



## **CONDOR RESOURCES INC.**

### **Consolidated Financial Statements**

(expressed in Canadian dollars)

**For the Years Ended February 29, 2020 and February 28, 2019**

## Independent Auditor's Report

To the Shareholders of Condor Resources Inc.,

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Condor Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at February 29, 2020 and February 28, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is James D. Gray.

A handwritten signature in cursive script that reads "De Visser Gray LLP".

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada  
August 10, 2020

**CONDOR RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(expressed in Canadian dollars)

	As at February 29, 2020	As at February 28, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 61,088	\$ 113,443
Prepaid expenses	11,230	13,376
Accounts receivable	10,356	7,771
Marketable securities (Note 5)	158,650	212,000
<b>Total Current Assets</b>	<b>241,324</b>	<b>346,590</b>
<b>Non-Current Assets</b>		
Equipment (Note 6)	7,057	8,868
Exploration and evaluation assets (Note 7)	1,979,571	1,750,504
<b>Total Non-Current Assets</b>	<b>1,986,628</b>	<b>1,759,372</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,227,952</b>	<b>\$ 2,105,962</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 102,129	\$ 113,749
<b>TOTAL LIABILITIES</b>	<b>102,129</b>	<b>113,749</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	20,833,387	20,585,363
Contributed surplus (Note 9)	3,515,810	3,509,063
Deficit	(22,223,374)	(22,102,213)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,125,823</b>	<b>1,992,213</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,227,952</b>	<b>\$ 2,105,962</b>

Nature of operations (Note 1)  
Subsequent Events (Note 14)

Approved on behalf of the Board:

“Paul Larkin” \_\_\_\_\_ Director

“Lyle Davis” \_\_\_\_\_ Director

See accompanying notes to consolidated financial statements.

**CONDOR RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(expressed in Canadian dollars)

	<b>For the Years Ended</b>	
	<b>February 29, 2020</b>	<b>February 28, 2019</b>
<b>Administrative expenses</b>		
Conferences and seminars	\$ 1,221	\$ 7,233
Foreign exchange loss	9,179	3,715
Insurance	8,400	8,640
Investor relations	683	4,634
Management fees and consulting fees	179,090	174,243
Office and miscellaneous	21,328	18,865
Professional fees	44,388	26,012
Project generation	29,298	117,833
Regulatory fees	15,399	19,167
Stock-based compensation	28,769	60,814
Travel and entertainment	5,542	1,643
	<b>(343,297)</b>	<b>(442,799)</b>
<b>Other items</b>		
Interest income	-	1,070
Other income (Note 7(o))	571,208	63,921
Gain (loss) on sale of marketable securities	(34,172)	8,043
Unrealized loss on marketable securities (Note 5)	(314,900)	(68,000)
	<b>222,136</b>	<b>5,034</b>
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (121,161)</b>	<b>\$ (437,765)</b>
<b>Basic And Diluted Loss Per Share Outstanding</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number Of Shares Outstanding</b>	<b>104,862,763</b>	<b>103,620,870</b>

See accompanying notes to consolidated financial statements.

**CONDOR RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(expressed in Canadian dollars)

	For the Years Ended	
	February 29, 2020	February 28, 2019
Cash and cash equivalents provided by (used in):		
Operating Activities		
Net loss for the year	\$ (121,161)	\$ (437,765)
Items not affecting cash:		
Stock-based compensation	28,769	60,814
Unrealized loss on marketable securities	314,900	68,000
(Gain) loss on sale of marketable securities	34,172	(8,043)
Recoveries included in income and reclassified to investing activities	(571,208)	(63,921)
Changes in non-cash operating working capital items:		
Decrease in prepaid expenses	2,145	2,235
(Increase) decrease in accounts receivable	(2,584)	2,576
Increase (decrease) in accounts payable and accrued liabilities	(10,426)	64,326
	(325,393)	(311,778)
Investing Activities		
Equipment purchased	(1,056)	(7,298)
Exploration and evaluation expenditures	(635,733)	(607,249)
Expenditure recoveries/option proceeds	601,548	424,450
Sale of marketable securities	82,277	38,043
	47,036	(152,054)
Financing Activities		
Share capital issued	233,500	187,500
Share issue costs	(7,498)	-
	226,002	187,500
Decrease in cash and cash equivalents during the year	(52,355)	(276,332)
Cash and cash equivalents - beginning of year	113,443	389,775
Cash and cash equivalents - end of year	\$ 61,088	\$ 113,443

See accompanying notes to consolidated financial statements.

**CONDOR RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(expressed in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, February 28, 2018	102,057,308	\$ 20,397,863	\$ 3,448,249	\$ (21,664,448)	\$ 2,181,664
Warrants exercised	2,500,000	187,500	-	-	187,500
Stock-based compensation	-	-	60,814	-	60,814
Net loss and comprehensive loss for the year	-	-	-	(437,765)	(437,765)
Balance, February 28, 2019	104,557,308	20,585,363	3,509,063	(22,102,213)	1,992,213
Private placement financing	4,000,000	200,000	-	-	200,000
Share issuance costs	-	(7,498)	-	-	(7,498)
Options exercised	670,000	33,500	-	-	33,500
Fair value of options exercised	-	22,022	(22,022)	-	-
Stock-based compensation	-	-	28,769	-	28,769
Net loss and comprehensive loss for the year	-	-	-	(121,161)	(121,161)
Balance, February 29, 2020	109,227,308	\$ 20,833,387	\$ 3,515,810	\$ (22,223,374)	\$ 2,125,823

See accompanying notes to consolidated financial statements.

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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### **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 consolidated financial statements of the Company for the years ended February 29, 2020 and February 28, 2019 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors on August 10, 2020.



## CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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### 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., its 100% owned Peruvian subsidiary, Minas Lucero Del Sur 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
Minas Lucero Del Sur S.A.C.	Peru	100%	Carries out business for a Peruvian property
Ferroaluminios Peru No.4 S.A.C.	Peru	85%	Carries out business for Peruvian properties

In September 2019, Condor Exploration Peru S.A.C. absorbed Minera Vertiente del Sol S.A.C. to simplify the corporate structure of the Company's subsidiaries in Peru.

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 cost 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.

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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

#### **(a) Exploration and evaluation assets (continued)**

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.

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.

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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

#### **(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.

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**

The following financial assets are classified as subsequently measured at amortized cost - cash and cash equivalents and accounts receivable (excluding sales tax receivable).

Marketable securities are classified as fair value through profit or loss ("FVPL").

The classification of financial assets is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Transaction costs with respect to financial instruments classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments.

The Company's financial assets are classified into one of the following two measurement categories:

Financial assets held within a business model for the purpose of collecting contractual cash flows ("held to collect") that represent solely payments of principal and interest ("SPPI") are measured at amortized cost. Financial assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sold prior to maturity and the contractual cash flows represent solely payments of principal and interest are measured at FVPL.

The following financial liability is classified as subsequently measured at amortized cost - accounts payable and accrued liabilities.

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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

#### **(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.

#### **(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.

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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

#### **(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%

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

The Company has reviewed the new and revised accounting pronouncements that are issued and effective as of March 1, 2019:

- IFRS 16 Leases; and
- IAS 12 Income Taxes – Annual Improvements to IFRS Standards.

These new and revised standards did not have a material impact on the Company's consolidated financial statements.

### **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.

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.

## CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 835,000 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 February 29, 2020 fair market value of \$158,650. During the year ended February 29, 2020, the Company sold 465,000 common shares of Chakana for gross proceeds of \$82,277 (February 28, 2019 - \$38,043). Subsequent to February 29, 2020, the Company sold 435,000 common shares of Chakana for gross proceeds of \$95,160.

### 6. EQUIPMENT

	Computer equipment	Office furniture and equipment	Total
<b>COST</b>			
Balance, February 28, 2018	\$ 14,204	\$ 5,240	\$ 19,444
Additions	3,161	4,137	7,298
Balance, February 28, 2019	\$ 17,365	\$ 9,377	\$ 26,742
Additions	-	1,056	1,056
Balance, February 29, 2020	\$ 17,365	\$ 10,433	\$ 27,798
<b>AMORTIZATION</b>			
Balance, February 28, 2018	\$ 12,728	\$ 2,779	\$ 15,507
Amortization	1,848	519	2,367
Balance, February 28, 2019	\$ 14,576	\$ 3,298	\$ 17,874
Amortization	1,864	1,003	2,867
Balance, February 29, 2020	\$ 16,440	\$ 4,301	\$ 20,741
<b>CARRYING AMOUNTS</b>			
As at February 28, 2019	\$ 2,789	\$ 6,079	\$ 8,868
As at February 29, 2020	\$ 925	\$ 6,132	\$ 7,057

**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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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 February 29, 2020 and February 28, 2019.

**Summary of Exploration and Evaluation Expenditures**

	As at February 29, 2020	As at February 28, 2019
Acquisition costs	\$ 82,564	\$ 94,707
Deferred exploration costs	1,486,519	1,238,224
	1,569,083	1,332,931
IGV taxes	410,488	417,573
Total	<u>\$ 1,979,571</u>	<u>\$ 1,750,504</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.

**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

**Schedule of Exploration and Evaluation assets – Peru  
For the Year Ended February 29, 2020**

	Pucamayo	Lucero	Ocos	Chavin	Quriurqu	San Martin	Soledad	Humaya	Huinac Punta	Andrea	Quilisane	Cobreorco	Cantagallo	Total
<b>Acquisition costs</b>														
Balance, as at March 1, 2019	\$ 62,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,564
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, as at February 29, 2020	62,509	-	-	-	-	-	20,055	-	-	-	-	-	-	82,564
<b>Exploration and evaluation expenditures</b>														
Balance, as at March 1, 2019	606,332	-	-	124,072	106,007	263,579	-	2,911	95,445	19,642	3,918	28,461	-	1,250,367
Additions during the year														
Property tenure	58,843	-	(1,193)	3,978	2,386	2,373	-	2,784	13,997	12,729	7,956	3,296	796	107,945
Community relations	2,009	-	-	-	-	-	-	-	-	-	-	-	-	2,009
Office and technical support	47,505	15,776	25,296	18,179	8,656	17,047	364,182	-	20,483	8,451	166	8,797	-	534,538
	108,357	15,776	24,103	22,157	11,042	19,420	364,182	2,784	34,480	21,180	8,122	12,093	796	644,492
Balance, as at February 29, 2020	714,689	15,776	24,103	146,229	117,049	282,999	364,182	5,695	129,925	40,822	12,040	40,554	796	1,894,859
Proceeds of option and royalty payments	-	-	(24,103)	-	-	-	(384,237)	-	-	-	-	-	-	(408,340)
<b>Overall balances, as at February 29, 2020</b>	\$ 777,198	\$ 15,776	\$ -	\$ 146,229	\$ 117,049	\$ 282,999	\$ -	\$ 5,695	\$ 129,925	\$ 40,822	\$ 12,040	\$ 40,554	\$ 796	\$1,569,083



**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

**Schedule of Exploration and Evaluation assets – Peru  
For the Year Ended February 28, 2019**

	Pucamayo	Lucero	Ocros	Chavin	Quriurqu	San Martin	Soledad	Humaya	Huinac Punta	Andrea	Quilisane	Cobreorco	Total
<b>Acquisition costs</b>													
Balance, as at March 1, 2018	\$ 62,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,707
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, as at February 28, 2019	62,509	-	-	-	-	-	32,198	-	-	-	-	-	94,707
<b>Exploration and evaluation expenditures</b>													
Balance, as at March 1, 2018	476,945	-	81,161	97,869	87,422	232,995	325,548	168	6,570	-	-	-	1,308,678
Additions during the year													
Geophysics	61,702	-	-	-	-	-	-	-	-	-	-	-	61,702
Property tenure	12,146	-	-	-	1,993	-	-	2,743	19,836	-	3,918	-	40,636
Geochemistry	-	-	-	-	-	-	-	-	28	-	-	-	28
Office and technical support	55,539	56,388	92,380	26,203	16,592	30,584	102,909	-	69,011	19,642	-	28,461	497,709
	129,387	56,388	92,380	26,203	18,585	30,584	102,909	2,743	88,875	19,642	3,918	28,461	600,075
Balance, as at February 28, 2019	606,332	56,388	173,541	124,072	106,007	263,579	428,457	2,911	95,445	19,642	3,918	28,461	1,908,753
Proceeds of option and royalty payments	-	(56,388)	(173,541)	-	-	-	(440,600)	-	-	-	-	-	(670,529)
<b>Overall balances, as at February 28, 2019</b>	\$ 668,841	\$ -	\$ -	\$ 124,072	\$ 106,007	\$ 263,579	\$ 20,055	\$ 2,911	\$ 95,445	\$ 19,642	\$ 3,918	\$ 28,461	\$ 1,332,931

Costs are exclusive of IGV taxes incurred

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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### **7. EXPLORATION AND EVALUATION ASSETS (continued)**

#### **PERU**

##### ***(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 returns” (“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.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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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.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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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.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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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;
- x. US \$200,000 by June 23, 2021;
- xi. US \$4,625,000 by December 23, 2021.

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.

#### ***(g) Quriurqu; Aija and Huarmey Provinces***

During the year ended February 29, 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.

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

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### **7. EXPLORATION AND EVALUATION ASSETS (continued)**

#### ***(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.

#### ***(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.

#### ***(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.

**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

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**7. EXPLORATION AND EVALUATION ASSETS (continued)****(o) Other Income**

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

**8. RELATED PARTY TRANSACTIONS**

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

	<b>February 29, 2020</b>	<b>February 28, 2019</b>
Directors or officers of the Company	\$ 43,296	\$ 39,872

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

	<b>For the year ended</b>	
	<b>February 29, 2020</b>	<b>February 28, 2019</b>
Professional fees	\$ 51,092	\$ 29,312

Key management personnel compensation

	<b>For the years ended</b>	
	<b>February 29, 2020</b>	<b>February 28, 2019</b>
Management fees	\$ 158,166	\$ 157,506
Management fees capitalized to mineral properties	74,256	73,141
Management stock-based compensation	-	23,907
	\$ 232,422	\$ 254,554

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.

**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

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**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of shares	Share Capital	Contributed Surplus
Authorized Unlimited common shares			
Issued:			
Balance as at February 28, 2018	102,057,308	\$ 20,397,863	\$ 3,448,249
Exercise of warrants	2,500,000	187,500	-
Stock based compensation	-	-	60,814
Balance as at February 28, 2019	104,557,308	\$ 20,585,363	\$ 3,509,063
Private placement	4,000,000	200,000	-
Share issuance costs	-	(7,498)	-
Options exercised	670,000	33,500	-
Fair value of options exercised	-	22,022	(22,022)
Stock based compensation	-	-	28,769
Balance as at February 29, 2020	109,227,308	\$ 20,833,387	\$ 3,515,810

**(a) Share Issuances**During the year ended February 29, 2020:

- i. In November 2019, the Company completed a private placement consisting of 4,000,000 units priced at \$0.05 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at \$0.10 into one common share for a period of three years. No commissions or finder's fees were paid in connection with the private placement; and
- ii. In January 2020, 670,000 stock options were exercised for gross proceeds of \$33,500. \$22,022 was transferred from contributed surplus to share capital, being the fair value of the stock options exercised.

During the year ended February 28, 2019:

- i. 2,500,000 common shares were issued upon the exercise of 2,500,000 warrants with an exercise price of \$0.075 for gross proceeds of \$187,500.



**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

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**9. 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 year ended February 29, 2020:

- i. 670,000 stock options were exercised for gross proceeds of \$33,500;
- ii. 1,065,000 stock options with a weighted average exercise price of \$0.10 expired unexercised;
- iii. The Company recognized stock-based compensation expense of \$28,769.

During the year ended February 28, 2019:

- iv. The Company granted 1,600,000 incentive stock options with a weighted average exercise price of \$0.07. 500,000 options granted at \$0.09 in August 2018 vest as follows: 25% immediately; 25% 4 months after the grant date; 25% 8 months after the Grant Date; and 25% 12 months after the Grant Date. 600,000 options granted at \$0.06 in February 2019 vested immediately. 500,000 options granted at \$0.07 in February 2019 vest as follows: 25% immediately; 25% 4 months after the grant date; 25% 8 months after the Grant Date; and 25% 12 months after the Grant Date;
- v. The Company recognized stock-based compensation expense of \$60,814.

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

	Number of Options	Weighted Average Exercise Price
Outstanding at February 28, 2018	8,580,000	\$ 0.09
Granted	1,600,000	0.07
Expired/cancelled/forfeited	(750,000)	0.08
Outstanding at February 28, 2019	9,430,000	\$ 0.09
Exercised	(670,000)	0.05
Expired/cancelled/forfeited	(1,065,000)	0.10
Outstanding at February 29, 2020	7,695,000	\$ 0.09

**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the current and previous fiscal years:

	For the Year Ended February 29, 2020	For the Year Ended February 28, 2019
Risk-free interest rate	N/A	1.95%
Expected life of options	N/A	5 years
Annualized volatility	N/A	140.55%
Dividend rate	N/A	0.00%

At February 29, 2020, 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
1,455,000	\$0.05	March 9, 2021
880,000	\$0.08	August 11, 2021
3,760,000	\$0.12	September 21, 2022
500,000	\$0.09	August 1, 2023
500,000	\$0.07	February 13, 2024
600,000	\$0.06	February 13, 2024
<b>7,695,000</b>		

7,695,000 incentive stock options were exercisable at February 29, 2020. The weighted average remaining life of the outstanding incentive stock options at February 29, 2020 was 2.4 years (February 28, 2019 – 2.99 years).

**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)**

## (c) Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at February 28, 2018	16,816,667	\$ 0.10
Issued	2,300,000	0.10
Expired	(7,650,000)	0.075
Exercised	(2,500,000)	0.075
Outstanding at February 28, 2019	8,966,667	\$ 0.14
issued	4,000,000	0.10
Expired	(2,300,000)	0.10
Outstanding at February 29, 2020	10,666,667	\$ 0.13

Share purchase warrants outstanding at February 29, 2020 are:

Number of Warrants	Exercise Price	Expiry Date
6,666,667	\$0.15	February 9, 2022
4,000,000	\$0.10	November 8, 2022
<u>10,666,667</u>		

In June 2018, the Company implemented a warrant exercise incentive program (the "Incentive Program") designed to encourage the early exercise of up to 7,665,000 of its 10,150,000 outstanding \$0.075 warrants. The warrants were exercisable at a price of \$0.075 per common share until October 11, 2018, October 22, 2018, or November 14, 2018.

Pursuant to the Incentive Program, the Company offered an inducement to each warrant holder that exercised their warrants between June 17, 2018 and July 6, 2018 ("Early Exercise Period"), by the issuance of one additional share purchase warrant for each warrant exercised early. Each new warrant (the "Incentive Warrant") will entitle the holder to purchase one additional share on or before July 8, 2019 at a price of \$0.10.

Upon closing of the Incentive Program, the Company received gross proceeds of \$172,500 from the exercise of 2,300,000 share purchase warrants, of which 300,000 were exercised by insiders of the Company. The exercising warrant holders received 2,300,000 Incentive Warrants. All of the incentive warrants expired unexercised in July 2019.

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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### **10. 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 and accounts payable and accrued liabilities. 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 February 29, 2020 and as at February 28, 2019 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. 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 February 29, 2020 the Company had a cash and cash equivalents balance of \$61,088 to settle current liabilities of \$102,129. 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 February 29, 2020, the Company had \$Nil in interest bearing cashable on demand investment grade guaranteed investment certificates.

## **CONDOR RESOURCES INC.**

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For the Years Ended February 29, 2020 and February 28, 2019

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### **10. 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 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 48% of the Company's cash and 10% of its liabilities are denominated in United States Dollars and Peruvian Soles as at February 29, 2020.

#### (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.

### **11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

As at February 29, 2020, there was \$9,155 (February 28, 2019 - \$10,348) of exploration and evaluation expenditures included in accounts payable and accrued liabilities.

During the year ended February 29, 2020, amortization expense of \$2,867 (February 28, 2019 - \$2,367) was capitalized to mineral properties.

In April 2019, the Company received 900,000 common shares of Chakana at a fair value of \$378,000 pursuant to the Soledad property option agreement described in Note 7(f).

In June 2018, the Company received 500,000 common shares of Chakana at a fair value of \$310,000 pursuant to the Soledad property option agreement described in Note 7(f(c)).

**CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

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**12. INCOME TAXES**

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

	2020	2019
Net loss for the year	\$ (121,161)	\$ (437,765)
Statutory tax rate	31.64%	27.42%
Expected income tax recovery	(38,330)	(120,044)
Non-deductible items and other	102,123	35,239
Share issue costs	(2,024)	-
Effect of non-capital loss carryforwards	(118,684)	-
Unrecognized benefit of non-capital losses	56,915	84,805
Income tax recovery	\$ -	\$ -

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

	2020	2019
Deferred tax assets:		
Non-capital loss carryforwards	\$ 1,833,570	\$ 2,022,160
Share issue costs	2,100	1,402
Exploration expenditures and equipment	1,719,065	1,640,912
	3,554,735	3,664,474
Valuation allowance	(3,554,735)	(3,664,474)
Net deferred income tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses in Canada of approximately \$6,791,000 (2019 - \$7,222,000). These losses, if not utilized, will expire through to 2040. The Company has non-capital losses available for carryforward of approximately \$Nil in Peru. Future tax benefits which may arise as a result of non-capital losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

## **CONDOR RESOURCES INC.**

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 29, 2020 and February 28, 2019

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### **13. 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 year ended February 29, 2020 and the year ended February 28, 2019.

### **14. SUBSEQUENT EVENTS**

Subsequent to February 29, 2020:

- i. the Company received US \$100,000 from Chakana per the terms of the Soledad Agreement (Note 7(f)(b)(vii));
- ii. 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. No commissions or finder's fees were paid in connection with the private placement. Insiders of the Company purchased 600,000 units of the private placement;
- iii. the Company granted 3,475,000 incentive stock options with an exercise price of \$0.10, expiring on June 19, 2025; and
- iv. 995,000 incentive stock options were exercised for gross proceeds of \$72,750.