly-owned Peruvian subsidiary, MLDS. The principal asset of MLDS is the Lucero project.

Total consideration paid by Calipuy will be US\$3.5 million, payable over six years as follows:

- i. US \$90,000 on the December 21, 2020 (received);
- ii. US \$75,000 on or before June 21, 2022;
- iii. US \$300,000 on or before December 21, 2022;
- iv. US \$500,000 on or before December 21, 2023;
- v. US \$1,000,000 on or before December 21, 2024; and
- vi. US 1,535,000 on or before December 21, 2026.

Calipuy has the option to accelerate the payment schedule to three years, and in such event, the total consideration will be US\$3.0 million, with the final payment being reduced to US \$1,035,000.

If the price of gold averages not less than US\$2,500/ounce over the 30-day period preceding the final payment date, the total consideration will increase to US\$4.0 million, with the final payment being US\$ 2,035,000.

If the price of gold averages not less than US\$3,000/ounce over the 30-day period preceding the final payment date, the total consideration will increase to US\$6.0 million, with the final payment being US\$ 4,035,000.

CONDOR RESOURCES INC.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

(h) Lucero, Castilla Province (continued)

During the term of the agreement, Condor has the right to participate in future Calipuy financings at a 20% discount to the financing price by converting part or all of any outstanding payments due from Calipuy to the purchase of common shares of Calipuy. Condor's right to participate in a Calipuy financing is limited to 50% of the financing.

Sandstorm, Condor, Calipuy and MLDS have executed an NSR assignment agreement with respect to Sandstorm's NSR, with Calipuy assuming the NSR obligations to Sandstorm.

The Company recognized a gain on the sale of MLDS in the amount of \$2,756,775. This amount is comprised of the following:

| | | |
|--|----|-----------|
| Present value of the total consideration received/receivable | \$ | 2,810,029 |
| Net assets of MLDS on the date of disposition | | (53,254) |
| Gain on sale of MLDS | \$ | 2,756,775 |

Refer also to Note 8.

(i) Humaya, Ayacucho Department

The Company previously acquired by staking one concession of 7 sq. km. In February 2017, the Company sold a 0.5% NSR on the Humaya project to Sandstorm for \$50,000.

(j) Quilisane, Puno Department

The Company originally acquired by staking, and sealed bid auctions, two concessions comprising a total area of 18.4 sq. km. In February 2017, the Company sold a 0.5% NSR on the Quilisane project to Sandstorm for \$50,000. In 2019, the Company reduced its holdings to 4 sq. km.

(k) Huiñac Punta, Huanuco Department

The Company acquired by staking one concession in 2016. In February 2017, the Company sold a 0.5% NSR on the Huiñac Punta project to Sandstorm for \$50,000. Two additional concessions were acquired in November 2017, for a total project area of approximately 20 sq. km. These additional concessions are also subject to the Sandstorm 0.5% NSR.

(l) Andrea, Ayacucho Department

The Company acquired a 100% interest in the 22 sq. km Andrea project by staking and by sealed bid auction conducted by the Peruvian Ministry of Energy and Mines. All costs incurred prior to the Company being granted title to Andrea were charged to project generation.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

(m) Cobreorco, Apurimac Department

The Company acquired a 100% interest in approximately 5 sq. km by staking, and by sealed bid auction conducted by the Peruvian Ministry of Energy and Mines.

(n) Cantagallo, Lima Department

The Company acquired one concession totaling 2 sq. km by staking in 2019.

(o) Other Income

Other income consists of proceeds from the sale of royalties or from the receipt of property option payments or sales proceeds on certain properties in excess of costs previously incurred and deferred by the Company in respect of those interests.

8. OTHER RECEIVABLE

Under the terms of the agreement with Calipuy (see Note 7(h)), the Company is owed US\$3.41 million over the period between February 28, 2021 and December 21, 2026. The total consideration receivable is variable dependent upon certain factors, those being the payment terms met by Calipuy and the future price of gold.

On the date of the agreement, the Company assessed the likelihood of receiving each consideration amount, assigning a 50% probability to receiving US\$3 million, a 50% probability to receiving US\$3.5 million, and a 0% probability to receiving US\$4 million or US\$6 million. The result was that the estimated total consideration to be received by the Company would be US\$3.25 million (Canadian dollar equivalent of \$4,060,284). The Company recorded this amount at its present value of \$2,694,387, using a discount rate of 10%.

The carrying value of the other receivable as at August 31, 2021 consists of the following:

| | | |
|---|----|-----------|
| Balance on the date of the agreement with Calipuy | \$ | 2,810,029 |
| Payment received | | (115,642) |
| Accretion | | 50,452 |
| Foreign exchange loss | | (39,685) |
| Balance, February 28, 2021 | | 2,705,154 |
| Accretion | | 131,329 |
| Foreign exchange loss | | (10,047) |
| Balance, August 31, 2021 | \$ | 2,826,436 |

The other receivable has been recorded as a financial asset at its fair value, reduced by the actual payments received (\$115,642 received to date) and subject to revaluation on an ongoing basis.

Amounts outstanding are classified as current in respect to the values applicable to the period ending one year from the balance sheet date; all residual balances are classified as non-current.

CONDOR RESOURCES INC.

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9. RELATED PARTY TRANSACTIONS

The following amounts are due to related parties and are included in trade payables and accrued liabilities:

The following amounts are due to related parties and are included in trade payables and accrued liabilities:

| | August 31, 2021 | February 28, 2021 |
|--------------------------------------|-----------------|-------------------|
| Directors or officers of the Company | \$ 51,452 | \$ 41,176 |

The Company incurred the following transactions with directors and companies controlled by directors of the Company:

| | For the six months ended August 31, | |
|-------------------|-------------------------------------|-----------|
| | 2021 | 2020 |
| Professional fees | \$ 31,422 | \$ 56,124 |

Key management personnel compensation

| | For the six months ended August 31, | |
|---|-------------------------------------|------------|
| | 2021 | 2020 |
| Management fees | \$ 79,366 | \$ 79,876 |
| Management fees capitalized to mineral properties | 34,788 | 38,186 |
| Management stock-based compensation | 17,856 | - |
| | \$ 132,010 | \$ 118,062 |

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

10. LOAN

During the year ended February 28, 2021, the Company obtained federal government-sponsored financing by way of a \$40,000 line of credit, which converted to a two-year non-interest-bearing term loan on January 1, 2021. The loan is extendable for a further three years, subject to annual interest of 5%. The Company is entitled to debt forgiveness of \$10,000 upon repayment of \$30,000 of the balance on or before December 31, 2022.

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11. CAPITAL STOCK AND CONTRIBUTED SURPLUS

| | Number of shares | Share Capital | Contributed Surplus |
|---------------------------------|---------------------|---------------|------------------------|
| Authorized: | | | |
| Unlimited common shares | | | |
| Issued: | | | |
| Balance as at February 29, 2020 | 109,227,308 | \$ 20,833,387 | \$ 3,515,810 |
| Private placement | 13,200,000 | 990,000 | - |
| Share issuance costs | - | (29,999) | - |
| Options exercised | 2,595,000 | 164,250 | - |
| Fair value of options exercised | - | 104,781 | (104,781) |
| Stock based compensation | - | - | 292,423 |
| Balance as at February 28, 2021 | 125,022,308 | \$ 22,062,419 | \$ 3,703,452 |
| Warrants exercised | 100,000 | 11,500 | - |
| Options exercised | 760,000 | 59,500 | - |
| Fair value of options exercised | - | 53,003 | (53,003) |
| Stock based compensation | - | - | 17,856 |
| Balance as at August 31, 2021 | 125,882,308 | \$ 22,186,422 | \$ 3,668,305 |

(a) Share Issuances

During the six months ended August 31, 2021:

- i. 760,000 incentive stock options were exercised for gross proceeds of \$59,500. \$53,003 was transferred from contributed surplus to share capital, being the fair value of the stock options exercised.
- ii. 100,000 share purchase warrants were exercised for gross proceeds of \$11,500.

During the year ended February 28, 2021:

- iii. the Company completed a private placement consisting of 13,200,000 units priced at \$0.075 per unit for gross proceeds of \$990,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable into one common share for a period of three years, with an exercise price of \$0.115 per share during the first year, and then \$0.15 thereafter. The Company paid share issue cost of \$29,999 in connection with the private placement. Insiders of the Company purchased 600,000 units of the private placement; and
- iv. 2,595,000 incentive stock options were exercised for gross proceeds of \$164,250. \$104,781 was transferred from contributed surplus to share capital, being the fair value of the stock options exercised.

CONDOR RESOURCES INC.

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11. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

(b) Stock Options

The Company has a stock option plan (the "Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue. The Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of grant with each stock option having a minimum term of five years. The board of directors has the exclusive power over the granting and vesting of options subject to exchange rules.

During the six months ended August 31, 2021:

- i. 760,000 stock options were exercised for gross proceeds of \$59,500;
- ii. the Company recognized stock-based compensation expense of \$17,856;

During the year ended February 28, 2021:

- iii. 2,595,000 stock options were exercised for gross proceeds of \$164,250;
- iv. the Company granted 3,475,000 incentive stock options with an exercise price of \$0.10, expiring on June 19, 2025; and
- v. The Company recognized stock-based compensation expense of \$292,423.

Stock option transactions and the number of stock options outstanding are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|----------------------------------|-------------------|------------------------------------|
| Outstanding at February 29, 2020 | 7,695,000 | \$ 0.09 |
| Granted | 3,475,000 | 0.10 |
| Exercised | (2,595,000) | 0.06 |
| Outstanding at February 28, 2021 | 8,575,000 | \$ 0.09 |
| Exercised | (760,000) | 0.08 |
| Expired | (80,000) | 0.08 |
| Outstanding at August 31, 2021 | 7,735,000 | \$ 0.11 |

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of the stock options granted during the year ended February 28, 2021:

| | For the Year Ended February 28, 2021 |
|--------------------------|---|
| Risk-free interest rate | 0.34% |
| Expected life of options | 5 years |
| Annualized volatility | 140.55% |
| Dividend rate | 0.00% |

CONDOR RESOURCES INC.

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11. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)**(b) Stock Options (continued)**

At August 31, 2021, the Company had the following incentive stock options outstanding entitling the holders thereof to acquire the following common shares in the Company:

| Number of Options | Exercise Price | Expiry Date |
|-------------------|----------------|--------------------|
| 3,660,000 | \$0.12 | September 21, 2022 |
| 500,000 | \$0.07 | February 13, 2024 |
| 100,000 | \$0.06 | February 13, 2024 |
| 3,475,000 | \$0.10 | June 19, 2025 |
| 7,735,000 | | |

7,485,000 incentive stock options were exercisable at August 31, 2021. The weighted average remaining life of the outstanding incentive stock options at August 31, 2021 was 2.40 years (February 28, 2021 – 2.68 years).

(c) Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---------------------------------------|--------------------|---------------------------------|
| Outstanding at February 29, 2020 | 10,666,667 | \$ 0.13 |
| Issued | 13,200,000 | 0.115 |
| Outstanding at February 28, 2021 | 23,866,667 | 0.12 |
| Exercised | (100,000) | 0.115 |
| Outstanding at August 31, 2021 | 23,766,667 | \$ 0.14 |

Share purchase warrants outstanding at August 31, 2021 are:

| Number of Warrants | Exercise Price | Expiry Date |
|--------------------|----------------|------------------|
| 6,666,667 | \$0.15 | February 9, 2022 |
| 4,000,000 | \$0.10 | November 8, 2022 |
| 13,100,000 | 0.15* | June 18, 2023 |
| 23,766,667 | | |

* The exercise price of these warrants was \$0.115 per share until June 18, 2021, and \$0.15 thereafter until expiry.

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12. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

Fair value

All financial instruments are included on the Company's statement of financial position and are measured at either fair value or amortized cost.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable (excluding sales taxes receivable), marketable securities, other receivable, accounts payable and accrued liabilities and loan. The fair values of accounts receivable and accounts payable and accrued liabilities are approximately equal to their carrying value due to their short-term nature.

Financial instruments measured at fair value on the statement of financial position as at August 31, 2021 and as at February 28, 2021 are all classified as Level 1.

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

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and other receivable. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at August 31, 2021 the Company had a cash and cash equivalents balance of \$288,819 to settle current liabilities of \$78,720. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash and cash equivalents and no interest-bearing debt. The Company's current policy is to invest excess cash and cash equivalents in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank. As at August 31, 2021, the Company had \$Nil in interest bearing cashable on demand investment grade guaranteed investment certificates.

CONDOR RESOURCES INC.

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12. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK (continued)

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, other receivable and accounts payable and accrued liabilities that are denominated in United States Dollars and Peruvian Soles. Management believes the risk is not currently significant as approximately 18% of the Company's cash and 20% of its liabilities are denominated in United States Dollars and Peruvian Soles as at August 31, 2021.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(d) Political Uncertainty

In conducting operations in Peru, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Peru, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

As at August 31, 2021, there was \$15,534 (August 31, 2020 - \$13,558) of exploration and evaluation expenditures included in accounts payable and accrued liabilities.

During the six months ended August 31, 2021, amortization expense of \$4,826 (August 31, 2020 - \$1,506) was capitalized to mineral properties.

CONDOR RESOURCES INC.

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14. 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, exploration and development of mineral properties and to maintain its ability to continue as a going concern. 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, and as such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management and remained unchanged during the six months ended August 31, 2021 and the year ended February 28, 2021.

15. COVID-19

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.