



# cascaderocopper

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED NOVEMBER 30, 2020**

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial position and results of operations of Cascadero Copper Corporation (the "Company" or "CCD") as at November 30, 2020 and for the year end, in comparison to the same period in 2019. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended November 30, 2020. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The effective date of this report is March 30, 2021. All figures are presented in Canadian dollars unless otherwise indicated.

### **FORWARD-LOOKING STATEMENTS**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of drill results may also be considered as a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of the effective date of this MD&A.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, possible variations in mineral resources, labour disputes, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

## **GENERAL**

The Company was incorporated pursuant to the Alberta Business Corporations Act on October 30, 2003 and continued into the Province of British Columbia on June 3, 2004. The Company is listed on the TSX Venture Exchange and trades under the symbol "CCD". The Company is engaged in the business of acquiring and exploring mineral properties located in Argentina. The Company is considered to be in the exploration stage. The Company's head office and principal address are located at #395, 901 West Third Street, North Vancouver, B.C. V7P3P9

Additional information related to the Company is available on its website at [www.cascadero.com](http://www.cascadero.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CORPORATE**

On June 25, 2020, the Company accepted the resignation of Mr. Brian Causey as officer and director and has appointed Mr. Lorne Harder and Mr. Christopher Ecclestone to the board.

On July 2, 2020, the Company announced the appointment of Mr. Greg Andrews to the Board of Directors. In addition, the Board has appointed Mr. Lorne Harder, Dr. George Gale, and Mr. Greg Andrews to both the Audit and Compensation Committees.

On August 6, 2020, the Company announced that Dr. George Gale has been appointed as Non-Executive Chairman of the Board.

On August 19, 2020, the Company announced that Mr. Christopher Ecclestone has tendered his resignation as the Chief Executive Officer of the Company, effective immediately. Mr. Ecclestone continued in his role as a non-executive director of the Company.

On September 14, 2020, the Company announced that Ms. Natasha Tsai has been appointed Chief Financial Officer of the Company.

On October 17, 2020, Mr. Christopher Ecclestone resigned as a director of the Company.

On November 18, 2020, at our Annual General Meeting, Mr. Anthony Cau and Dr. David Dreisinger were elected to join the Board of Directors, along with Mr. Lorne Harder, Dr. George Gale, and Mr. Greg Andrews.

## **DESCRIPTION OF BUSINESS**

The Company is in the process of exploring and developing mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for investment in joint venture and exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the exploration and evaluation assets, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets.

## **PERFORMANCE SUMMARY**

The Company operates in one jurisdiction: Argentina via entities incorporated in Argentina, Salta Exploraciones S.A., Cascadero Minerals S.A., Salta Geothermal S.A. ("SGSA") and Trumetals S.A. (collectively "the Argentina Entities"). On November 30, 2016, the Company and Regberg Ltd. ("Regberg") closed an agreement that enabled Regberg to have a 30% beneficial interest in Cascadero Minerals Corporation ("CMC"), a subsidiary of the Company. The Company has concluded that the Argentina Entities is a joint venture and the Company retained joint control in these entities, effective November 30, 2016. Subsequent to December 1, 2016, the Company has accounted for its interests in the Argentina Entities using the equity method on a 70/30 basis. During the year ended November 30, 2020 the Company's share of loss of the Argentina Entities was \$83,521.

Effective on March 13, 2020, Regberg has, with the consent of the Company, transferred all of its shares in CMC to NB Projects Asia Pte. Ltd. ("NB Projects Asia"). CMC, the Company, Regberg and NB Projects Asia entered into an Assignment and Assumption Agreement dated March 13, 2020 pursuant to which NB Projects Asia has agreed

to assume, be bound by, and discharge the obligations of Regberg under the CMC Shareholders' Agreement.

On December 2, 2019, the Company and its subsidiaries, CMC and SGSA, entered into an Exploration and Development Earn-in Agreement (the "Earn-In Agreement") with Golden Minerals Company ("Golden"), a public company based in Golden, Colorado. Pursuant to the Earn-In Agreement, SGSA granted Golden the exclusive right to acquire a 51% ownership interest in the Sarita Este Concession by payment of:

- A non-refundable payment in cash of \$197,881 (US\$150,000);
- Incurring a total of US\$2.5 million of minimum work requirements for exploration and development expenditures; or
- By cash payments in lieu of annual work commitments, as follows: (1) US\$300,000 in the second year, plus a 2,000-metrecore drilling program on the Concession; (2) US\$500,000 in the third year; and (3) the remaining balance of US\$1.7 million by the end of the fourth year.

Golden has since completed some technical work on the Sarita Este property. The work was divided into three stages: 1) initial data review and compilation, 2) field observations, data collection, sample prep and submittal and 3) data interpretation, data base organization.

In the effort to strengthen the balance sheet, on February 17, 2021, the Company entered into debt settlement agreements with creditors to settle the following debts (collectively, the "Debt"):

- (i) \$225,000 due to the estate of Mr. McWilliam and estate of Ms. Harder (together, the "Estates") pursuant to a loan agreement effective October 3, 2017, consisting of \$200,000 in principal and \$25,000 in accrued interest thereon, will be settled by cash payments of \$100,000 to each of the Estates and the Estates will forgive the accrued interest of \$25,000;
- (ii) \$423,667 due to the estate of Mr. McWilliam will be forgiven;
- (iii) \$307,912 due to the estate of Ms. Harder will be forgiven; and
- (iv) \$21,341 due to AFRI will be forgiven.

Upon payment of the aforementioned amounts, the Debt will be fully satisfied and extinguished. In connection with settlement of the Debt, the Company has entered into a share transfer agreement with the Estates pursuant to which the Company will acquire from the Estates all of their shares in the capital of Cosmos Minerals Corporation for a nominal amount.

## HISTORIC EXPLORATION INFORMATION

### ARGENTINA

In 2016, the Company focused on reorganizing its Argentine property portfolio. Field work did not get underway until mid-2016 when the company decided to conduct a second drill program on the Taron property. Taron was the focus of field work and the drill program was completed. As discussed above, and on November 30, 2016, the Company and Regberg closed an agreement that enabled Regberg to have joint control with the Company on Argentine properties' operations. No project spending on Argentine properties occurred in 2019 and 2020.

## SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's annual financial operations. For more detailed information, refer to the audited consolidated financial statements.

ITEM	November 30, 2020	November 30, 2019	November 30, 2018
	\$	\$	\$
Working capital deficiency	(1,495,074)	(1,284,464)	(788,193)
Deficit	(29,148,431)	(27,919,564)	(27,482,985)
Net loss	(1,228,867)	(436,579)	(809,833)
Basic and diluted loss per share	(0.007)	(0.002)	(0.005)
Total Assets	211,291	368,444	690,729

The Company earns interest revenue from cash held in banks. The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance the growth of its business.

## SELECTED QUARTERLY INFORMATION

The following are selected financial data from the Company's unaudited financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended November 30, 2020.

	November 30, 2020	August 31, 2020	May 31, 2020	February 28, 2020
Total assets	\$211,291	\$353,257	\$235,893	\$323,344
Exploration & evaluation assets	---	---	---	---
Working capital deficiency	(1,495,074)	(1,502,663)	(1,321,314)	(1,167,944)
Shareholders' deficiency	(1,495,074)	(1,333,815)	(1,151,710)	(998,340)
Net income (loss)	(775,829)	(364,742)	(151,375)	63,079
Basic and diluted income (loss) per share	(0.004)	(0.002)	(0.001)	0.000

	November 30, 2019	August 31, 2019	May 31, 2019	February 28, 2019
Total assets	\$368,444	\$552,037	\$701,664	\$810,798
Exploration & evaluation assets	---	---	---	---
Working capital deficiency	(1,284,464)	(1,555,150)	(1,303,880)	(991,388)
Shareholder's deficiency	(1,114,860)	(1,385,545)	(1,134,155)	(821,541)
Net income (loss)	504,088	(267,579)	(382,135)	(392,850)
Basic and diluted income (loss) per share	0.003	(0.002)	(0.002)	(0.000)

Total assets for the quarter ended February 28, 2019 increased as a result of the private placement closed during the quarter.

Total assets for the quarters ended May 31, 2019 and August 31, 2019 decreased as a result of decreases in cash which was spent to pay expenses for the quarters.

For the quarter ended November 30, 2019, net income increased as a result of the share of income of investment in joint venture (instead of a loss) recorded during the quarter, which also led to a decrease in share of net liabilities in joint venture and therefore working capital deficiency.

Net income for the quarter ended February 28, 2020 increased as a result of a gain on disposition of marketable securities and the non-refundable deposit income from earn-in agreement.

Net loss for the quarter ended November 30, 2020 increased as a result of the fair value adjustment realized of \$403,508.

The working capital deficiency has been increasing during most of the last eight quarters, as a result of the increases in accounts payable and accrued liabilities and due to related parties and the Company having insufficient cash to pay these liabilities.

## FOURTH QUARTER

In the fourth quarter ended November 30, 2020, the Company incurred a net loss of \$775,829 (2019 – income of \$504,088). The quarter ended November 30, 2019 resulted in a net income as a result of the share of income of investment in joint venture (instead of a loss) recorded during the quarter.

## RESULTS OF OPERATION

The Company had a net loss of \$1,228,867 (\$0.007 per share) for the year ended November 30, 2020 compared to \$436,579 (\$0.002 per share) for 2019. The increased loss during the year ended November 30, 2020 compared with last year was mainly due to the increase of \$48,960 in interest and penalties, increase of \$115,000 in professional fees, increase of \$36,295 in accretion expense on the loans payable, and increase of \$188,376 in share of loss of investment in joint venture, offset by decrease of \$30,973 in general and administrative expense, decrease of \$52,575 in management fees and the gain on disposal of exploration and evaluation assets of \$70,450. Interest and penalties mostly consist of Part VII.6 tax paid. Professional fees increased as a result of legal fees incurred with respect to all the management changes. Accretion expense was incurred as a result of the Company entering into a loan agreement with Mr. Lorne Harder, a Director of the Company and former Chief Financial Officer and Corporate Secretary. General and administrative expense decreased due to the Company's effort to streamline costs while it restructured its activities. Management fees decreased as a result of management changes. The gain on disposal of exploration and evaluation assets was a result of the earn-in agreement with Golden.

Significant expenses incurred during the year ended November 30, 2020 are as follows: \$37,945 (2019 - \$68,918) in general and administrative, \$48,960 (2019 - \$nil) in interest and penalties, \$58,925 (2019 - \$111,500) in management fees, \$302,127 (2019 - \$187,127) in professional fees, \$62,152 (2019 - \$41,841) in share-based compensation, and \$61,295 (2019 - \$25,000) in accretion and interest expense.

Summarized financial information of the Argentina Entities and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	November 30, 2020 \$	November 30, 2019 \$
Current assets	3,316	136
Current liabilities	(121,523)	(71,107)
Non-current liabilities	(1,109)	(652)
Net liabilities	(119,316)	(71,623)
Ownership interest	70%	70%
Proportion of the Company's ownership interest	(83,521)	(50,136)

  

	2020 \$	2019 \$
Revenue	—	—
Expense	212,945	317,221
Net loss and total comprehensive loss	(212,945)	(317,221)

The Argentina Entities had no contingent liabilities or capital commitments as at November 30, 2020 and 2019.

## FINANCING ACTIVITIES

As of November 30, 2019, the Company had a loan advance of \$101,500 from Mr. Lorne Harder, a Director and former Chief Financial Officer and Corporate Secretary of the Company. This loan was non-interest bearing and was secured by 3,000,000 shares of Amarc Resources Ltd. ("Amarc") owned by the Company. This loan was repaid in full in January 2020.

On July 7, 2020, the Company has obtained a loan of \$200,000 (the "Loan") from Mr. Lorne Harder, a Director and former Chief Financial Officer and Corporate Secretary of the Company, through his wholly-owned company, Springhill Investments Ltd. ("Springhill"). The Loan is non-interest bearing, is payable at the end of one year, may be repaid at any time without penalty and is unsecured. As a condition of the Loan, the Company has issued to Springhill 8,000,000 warrants, each warrant being exercisable for one common share of the Company at an exercise price of \$0.025 per common share (the "Loan Bonus Warrants 2"). The Loan Bonus Warrants 2 expire one year from issuance.

On September 10, 2020, 8,000,000 warrants with an exercise price of \$0.025 per share and an expiry date of July 21, 2021 have been exercised for gross proceeds of \$200,000.

On September 17, 2020, the 16,498,026 treasury shares were returned and cancelled.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has defined its capital as common shares, contributed surplus and retained earnings. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments. The Company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

As at November 30, 2020, the Company held cash of \$158,734 and had a working capital deficiency of \$1,495,074. During the year ended November 30, 2020, net cash used for operating activities was \$397,749. Net cash provided by financing activities consisted of proceeds from warrant exercise of \$200,000, net proceeds from loan payable of \$98,500, and cash received from joint venture partner of \$13,550. The Company received cash of \$197,881 from disposition of exploration and evaluation assets, proceeds of \$175,461 from disposition of marketable securities, and invested \$129,175 in joint venture as part of investing activities. The Company needs to complete additional financings in order to maintain its current activity levels and to fund ongoing operations. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the future.

As at November 30, 2020, the Company had not yet achieved profitable operations and had an accumulated deficit of \$29,148,431 since inception. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Management believes that a future sale of properties in this area is possible and that a sale, after costs and taxes, would result in liquidity to the Company. The consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. Such adjustments could be material.

Historically the Company has financed its operations primarily through equity issuances and through loans from directors and officers and has no regular source of revenue or cash flow. The Company currently has insufficient cash to fund its operations for the next twelve months. The Company is dependent upon its ability to obtain the necessary financing to generate enough cash and cash equivalents, in the short and long term to meet its obligations as they become due and finance its exploration programs. Since February 2020, the coronavirus ("COVID-19) has threatened a slowdown in the global economy and caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's financial position, results of operations and cash flows in future periods. The outcome of these matters cannot be predicted at this time. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The above factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

## **CAPITAL EXPENDITURES**

No capital expenditures were incurred during the years ended November 30, 2020 and 2019. The Company does not currently have any capital expenditure commitments.

## **RELATED PARTY TRANSACTIONS**

a) The Company has the following balances owed to and from related entities as at November 30, 2020:

- (i) \$433,178 (2019 - \$457,916) due to the estate of Bill McWilliam ("Mr. McWilliam"), a director of the Company until March 2020 when he passed away;
  - (ii) \$310,816 (2019 - \$310,888) due to the estate of Judith Harder ("Ms. Harder"), a director and CEO of the Company until December 2018 when she passed away;
  - (iii) \$123,454 (2019 - \$124,682) due to Argentine Frontier Resources Inc. ("AFRI"), an entity controlled by the estate of Mr. McWilliam and estate of Ms. Harder;
  - (iv) \$5,956 (2019 - \$6,105) due to the Company's former Chief Financial Officer who retired in November 2019 (the "Former CFO");
  - (v) \$15,126 (2019 - \$15,126) due to Cosmos Minerals SA Inc., an entity controlled by the estate of Mr. McWilliam and the estate of Ms. Harder;
  - (vi) \$Nil (2019 - \$101,500) due to a Director and former Chief Financial Officer and Corporate Secretary of the Company. The loan advance of \$101,500 was non-interest bearing and was secured by 3,000,000 Amarc shares owned by the Company. The entire amount was paid in January 2020; and
  - (vii) \$Nil (2019 - \$168,848) due from Cosmos Minerals S.A., an entity controlled by the estate of Mr. McWilliam and the estate of Ms. Harder.
- b) Effective October 3, 2017, the Company enter into a loan agreement with Ms. Harder and Mr. McWilliam (the "Lenders") whereby the Lenders agreed to advance up to \$300,000 in readily available funds to the Company. The loan bears an interest rate of 6% per annum. The loan has a minimum term of one year and can be repaid by the Company at any time after one year. The Company has agreed to issue as a loan bonus share purchase warrants that enable each of the Lenders to purchase 1,875,000 shares in the Company at \$0.08 per share exercisable over a term of five years (the "Loan Bonus Warrants 1").

During the year ended November 30, 2017, the Company received \$200,000 from the Lenders and issued 3,750,000 Loan Bonus Warrants 1 with a fair value of \$0.06 per warrant. The Company allocated \$160,654 to the loan and \$139,346 to the Loan Bonus Warrants 1 using the relative fair value method. Two-third of the allocated Loan Bonus Warrants 1 in the amount of \$92,898 was treated as financing charges to the loan proceeds of \$200,000 and the remaining one-third in the amount of \$46,448 was treated as a deferred financing charge. During the year ended November 30, 2018, as the remaining \$100,000 loan proceeds were not received, the deferred financing charge was expensed. The loan has an effective interest rate of 67% and the accretion expense for the year ended November 30, 2018 was \$132,080 including the deferred financing charge in the amount of \$46,448. As at November 30, 2020, the loan has not been repaid and remains outstanding. Subsequent to year ended November 30, 2020, the Company entered a debt settlement agreement to settle this loan.

- c) On July 7, 2020, the Company has obtained a loan of \$200,000 (the "Loan") from Mr. Lorne Harder, a Director and former Chief Financial Officer and Corporate Secretary of the Company, through his wholly-owned company, Springhill Investments Ltd. ("Springhill"). The Loan is non-interest bearing, is payable at the end of one year, may be repaid at any time without penalty and is unsecured. As a condition of the Loan, the Company has issued to Springhill 8,000,000 warrants, each warrant being exercisable for one common share of the Company at an exercise price of \$0.025 per common share (the "Loan Bonus Warrants 2"). The Loan Bonus Warrants 2 expire one year from issuance. The fair value of the Loan Bonus Warrants 2 of \$169,490 has been treated as financing charges to the loan proceeds of \$200,000. As at November 30, 2020, the loan has a carrying value of \$91,805. Accretion expense of \$61,295 has been recorded during the year ended November 30, 2020 in relation to the Loan. The Loan Bonus Warrants 2 have been exercised on September 10, 2020.
- d) During the year ended November 30, 2020, the Company had the following transactions with related parties:
- (i) Incurred \$nil (2019 - \$9,795) in office rent to AFRI;
  - (ii) Incurred \$1,200 (2019 - \$nil) in office rent to the former director and CFO of the Company;
  - (iii) Incurred \$nil (2019 - \$80,000) in management consulting fees to Mr. McWilliam;
  - (iv) Incurred \$58,925 (2019 - \$31,500) in management consulting fees to a private entity controlled by the Company's former director and CFO. The individual resigned as a director and CFO of the Company in June 2020;
  - (v) Incurred \$nil (2019 - \$41,750) in accounting fees to the former CFO of the Company who retired in November 2019; and
  - (vi) Incurred \$9,288 (2019 - \$nil) in accounting fees paid to a company in which the CFO is an owner.

e) Key management compensation

Key management includes the Chairman of the Company, CEO and CFO. The compensation paid or payable to key management for services during the year ended November 30, 2020 and 2019 is identical to the disclosure above other than share-based payments. During the year ended November 30, 2020, key management received share-based payment of \$62,152 (2019 - \$38,405). Key management personnel were not paid post-employment benefit, termination fees or other long-term benefits during the year ended November 30, 2020 and 2019.

## CONTINGENT LIABILITY

The Company entered into an agreement dated September 3, 2015 with an Argentine drilling contractor, pursuant to which the Company agreed to pay up to a maximum amount of US\$1 million in the event of a sale of part, or whole, of any of the mining concessions in the Company's Taca Taca Group. The Taca Taca Group, for the purposes of this agreement, consists primarily of (a) Sarita Sur, (b) Sarita Este, (c) La Sarita I, (d) La Sarita II, (e) the 50% interest over Francisco 1, (f) the 50% interest over Francisco 2, (g) the 33.3% interest over Desierto I, and (h) the 33.3% interest over Desierto II.

The Company and contractor have agreed that the Earn-in Agreement with Golden constitutes a sales transaction as described in the Contingent Agreement and the contractor is entitled to 50% of the US\$150,000 payment received, creating an obligation of US\$75,000 to the contractor. This amount has been accrued in accounts payable and accrued liabilities as at November 30, 2020. The liability will be paid in 10 monthly installments starting in January 2021.

The US\$75,000 payment will be credited towards the maximum contingent liability amount of US\$1,000,000, which will then reduce the contingent liability to a maximum amount of US\$925,000.

## FINANCIAL INSTRUMENTS

a) Management of capital risk

The Company has defined its capital as common shares, contributed surplus and retained earnings. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments. The Company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

b) Fair value of financial instruments

The Company classified its fair value measure with a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 7 *Financial Instruments: Disclosures*.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in market that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

As at November 30, 2020, cash and marketable securities were measured at fair value using level 1 input under the fair value hierarchy. As at November 30, 2020, the Company did not have financial instruments measured at fair value on a recurring basis. The fair value of the Company's due from a joint venture partner, accounts payable and accrued liabilities, and loans payable are estimated to approximate their carrying values as at November 30, 2020 and 2019.



c) Management of industry and financial risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

*Credit risk*

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is primarily associated with cash and cash equivalents. Risk associated with cash is managed through the use of a reputable financial institution. The carrying amount of financial assets presented on the Company's consolidated statements of financial position represents the maximum credit exposure.

*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

*Currency risk*

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risks due to fluctuations in foreign exchange rates. The Company does not hedge its foreign currency risk, and exposure of the Company's financial assets and liabilities to foreign exchange risk is summarized as follows:

	30-Nov-20	30-Nov-19
	\$	\$
U.S. cash	3,531	212
U.S. liabilities	(66,349)	(66,349)
Net	(62,819)	(66,137)

As at November 30, 2020, with other variables unchanged, a 10% strengthening (weakening) of the U.S. dollar against the Canadian dollar would have increased (decreased) net loss by approximately \$6,282.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

*Price risk*

Price risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices. The stock market fluctuation risk is the risk of loss resulting from unfavourable changes in the stock market. Share issues are the primary and often the sole source of financing open to junior corporations in the mining sector. Fluctuations in the trading price have an impact on the valuation of marketable securities.

The Company is exposed to market price risk for its marketable securities, which consist of shares in publicly traded company subject to the fluctuations in share price on the stock exchange. The Company monitors its investments to limit the exposure to price risk.

The effect of a 10% increase in the value of marketable securities held at the reporting date would result in an increase of \$2,599 in the value of the investments and a corresponding increase in other comprehensive income, excluding tax impact. A 10% decrease would have decreased the marketable securities and other comprehensive income by the same amount.

## **SUBSEQUENT EVENTS**

### a) Debt settlements

On February 17, 2021, the Company has entered into debt settlement agreements with creditors to settle the following debts (collectively, the "Debt"):

- (i) \$225,000 due to the estate of Mr. McWilliam and estate of Ms. Harder (together, the "Estates") pursuant to a loan agreement effective October 3, 2017, consisting of \$200,000 in principal and \$25,000 in accrued interest thereon, will be settled by cash payments of \$100,000 to each of the Estates and the Estates will forgive the accrued interest of \$25,000;
- (ii) \$423,667 due to the estate of Mr. McWilliam will be forgiven;
- (iii) \$307,912 due to the estate of Ms. Harder will be forgiven; and
- (iv) \$21,341 due to AFRI will be forgiven.

Upon payment of the aforementioned amounts, the Debt will be fully satisfied and extinguished. In connection with settlement of the Debt, the Company has entered into a share transfer agreement with the Estates pursuant to which the Company will acquire from the Estates all of their shares in the capital of Cosmos Minerals Corporation for a nominal amount.

### b) Private Placement

Subsequent to November 30, 2020, the Company announced that it intends to raise up to \$500,000 by way of a non-brokered unit private placement (the "Offering") of up to 14,285,714 units at a unit price of \$0.035 (the "Units"). Each Unit will consist of one common share at a price of \$0.035 and one share purchase warrant entitling the holder to purchase one additional common share at an exercise price of \$0.05 exercisable 24 months from the date of closing. Proceeds of \$473,500 have been received subsequent to November 30, 2020.

### c) Stock Options

On February 18, 2021 has granted incentive stock options to certain directors, officers, and consultants of the Company to purchase up to 15,000,000 common share. The options are exercisable on or before February 18, 2026 at an exercise price of \$0.05 per share.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

## **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. Actual experience may differ from these estimates and assumptions.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

### (i) Judgments

#### *Valuation of exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount.

### *Joint Arrangement*

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over the other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced or jointly controlled and require equity accounting. Determination of the date that the Company's interest in the Argentine Entities changed from control to joint control also required significant judgment. The Company has determined that effective November 30, 2016, the Company lost control in the Argentina Entities and retained joint control in these entities as the participating parties have joint control and a right to the net assets of the arrangement.

Significant judgments and estimates are also required to determine the fair value of the investments retained in the Argentina Entities that were the former subsidiaries.

At each reporting date, the Company determines whether there is objective evidence that the investment in associate or joint venture is impaired. Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of the investment in associate or joint venture may exceed its recoverable amount.

### *Provision*

Management assesses the probability of a liability being payable as either remote, more than remote or probable. If the liability is considered to be less than probable, then the liability is not recorded and it is only disclosed as a contingent liability.

### (ii) Estimates

### *Share-based payment transactions*

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment are disclosed in Note 9(c) of the condensed interim consolidated financial statements.

## **OUTSTANDING SHARE CAPITAL AS AT THE DATE OF THIS MD&A**

<b>Authorized</b>	Unlimited number of no par value common shares
<b>Issued and outstanding common shares</b>	<b>185,800,866</b>
Stock Options	16,000,000
Warrants	3,750,000

### **Stock Options and Warrants outstanding at March 30, 2021:**

OPTIONS ISSUED	EXERCISE PRICE PER SHARE	EXPIRY DATE
1,000,000	\$0.05	July 16, 2021
15,000,000	\$0.05	February 18, 2026

  

WARRANTS ISSUED	EXERCISE PRICE PER SHARE	EXPIRY DATE
3,750,000	\$0.08	October 3, 2022

## **DISCLOSURE CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended November 30, 2020 and accompanying MD&A.

In contrast to the full certificate under NI 52-109 the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RISKS AND UNCERTAINTIES**

The exploration and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not be successful in overcoming. Few mineral properties which are explored ultimately develop into producing mines. There has been no commercial production of minerals on properties held by the Company to date and there is a high degree of risk that commercial production of minerals will not be achieved.

Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The mining industry is intensely competitive. The commercial viability of a mineral deposit depends on a number of factors including the particular attributes of the deposits (principally size and grade), proximity to infrastructure, the impact of mine development on the environment, environmental regulations imposed by various levels of government and the competitive nature of the industry which causes mineral prices to fluctuate substantially over short periods of time. There can be no assurance that the minerals can be marketed profitably or in such a manner as to provide an adequate return on invested capital.

The operations of the Company are subject to all of the risks normally associated with the operation and development of mineral properties and the development of a mine, including encountering unexpected formations or pressures, caving, flooding, fires and other hazards, all of which could result in personal injuries, loss of life and damage to property of the Company and others. In accordance with customary industry practice, the Company is not fully insured against all of these risks and insurance may not be available for such risks.

The operations of the Company's properties will be subject to various laws and regulations relating to the environment, prospecting, development, production, waste disposal and other matters. Amendments to current laws and regulations governing activities related to the Company's mineral properties may have material adverse impact on operations.

The Company will need additional funding to complete its short and long term objectives. The ability of the Company to fund its operations in the future will depend on the prevailing market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities, to acquire new projects or to otherwise respond to competitive pressures.

Since February 2020, the coronavirus ("COVID-19") has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's financial position, results of operations and cash flows in future periods.