# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED
## AUGUST 31, 2021 AND 2020

## (Expressed in Canadian dollars)

## BATERO GOLD CORP.
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

| | Notes | **August 31, 2021** | August 31, 2020 |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | **2,065,071** | 5,148,574 |
| Amounts receivables | | **1,043** | 889 |
| Prepaid expenses and advances | | **28,941** | 61,161 |
| **Total current assets** | | **2,095,055** | 5,210,624 |
| Property and equipment | 5 | **3,037,162** | 2,607,246 |
| Exploration assets | 6 | **43,942,807** | 41,870,118 |
| **Total non-current assets** | | **46,979,969** | 44,477,364 |
| **Total assets** | | **49,075,024** | 49,687,988 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 10 | **372,782** | 133,946 |
| **Total current liabilities** | | **372,782** | 133,946 |
| **Equity** | | | |
| Share capital | 7 | **66,327,048** | 66,327,048 |
| Equity reserve | 8 | **11,987,213** | 11,987,213 |
| Deficit | | **(29,612,019)** | (28,760,219) |
| **Total equity** | | **48,702,242** | 49,554,042 |
| **Total liabilities and equity** | | **49,075,024** | 49,687,988 |

These consolidated financial statements were approved for issue by the Board of Directors on December 27, 2021, and are signed on its behalf by:

*"Gonzalo de Losada"*
*Director*

*"Juan David Uribe"*
*Director*

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

**BATERO GOLD CORP.**
**CONSOLIDATED STATEMENTS OF**
**NET LOSS AND COMPREHENSIVE LOSS**
(Expressed in Canadian dollars)

| | For the year ended | |
|---|---|---|
| | **August 31, 2021** | August 31, 2020 |
| | **$** | $ |
| **Expenses** | | |
| Salaries and wages | **238,859** | 212,324 |
| Depreciation | **30,316** | 26,327 |
| Office and administration | **179,848** | 104,619 |
| Professional and consulting fees | **200,280** | 232,287 |
| Transfer agent and filing fees | **19,009** | 22,541 |
| Travel and accommodation | **707** | 3,187 |
| **Operating expenses** | **669,019** | 601,285 |
| **Operating loss** | **(669,019)** | (601,285) |
| **Other income** | | |
| Interest income (expense) | **4,314** | 89,319 |
| Foreign exchange gain (loss) | **(187,095)** | (78,601) |
| **Other income (expenses)** | **(182,781)** | 10,718 |
| **Net loss and comprehensive loss for the year** | **(851,800)** | (590,567) |
| **Net loss per share:** | | |
| Basic and diluted loss per common share | **(0.01)** | (0.01) |
| Weighted average number of common shares outstanding - Basic and fully diluted | **115,182,383** | 115,182,383 |

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

## BATERO GOLD CORP.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

| | For the year ended | |
|---|---|---|
| | **August 31, 2021** | August 31, 2020 |
| | **$** | $ |
| **Cash flows from:** | | |
| **Operating activities** | | |
| Net loss for the year | **(851,800)** | (590,567) |
| **Adjustment for items not affecting cash:** | | |
| Depreciation | **30,316** | 26,327 |
| **Changes in non-cash working capital items:** | | |
| Amounts receivables | **(154)** | 1,012 |
| Prepaid expenses and advances | **32,220** | (10,940) |
| Accounts payable and accrued liabilities | **238,836** | (38,451) |
| Cash flows from (used in) operating activities | **(550,582)** | (612,619) |
| **Investing activities** | | |
| Additions to property and equipment | **(460,232)** | (305,581) |
| Additions to exploration assets | **(2,072,689)** | (1,468,385) |
| Cash flows from (used in) investing activities | **(2,532,921)** | (1,773,966) |
| Net increase (decrease) in cash | **(3,083,503)** | (2,386,585) |
| Cash, beginning of year | **5,148,574** | 7,535,159 |
| **Cash, end of year** | **2,065,071** | 5,148,574 |

Balance check

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

## BATERO GOLD CORP.
## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS´ EQUITY
(Expressed in Canadian dollars)

| | Share capital | | | | |
|---|---|---|---|---|---|
| | Number of shares | Amount | Equity reserve | Deficit | Shareholders´ equity |
| | | $ | $ | $ | $ |
| **Balance at August 31, 2019 (Note 3.15)** | **115,182,383** | **66,327,048** | **11,987,213** | **(28,169,652)** | **50,144,609** |
| Net loss and comprehensive loss for the year | - | - | - | (590,567) | (590,567) |
| **Balance at August 31, 2020** | **115,182,383** | **66,327,048** | **11,987,213** | **(28,760,219)** | **49,554,042** |
| Net loss and comprehensive loss for the year | - | - | - | (851,800) | (851,800) |
| **Balance at August 31, 2021** | **115,182,383** | **66,327,048** | **11,987,213** | **(29,612,019)** | **48,702,242** |

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

## NOTE 1. NATURE OF OPERATIONS

Batero Gold Corp. was incorporated under the Business Corporations Act (British Columbia) on January 15, 2008. The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "BAT". The Company, together with its subsidiaries (collectively referred to as the "Company" or "Batero"), is engaged in the exploration and development of mineral property interests in Colombia. The Company's head office is located at 2 Toronto St, Suite 230, Toronto, Ontario, M5C 2B5.

The Company is in the process of exploring and evaluating its exploration and evaluation assets. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values.

As at August 31, 2021, the Company had working capital of $1,722,273 (August 31, 2020 - $5,076,678) and a deficit of $29,612,019 (August 31, 2020 - $28,760,219). At present the Company has no producing properties and consequently has no current operating income or cash flow. There is material uncertainty about whether the Company will be able to obtain the required financing and complete or develop a business. This material uncertainty casts significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. These financial statements do not include any adjustments for the recoverability and classification of assets and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In mid-March 2020, federal, regional, and local authorities in Canada, the United States, and other nations began to significantly restrict the ability of people to leave their homes and carry out normal day-to-day activities. These measures will have a significant, negative effect on the economy of all nations for an uncertain period of time. The Company continues to explore its properties in accordance with government guidelines.

The consolidated financial statements of the Company for the years ended August 31, 2021 and 2020, were reviewed, approved, and authorized by the Board of Directors on December 27, 2021.

## NOTE 2. BASIS OF PRESENTATION

**Statement of Compliance**
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards (IASs") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs").

**Details of the Group**
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bahia Bonita Properties S.A. ("Bahia"), a Panamanian company, and Sociedad Minera Quinchia S.A.S. ("Minera Quinchia"), a Colombian company. Intercompany balances and transactions are eliminated on consolidation. All amounts, unless specifically indicated otherwise, are presented in Canadian dollars.

**Basis of Measurement**
The consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

## NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company are as follows:

### 3.1 Critical Judgements and Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

**Critical judgments**
Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

<u>Impairment of long-lived assets</u>
Management is required to assess impairment in respect of intangible exploration assets and property and equipment. Management uses the triggering events defined in IFRS 6 and IAS 36, respectively. Management's assessment of any impairment of exploration assets and property and equipment is dependent on geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits, life of mine plans, economic and market conditions, useful lives of assets and their related salvage values. Management has determined that there were no impairment indicators present under IFRS 6 and IAS 36.

**Estimation uncertainty**
Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Depreciation of property and equipment
Depreciation expense is calculated based on estimated asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of net loss and comprehensive loss.

### 3.2 Cash

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at August 31, 2021 and 2020, the Company did not have any cash equivalents.

### 3.3 Amounts receivable

Amounts receivable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method. Receivables are classified as amortized cost.

### 3.4 Accounts payable and accrued liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are classified as amortized cost and are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

### 3.5 Exploration assets

Costs related to the acquisition, examination and evaluation of exploration assets are capitalized as incurred. General expenses related to evaluation and exploration that are not directly related to the asset are not capitalized and are expensed as incurred.

Once an economically viable reserve has been determined for an area, and the decision to proceed with development has been approved, exploration assets attributable to that area are first tested for impairment and then reclassified to property and equipment.

Subsequent recovery of the value of exploration assets depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

The Company assesses exploration assets for impairment when facts and circumstances suggest that the carrying amounts may exceed the recoverable amounts. To the extent that the value of an exploration asset is not expected to be recovered, it is charged to earnings.

### 3.6 Property and equipment

Property and equipment, which is comprised of land, mobile and field equipment, buildings, office furniture and computer hardware and computer software, is recorded at cost less accumulated depreciation calculated using the straight-line method over their estimated useful lives of between 1 and 20 years. No depreciation is taken on land.

### 3.7 Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common share and any residual value remaining is allocated to common share purchase warrants.

### 3.8 Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, consultants and employees.

The fair value of the options to employees is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model. The fair value is recognized as an expense with a corresponding increase in share-based payment reserves. The amount recognized as expense is adjusted to reflect the number of share options that ultimately vest. On exercise of the option, the related share-based payment expense is reclassified from share-based payment reserve to share capital.

### 3.9 Provision for environmental rehabilitation

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

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

The increase in the provision due to the passage of time is recognized as interest expense. As at August 31, 2021 and 2020, the Company does not have any environmental rehabilitation obligation.

### 3.10 Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flows from use and fair value.

In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

### 3.11 Foreign exchange

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

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates.

Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

### 3.12 Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of net loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is only recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### 3.13 Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

### 3.14 Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in comprehensive income (loss) in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income (loss) in the period in which they arise.

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the expected credit loss has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive income (loss).

### 3.15 Changes in accounting policies

These consolidated financial statements have been prepared to reflect a retrospective application of a change in accounting policy relating to exploration assets. The new accounting policy was adopted voluntarily by the Company on September 1, 2019, and has been applied retrospectively.

The company believes that this accounting policy change results in financial statements providing more reliable and relevant information about the effects of transactions and other events or conditions on the entity's financial position, financial performance, or cash flows. As well as maintaining the same accounting policies for exploration assets both in the parent company and in its subsidiaries.

The previous accounting policy was to capitalize all costs related to acquisition of exploration assets as incurred. Costs related to the evaluation of exploration assets were expensed as incurred.

Subsequent to the accounting policy change, costs related to acquisition, examination and evaluation of exploration assets are capitalized as incurred. General expenses related to exploration assets that are not directly related to the asset are not capitalized but expensed as incurred.

## NOTE 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following three categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI"), at amortized cost.

The carrying values of the Company's financial instruments are classified into the following categories:

| Financial Instrument | Category |
|---|---|
| a. Cash and cash equivalents | FVTPL |
| b. Amounts receivables | Amortized Cost |
| b. Accounts payable and accrued liabilities | Amortized Cost |

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 - applies to assets or liabilities for which there are unobservable market data.
The carrying value of accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments. Pursuant to IFRS 7, the fair value of cash is measured on a recurring basis based on Level 1 inputs.

The Company´s risk exposure and financial instruments are summarized below:

### 4.1 Credit risk

Credit risk is the risk of potential loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is mostly held in large Canadian financial institutions. Management believes that the credit risk concentration with respect to cash is low. The Company currently has limited credit risk from operations.

### 4.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Company prepares expenditure budgets which are regularly monitored and updated as considered necessary. To facilitate its exploration program and ongoing corporate, general and administrative overhead, the Company raises funds through private equity placements, public offerings and option agreements with third parties.

As at August 31, 2021, the Company had cash of $2,065,071 (August 31, 2020 – $5,148,574) to settle current liabilities of $372,782 (August 31, 2020 - $133,946).

### 4.3 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. There is limited interest rate risk due to the short-term nature of the Company's financial instruments.

### 4.4 Foreign currency risk

The Company conducts its business in Colombia in Colombian pesos, and in Canada in Canadian dollars. An insignificant dollar value of business in each country is transacted in a currency that is foreign to that operation, and as a result any foreign currency risk inherent in day-to-day operations is minimal.

The Company funds activities in the Colombian operation and advances funds from time to time by way of direct investment.

As at August 31, 2021, the Company had a balance of cash on hand denominated in US funds of US$1,443,906 and is of the view that the US dollar will appreciate vis-à-vis the Colombian peso, and the Canadian dollar; however, the Company has assumed a foreign exchange risk. Should the US dollar appreciate 10% vis- à-vis the Canadian dollar, the company would experience a net gain of approximately $182,178. Should it depreciate 10% vis-à-vis the Canadian dollar, the company would experience a net loss of approximately $182,178.

(Expressed in Canadian dollars)

### 4.5 Capital Management

The Company's objective when managing capital, defined as its shareholders' equity, is to safeguard the entity's ability to continue as a going concern, so that it can continue to acquire and explore mineral interests.

The Company funds all administration and exploration programs from the issue of shares, generally through private placements. The Company prepares a budget for seasonal exploration programs and may initiate equity offerings to ensure sufficient funds for each season's programs. If the Company is unsuccessful in raising sufficient capital, exploration programs may be extended, delayed or cancelled. In order to conserve cash, the Company may issue shares to pay for properties or compensate directors, employees and contractors through stock options.

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

## NOTE 5. PROPERTY AND EQUIPMENT

| Cost | Land<br>$ | Mobile and field equipment<br>$ | Buildings<br>$ | Computer, hardware and software<br>$ | Office furniture<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| As at August 31, 2019 | 1,776,340 | 174,718 | 619,650 | 290,976 | 152,664 | 3,014,348 |
| Additions | 298,401 | - | - | 7,180 | - | 305,581 |
| As at August 31, 2020 | 2,074,741 | 174,718 | 619,650 | 298,156 | 152,664 | 3,319,929 |
| Additions | 406,443 | 15,315 | - | 34,882 | 3,592 | 460,232 |
| **As at August 31, 2021** | **2,481,184** | **190,033** | **619,650** | **333,038** | **156,256** | **3,780,161** |
| **Accumulated depreciation** | | | | | | |
| As at August 31, 2019 | - | (124,139) | (153,038) | (286,890) | (122,289) | (686,356) |
| Additions | - | (11,055) | (1,436) | (4,883) | (8,953) | (26,327) |
| As at August 31, 2020 | - | (135,194) | (154,474) | (291,773) | (131,242) | (712,683) |
| Additions | - | (7,893) | (1,322) | (15,641) | (5,460) | (30,316) |
| **As at August 31, 2021** | **-** | **(143,087)** | **(155,796)** | **(307,414)** | **(136,702)** | **(742,999)** |
| **Net book value** | | | | | | |
| As at August 31, 2020 | 2,074,741 | 39,524 | 465,176 | 6,383 | 21,422 | 2,607,246 |
| **As at August 31, 2021** | **2,481,184** | **46,946** | **463,854** | **25,624** | **19,554** | **3,037,162** |

## NOTE 6. EXPLORATION ASSETS

The Batero-Quinchia property comprises three concession contracts and two applications for concession contracts in a contiguous block located within the Municipality of Quinchia, Department of Risaralda, Colombia.

The Company has a 100% interest in the Batero-Quinchia Property and will be required to issue an additional 2,000,000 common shares of the Company if a National Instrument 43-101 ("NI 43-101") compliant report is prepared at any time by the Company that establishes the existence of at least five million ounces of gold categorized as measured resources (as such term is defined in NI 43-101) at a cut-off grade of 0.7 grams per tonne of gold or gold equivalent on the Batero-Quinchia Property.

(Expressed in Canadian dollars)

Additions to the Batero-Quinchia Property during the years ended August 31, 2021 and 2020, are as follows:

| | **August 31, 2021 $** | August 31, 2020 $ |
|---|---|---|
| **Opening balance** | **$ 41,870,118** | $ 40,401,733 |
| Exploration costs | | |
| Camp supplies | **110,774** | 95,119 |
| Salaries and wages | **403,149** | 355,262 |
| Field workers | **42,608** | 24,569 |
| Foreign corporate taxes | **139,391** | 87,938 |
| Metallurgy | **329,775** | 88,310 |
| Consulting and professional fees | **246,403** | 86,670 |
| Drilling | **34,951** | 249,831 |
| Security | **53,204** | 62,641 |
| Social and environmental | **600,715** | 358,469 |
| Telephone and communications | **251** | - |
| Topography | **31,609** | - |
| Travel | **64,259** | 35,783 |
| Acquisition costs | | |
| Concession fees | **15,600** | 23,793 |
| Total exploration and acquisition costs | **$ 2,072,689** | $ 1,468,385 |
| **Ending balance** | **$ 43,942,807** | $ 41,870,118 |

## NOTE 7. SHARE CAPITAL

Authorized: Unlimited common shares without par value.

Unlimited preferred shares without par value

There was no activity affecting share capital during the years ended August 31, 2021 and 2020.

## NOTE 8. EQUITY RESERVE

*Stock options*

The Company has a stock option plan (the "Stock Option Plan") under which it may grant options to directors, officers and technical consultants for up to 10% of the issued and outstanding common shares to directors, officers, employees and consultants. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSXV. The options can be granted for a maximum term of five years and vest at the discretion of the board of directors. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

(Expressed in Canadian dollars)

Stock option activity during the year ended August 31, 2021, were as follows:

| | Number of options # | Weighted average exercise price $ |
|---|---|---|
| Balance - August 31, 2019 | 9,000,000 | 0.20 |
| Expired | (900,000) | 0.20 |
| Balance - August 31, 2020 | 8,100,000 | 0.20 |
| Expired | (6,600,000) | 0.20 |
| **Balance - August 31, 2021** | **1,500,000** | **0.20** |

The remaining stock options expire August 15, 2022.

## NOTE 9. INCOME TAXES

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income taxes as a result of the following:

| | August 31, 2021 $ | 2020 $ |
|---|---|---|
| **Statutory tax rates** | **26.50 %** | 26.50 % |
| | | |
| Income tax recovery computed at the statutory rates | **$ (225,700)** | $ (156,500) |
| Tax rate differences | **(27,100)** | (18,700) |
| Benefit of tax losses not recognized | **252,800** | 175,200 |
| **Provision for (recovery of) income taxes** | **$ -** | $ - |

The enacted tax rates in Canada of 26.5% (26.5% - 2020) and Colombia of 31% (32% - 2020) where the company operates are applied in the tax provision calculation.

The following table reflects the Company's deferred income tax assets (liabilities) that have not been recognized in the consolidated financial statements:

| | August 31, 2021 $ | 2020 $ |
|---|---|---|
| Property and equipment | **$ (464,000)** | $ (365,900) |
| Non-capital losses carried forward | **4,406,400** | 4,417,400 |
| Mineral property costs | **2,046,900** | 2,046,900 |
| | **$ 5,989,300** | $ 6,098,400 |

As at August 31, 2021, the Company has Colombian non-capital losses of $4,486,000 CAD (2020 - $4,430,000) that have not been recognized and may be carried forward and applied against Colombian taxable income of future years. The non-capital loss may be carried forward indefinitely.

(Expressed in Canadian dollars)

As at August 31, 2021, the Company has Canadian non-capital losses of $11,380,000 CAD (2020 - $11,318,000) that have not been recognized and may be carried forward and applied against Canadian taxable income of future years. The non-capital losses have expiry dates as follows:

| | $ |
|---|---|
| 2029 | 35,000 |
| 2030 | 573,000 |
| 2031 | 1,993,000 |
| 2032 | 2,647,000 |
| 2033 | 2,162,000 |
| 2034 | 1,016,000 |
| 2035 | 820,000 |
| 2036 | 1,516,000 |
| 2037 | 252,000 |
| 2038 | 54,000 |
| 2039 | - |
| 2040 | 62,000 |
| 2041 | 250,000 |
| **Total** | **11,380,000** |

## NOTE 10. RELATED PARTY DISCLOSURES

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the Compensation Committee.

During the years ended August 31, 2021 and 2020, the Company paid or accrued amounts due to Antioquia Gold Ltd., a company with key management personnel common to Batero, for back office services. Antioquia Gold Ltd. was paid $123,795 (August 31, 2020 - $147,680). Batero shares office space with Antioquia Gold Ltd. and the payments made to it were primarily for shared office costs.

During the year ended August 31, 2021, the Company paid to Cori Puno SAC the amount of $10,090.

Accounts payable and accrued liabilities as at August 31, 2021, is $nil (August 31, 2020 - $26,326) owing to related parties.

## NOTE 11. SEGMENTED INFORMATION

The Company operates in one geographic centre. It has one reportable operating segment, being that of exploration and evaluation activities in Colombia. Geographically, as at August 31, 2021, all non-current assets in the amount of $46,979,969 (August 31, 2020 - $44,477,364) were held in Colombia.

**BATERO GOLD CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

The following management discussion and analysis ("MD&A"), prepared as of December 27, 2021, should be read in conjunction with the Batero Gold Corp. (the "Company" or "Batero") consolidated financial statements and the accompanying notes for the years ended August 31, 2021 and 2020. The Company has adopted International Financial Reporting Standards ("IFRS") and the following disclosure and associated financial statements are presented in accordance with IFRS. All comparative information provided is in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

**Qualified Person**

Except as otherwise disclosed herein, all the scientific and technical information disclosed in this MD&A was reviewed and approved by Roger Moss, Ph.D. P.Geo. a qualified person as defined under NI 43-101.

## 1. GENERAL COMPANY OVERVIEW

Batero is focused on the exploration and development of its 100% owned Batero-Quinchia project, which is located within Colombia's Middle Cauca Belt of porphyry gold-copper and epithermal gold systems (the "Project" or the "Batero-Quinchia Project"). The Company completed a drilling program in 2017 to evaluate the highest gold grades in the oxide and transition zones of the porphyry mineralization at the Batero-Quinchia Project's La Cumbre deposit.

The underlying value of the unproven mineral interests is entirely dependent on the existence of economically recoverable resources and the ability of the Company to obtain the necessary financing to complete development and future production. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

As at August 31, 2021, the Company had working capital of $ 1,794,773 (2020 - $5,076,678) and an accumulated deficit of $ 29,612,019 (2020 - $ 28,760,219). At present the Company has no producing properties and consequently has no current operating income or cash flow. There is material uncertainty about whether the Company will be able to obtain the required financing and complete or develop a business. This material uncertainty casts significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. These financial statements do not include any adjustments for the recoverability and classification of assets and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

The Company continues the process of exploring and evaluating its mineral properties.

## 2. OVERALL PERFORMANCE AND OUTLOOK

On November 9, 2018, the Company announced the results of an updated mineral resource estimate for the La Cumbre deposit at the Project (the "November 2018 News Release") and filed a NI 43-101 compliant technical report on the updated mineral resource estimate with an effective date of September 12, 2018 entitled "Batero Gold Corp. La Cumbre Gold Project, Department of Risaralda, Colombia NI 43-101 Technical Report on Updated Mineral Resource Estimate" prepared by Edgar Vilela Acosta, independent consultant with LINAMEC (the "Report"). Details follow herein under the heading "Discussion of Operations – Batero-Quinchia Project".

Based on results of the September 12, 2018, NI 43-101 Resource Report, the Company is focused on accelerating the La Cumbre deposit towards a development decision. Engineering, environmental impact assessment, archaeological studies and social baseline studies are being updated to reflect a changed footprint and will be used to support a review of any development options.

Batero continues the elaboration of the Mining Technical Work Plan (Programa de Trabajo y Obras or "PTO"), this document describes the project and the work plan in cooperation with Coal Support as a complement to the environmental impact study and as required by the Colombian environmental authorities (ANLA). This work continues in 80% of advance.

External geotechnical consultants (SRK Consulting) finished the engineering design studies of the tailings deposit, organic material deposit, waste deposit, and leaching pad, located in La Perla zone, and the stockpile study located in the Matecaña zone, which includes design criteria, geotechnical characteristics, seismic hazard, water balance, hydraulic design, operation and contingency manuals and maps.

During a period of 35 days, cyanide tests were carried in a column of 5m with a mixed material of 85% of oxides and 15% of transition material obtaining a recovery of 97.54% using 14kg/t of cement, 7kg/t of lime and 1.07kg/t of cyanide. The highest recovery was obtained in the first 15 days raising to 90%. The results obtained from the sulfur material zone with a column of 10m height corresponds to a 36.1% of recovery in a period of 37 days without evidencing the highest recovery on this material, therefore it is recommended to prolong the irrigation time to obtain this recovery value.

Minera Quinchia hired Hidro Asesores to make the design of the distribution of the contact water and neutralization plant, who have presented the balance of water distribution, identifying the required paths to supply the water demand of the community and the project infrastructure. Currently, the team is verifying its functionality from the collection points and established plants to the water storage and distribution tanks.

In addition to the column tests, water treatment studies for detoxification were performed with the support of Stockholm Mining SAC who concluded:

- The removal of copper from the rich ILS and PLS solutions through the SART process does not generate impacts on the recovery of gold and silver, either through the Merrill-Crowe process or adsorption with activated carbon.
- The results obtained for gold recovery through the Merrill-Crowe process for the rich solutions PLS and ILS are between 96.49% and 98.90%.
- The results obtained for the recovery of gold through the adsorption process of activated carbon columns for the rich solutions PLS and ILS are above 99%.
- The treatment of the barren solution from the activated carbon columns is more economical, compared to the development to treat the barren solution from the Merrill-Crowe process.

HLC was hired to carry out the basic engineering for the overland conveyor belt with energy regeneration. According to the general arrangement, it is proposed to have a single transfer zone towards the southern part of the Matecaña deposit both for entry and collection of the mineral from the deposit of sterile material and stockpile of sulfides. This is intended to eliminate the mineral entry zone towards the northern part of the deposit, obtaining benefits in the capital expenditures of the project and avoiding losses in the generation of energy from the OVC.

SGS Lab finished the Humidity Cells Tests (HCT) with weekly cycles of 11 samples. The results indicate that most of the samples analyzed are acid generators and can continue to generate acid over time.

The Company is also evaluating the most cost-effective mining and processing scenario, including a leaching circuit as well as the optimum starter pit production rate for the high-grade gold mineralization in the oxide zone at the La Cumbre deposit. The resulting mine scenario is anticipated to be the first stage of a potentially larger mine plan. The Company has taken advantage of Colombian mining law and has received informal approval allowing it to integrate three mining titles into one tenement, thereby reducing the need to develop three separate mining projects, one for each title. Formal approval is pending. This will allow for a more economic development of the Project and the La Cumbre deposit.

Environmental, Social and Corporate Initiatives

Batero continues to work on the environmental impact study with Servicios Ambientales y Geográficos SAG and has advanced the abiotic, biotic, socioeconomic and archeological characterization of the La Cumbre deposit at the Project. At this stage, the holes for archeological prospection in Matecaña and La Perla were ended. The previous consultation started with an opening meeting of the preconsultation stage with the Embera Chamí Indigenous bias. This first space was oriented to the socialization of the mining project and the presentation of the proposal of the methodological route. With the temporary support of 19 high school surveyors residing in the villages of the area of influence, it was possible to complete the survey of the sociodemographic information of approximately 900 nonethnic families living in the area of influence. In the same way, with the presidents of the Community Action Board and other community leaders, progress is being made in the collection of primary socioeconomic information data, which will be the base line for the elaboration of the characterization of the communities present in the area of influence as part of the environmental impact assessment ("EIA").

The Company's social and community development team has been successfully working in the Quinchia district for many years. Community participation, integral to the successful growth of the Company, includes the innovative "Farms for the Future" program for land owners that allow families to exchange farms within the Batero-Quinchia tenement for potentially more productive farms a short distance away in an adjacent valley. The Company purchases the new farms and exchanges them for the farms within the Batero-Quinchia tenement.

The Company holds regular meetings with the community to inform them about the work taking place at the project and is responsive to the needs of the community. Batero supports the local children's school band by providing funding, a place to practice and storage for the instruments. The Company also facilitates health care for the local community by providing facilities, booking appointments and supporting the doctors and administrative staff when they are in the community.

The Company worked with the International Organization for Migration (IOM) on a community shared value program "Improving SocioEconomic Development for Families in Quinchía, Risaralda" in alliance with the Government of Canada. In the past the Company contributed more than $240,000 to the program which formally ended in 2016. The Company continues to support the program's goal of improving methods and processes in the local sugar cane industry. The Company supports that initiative by donating machinery and tools to the program. In addition, the Company works with the local government and educational institutions to provide facilities and training to students, so they can become technicians to the sugar cane industry.

The Company completes ongoing environmental monitoring, including but not limited to, measurement of environmental parameters such as stream flow, water quality, precipitation, evaporation, and wind patterns, and informs the local community.

Land Acquisition

The Company continues with the process of acquiring surficial properties that are inside or close to the alternative areas for mining infrastructure and inside the pit´s area of influence. At this moment, the last properties are in negotiation status.

Based on the location of the mining infrastructure, Batero has initiated the acquisition and evaluation of information related to the surface properties located in the La Perla and Matecaña areas.

**Outlook**

The outlook for Batero is positive. Significantly, Batero is:

- Capitalized at August 31, 2021, with cash of CAD $2,065,071 mostly held in US dollars. Since August 31, 2013, the US dollar has appreciated approximately 94% vis-à-vis the Colombian peso. The costs of operating in Colombia are mostly in Colombian pesos, making the project costs in US dollars decrease significantly.
- Continuing to advance the Batero-Quinchia Project in a cost effective and timely manner. Notably, the Company has taken advantage of Colombian mining law which has allowed it to integrate three mining titles into one tenement, reducing the need to develop three separate mining projects, one for each title. This will allow for more economic development of the project and the deposit.
- Fully funded for planned work to advance the La Cumbre deposit.

## 3. DISCUSSION OF OPERATIONS

Readers are cautioned that mineral resources are not mineral reserves and do not have demonstrated economic viability. Readers are also cautioned that inferred mineral resources are considered too speculative geologically to have economic considerations applied to them.

**Batero-Quinchia Project**

Property Description and Location

The Batero-Quinchia Project is located within the Municipality of Quinchia, Department of Risaralda, Republic of Colombia, approximately 55 kilometres to the north of Risaralda's capital, Pereira. The Project consists of a 1,407 -hectare tenement plus two applications for a concession contract of 169 hectares and is supported with full infrastructure including roads, water and power. The closest population centre, the town of Quinchia, lies 3 kilometres northwest of the tenement. The tenement is centered on the La Cumbre porphyry-gold target located at 420976E and 585718N, within Zone 18 north of the Universal Transverse Mercator grid (UTM WGS84).

Concession Agreements

On January 16, 2012, the Company reported that concession agreements are executed on 100% of the Company's property. On October 2, 2013, the Company confirmed that concession contract 18567 was formally and officially registered by ANM. This concession is part of the block of three concessions comprising the Company's 100% owned Batero-Quinchia Project. Concession contract 22270 was registered during October 2005, and registration of the remaining concession agreement 22159 was formalized October 20, 2019.

Preliminary Economic Assessment (PEA)

On November 4, 2013, the Company reported the results of an updated PEA prepared by Roscoe Postle and Associates (RPA) that included drill hole data available as of October 2012, and metallurgical test work data available as of March 2013. This PEA was filed on SEDAR on December 18, 2013.

*PEA Highlights*

The PEA evaluates the economics of an open pit contract mining and heap leach processing scenario that takes advantage of the relatively high gold recoveries and fast leach kinetics of the surface oxide mineralization within the La Cumbre deposit. Higher grade, near surface mixed and primary mineralization within the oxide pit footprint are also mined.

Highlights from the PEA, with a base case gold price of US$1,400/oz are as follows (all figures are in U.S. dollars unless otherwise stated):

- Mine life of seven years at 3.5 million tonnes per annum production steady state (10,000 tonnes per day).
- Life-of-Mine (LoM) gold production of 390,000 ounces of gold and 817,000 ounces of silver recovered.
- Annual average production of 56,000 ounces of gold and 117,000 ounces of silver recovered.
- Total open pit production which has been factored for mining extraction and mining dilution:
    - 9.4 Mt of Measured Mineral Resources at 0.81 g/t Au and 1.8 g/t Ag for 244,000 ounces of contained gold and 545,000 ounces of contained silver,
    - 11.0 Mt of Indicated Mineral Resources at 0.77 g/t Au and 2.0 g/t Ag for 273,000 ounces of contained gold and 720,000 ounces of contained silver,
    - 3.3 Mt of Inferred Mineral Resources at 0.59 g/t Au and 1.6 g/t Ag for 64,000 ounces of contained gold and 171,000 ounces of contained silver.
- Mining strip ratio of 0.3:1 (waste: production).
- Life of mine average gold and silver heap leach recoveries of 67% and 57% respectively.
- Initial capital cost of $97.3 million, which includes $16.2 million in contingency costs.
- Total cash operating cost (net of silver credits) of $842 per ounce gold.
- Pre-tax payback of 23 months.
- Net pre-tax cash flow of $105.0 million.
- Pre-tax Internal Rate of Return (IRR) of 27%.
- Pre-tax Net Present Value (NPV) at a 5% discount rate of $69.1 million.

The PEA was prepared by RPA in accordance with the standards set out in NI 43-101. The PEA is considered preliminary in nature. The economic analysis includes, in part, inferred mineral resources that are considered too speculative to have the economic considerations applied that would enable classification as mineral reserves. There is no certainty that the conclusions within the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability**.**

Full details of the results of the PEA can be seen in the technical report filed on SEDAR on December 18, 2013.

<u>Mineral Resource Update</u>

Subsequent to the 2013 PEA, on November 9, 2018, the Company filed an updated mineral resource estimate for the Batero-Quinchia Project. The mineral resource estimate was prepared by, or under the supervision of Edgard A. Vilela Acosta, MAusIMM (CP), an Independent Consultant with LINAMEC S.A.C. (LINAMEC"), and who is an independent "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101").

*Report Highlights:*

- Measured Mineral Resources comprising 20.014 million tonnes grading 0.759 grams per tonne (g/t) gold, 1.837 g/t silver for a total of 488,336 ounces gold and 1.189 million ounces silver.
- Indicated Mineral Resources comprising 4.838 million tonnes grading 0.546 grams per tonne (g/t) gold, 1.485 g/t silver for a total of 84,864 ounces gold, 232,970 ounces silver.
- Inferred Mineral Resources comprising 8.914 million tonnes grading 0.628 g/t gold, 1.328 g/t silver for a total of 179,876 ounces gold and 462,592 ounces silver.

- LINAMEC recognizes the presence of a potentially significant volume of near surface oxidized gold mineralization within the resource area that may be amenable to heap leaching. Initial metallurgical test work on oxide mineralization returned up to 92% gold recovery. Mineralization in the near surface oxide zone is outlined in Table 1-2 with a significant portion of the oxide mineralization reported in the measured category.

See Tables 1-1, 1-2 and 1-3 below for additional information.

The mineral resources included in the report represent that portion of the La Cumbre deposit with a reasonable prospect for economic extraction at this time and are reported within a conceptual Whittle pit shell using the parameters defined by LINAMEC (see notes below Table 1-3).

Table 1-1
Total Mineral Resource Estimate for La Cumbre Deposit

| Classification | Tonnage | Au g/t | Au oz | Ag g/t | Ag oz |
|---|---|---|---|---|---|
| MEASURED | 20,014,332 | 0.759 | 488,336 | 1.837 | 1,189,327 |
| INDICATED | 4,838,786 | 0.546 | 84,864 | 1.485 | 232,970 |
| **TOTAL M & I** | **24,853,118** | **0.717** | **573,200** | **1.768** | **1,422,297** |
| | | | | | |
| INFERRED | 8,914,657 | 0.628 | 179,876 | 1.328 | 462,592 |

Table 1-2
Mineral Resource Estimate for La Cumbre Deposit Oxide Zone

| Classification | Tonnage | Au g/t | Au oz | Ag g/t | Ag oz |
|---|---|---|---|---|---|
| MEASURED | 14,434,475 | 0.78 | 362,115 | 1.893 | 878,611 |
| INDICATED | 2,633,937 | 0.553 | 46,804 | 1.522 | 128,901 |
| **TOTAL M & I** | **17,068,412** | **0.745** | **408,919** | **1.836** | **1,007,512** |
| | | | | | |
| INFERRED | 247,781 | 0.392 | 3,121 | 1.364 | 10,863 |

Table 1-3
Mineral Resource Estimate for La Cumbre Deposit Transitional Zone

| Classification | Tonnage | Au g/t | Au oz | Ag g/t | Ag oz |
|---|---|---|---|---|---|
| MEASURED | 5,579,857 | 0.704 | 126,222 | 1.732 | 310,715 |
| INDICATED | 2,204,849 | 0.537 | 38,060 | 1.468 | 104,070 |
| **TOTAL M & I** | **7,784,706** | **0.656** | **164,282** | **1.657** | **414,785** |
| | | | | | |
| INFERRED | 8,666,875 | 0.634 | 176,755 | 1.621 | 451,729 |

Notes to accompany La Cumbre Mineral Resource tables:

1. Mineral Resources have an effective date of 12 September 2018. The qualified person as defined by NI 43-101 for the estimate is Mr. Edgard Vilela, CP and MAusIMM.
2. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
3. Mineral Resources are reported within a conceptual Whittle pit that uses the following input parameters: Au price: US$1,200/troy oz and US$14.5/troy oz Ag, mining cost: US$1.95/t, process cost (including G&A): US$6.80/t processed, gold selling cost: US$38.00/troy oz and Over-all slope angle of 45°.
4. Gold recovery in the oxide zone was fixed at 83%. Gold recovery in the transitional zone was fixed at 80%.
5. Mineral Resources (Oxide) are reported using a 0.22 g/t Au cut-off grade.
6. Mineral Resources (Transitional) are reported using a 0.23 g/t Au cut-off grade.
7. Totals may not sum due to rounding as required by reporting guidelines.

For additional information, see the July 2018 News Release, November 2018 News Release and Technical Report, available at the Company's profile on SEDAR at www.sedar.com.

## 4. SELECTED ANNUAL INFORMATION

The following are selected financial data prepared in accordance with IFRS and derived from the audited consolidated financial statements of the Company for the financial years ending August 31:

| Audited data, for fiscal years ended August 31, | 2021<br>$ | 2020<br>$ | 2019<br>Adjusted<br>$ |
|---|---|---|---|
| Operating loss | (669,019) | (601,285) | (743,357) |
| Interest income (expenses) | 4,314 | 89,319 | 170,564 |
| Foreign exchange gain (loss) | (187,095) | (78,601) | 122,626 |
| Net loss and comprehensive loss | (851,800) | (590,567) | (450,167) |
| Basic and diluted loss per share | (0.01) | (0.01) | 0.00 |
| Additions to exploration asset | 2,072,689 | 1,468,385 | 956,695 |
| Total assets | 49,075,024 | 49,687,988 | 50,317,006 |

None of the Company's properties have advanced to the point where a production decision can be made. Consequently, the Company has no producing properties and no sales or revenues from that source.

During the year ended August 31, 2021, the Company realized a net loss of $851,800 (2020 – $590,567).

## 5. SELECTED QUARTERLY INFORMATION

The following are selected quarterly financial information for the eight most recent quarters prepared in accordance with IFRS:

| $CAD 000's except per share data and numbers of shares | Aug 31,<br>2021<br>4th Qtr | May 31,<br>2021<br>3rd Qtr | Feb 28,<br>2021<br>2nd Qtr | Nov 30,<br>2020<br>1st Qtr |
|---|---|---|---|---|
| Operating expenses | 159,282 | 165,694 | 227,900 | 116,143 |
| Interest income (expenses) | (259) | (4,796) | 1,945 | 7,424 |
| Foreign exchange gain (loss) | 79,689 | (140,117) | (115,091) | (11,576) |
| Net income (loss) | (79,852) | (310,607) | (341,046) | (120,295) |
| Net income (loss) per common share | 0.00 | 0.00 | (0.01) | 0.00 |
| Number of shares outstanding | 115,182,383 | 115,182,383 | 115,182,383 | 115,182,383 |
| Exploration and evaluation additions | 502,222 | 507,484 | 599,984 | 462,999 |

| $CAD 000's except per share data and numbers of shares | Aug 31,<br>2020<br>4th Qtr | May 31,<br>2020<br>3rd Qtr | Feb 29,<br>2020<br>2nd Qtr | Nov 30,<br>2019<br>1st Qtr |
|---|---|---|---|---|
| Operating expenses | 185,652 | 141,129 | 155,444 | 119,060 |
| Interest income (expenses) | 10,036 | 9,444 | 25,392 | 44,447 |
| Foreign exchange gain (loss) | (305,742) | 169,547 | 59,897 | (2,303) |
| Net income (loss) | (481,358) | 37,862 | (70,155) | (76,916) |
| Net income (loss) per common share | (0.01) | 0.00 | 0.00 | 0.00 |
| Number of shares outstanding | 115,182,383 | 115,182,383 | 115,182,383 | 115,182,383 |
| Exploration and evaluation additions | 235,283 | 323,514 | 561,957 | 347,631 |

## 6. LIQUIDITY AND CAPITAL RESOURCES

The Company has no significant revenues and no expectation of significant revenues in the near term. In order to manage this risk, the Company closely monitors its cash requirements and expenditures to maintain sufficient liquidity.

As at August 31, 2021, the Company had working capital of $1,722,273. The capital in the Company was primarily derived from proceeds of the issuance of Common Shares (defined below) through private placements, special warrants financing and the exercise of Warrants (defined below) and Options (defined below).

The Company has followed a policy of converting a significant portion of its Canadian dollar cash holdings into US funds in the belief that the US dollar will strengthen.

The Company holds most of its cash in US dollars and funds its operations mostly in Colombian pesos. The US dollar has appreciated approximately 94% since 2013 with the exchange rate going from 1,936 pesos per US dollar at August 31, 2013, to 3,765 pesos per US dollar at August 31, 2021. As a result of the weakening Colombian peso the cost to the Company of funding operations in US dollars has declined significantly over the past years.

On an ongoing basis, the Company examines various financing alternatives to address future funding requirements. Although the Company has been successful in these activities in the past, the Company has no assurance of the success or sufficiency of these initiatives in the future. The Company's ability to secure future financing is dependent on a variety of factors outside of the Company's control, including, but not limited, to general market conditions, changes in economic conditions and fluctuations in commodity prices. See Section 12 'Risks and Uncertainties' below.

## 7. OFF-BALANCE SHEET ARRANGEMENTS

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

## 8. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the Compensation Committee.

During the years ended August 31, 2021 and 2020, the Company paid or accrued amounts due to Antioquia Gold Ltd., a company with key management personnel common to Batero, for back office services. Antioquia Gold Ltd. was paid $123,795 (August 31, 2020 - $147,680). Batero shares office space with Antioquia Gold Ltd. and the payments made to it were primarily for shared office costs.

During the year ended August 31, 2021, the Company paid to Cori Puno SAC the amount of $10,090.

Accounts payable and accrued liabilities as at August 31, 2021, is $nil (August 31, 2020 - $26,326) owing to related parties.

## 9. PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions as at August 31, 2021. The Company will make disclosure in respect of any such opportunity when required under applicable securities rules.

## 10. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING PRONOUNCEMENTS

Change in Accounting Policy.

The consolidated financial statements have been prepared to reflect a retrospective application of a change in accounting policy relating to exploration assets. The new accounting policy was adopted voluntarily by the Company on September 1, 2019, and has been applied retrospectively.

The Company believes that this accounting policy change results in financial statements providing more reliable and relevant information about the effects of transactions and other events or conditions on the entity's financial position, financial performance, or cash flows. As well as maintaining the same accounting policies for exploration assets both in the parent company and in its subsidiaries.

The previous accounting policy was to capitalize all costs related to acquisition of exploration assets as incurred. Costs related to the evaluation of exploration assets were expensed as incurred.

Subsequent to the accounting policy change, costs related to acquisition, examination and evaluation of exploration assets are capitalized as incurred. General expenses related to exploration assets that are not directly related to the asset are not capitalized but expensed as incurred.

## 11. FINANCIAL INSTRUMENTS AND OTHER POTENTIAL RISKS

1. Categories of Financial Assets and Financial Liabilities:

Financial instruments are classified into one of the following three categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVOCI”), at amortized cost.

The carrying values of the Company’s financial instruments are classified into the following categories:

| Financial Instrument | Category |
|---|---|
| a. Cash and cash equivalents | FVTPL |
| b. Amounts receivables | Amortized Cost |
| c. Accounts payable and accrued liabilities | Amortized Cost |

2. The Company´s risk exposure and financial instruments are summarized below:

Credit Risk
Credit risk is the risk of potential loss associated with a counter-party’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash and receivables. Cash is mostly held in large Canadian financial institutions. Receivables consist primarily of amounts due from the federal Government of Canada. Management believes that the credit risk concentration with respect to cash and receivables is low. The Company currently has limited credit risk from operations.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Company prepares expenditure budgets which are regularly monitored and updated as considered necessary. To facilitate its exploration program and ongoing corporate, general and administrative overhead, the Company raises funds through private equity placements, public offerings and option agreements with third parties.

As at August 31, 2021, the Company had cash of $2,065,071 (August 31, 2021 – $5,148,574) to settle current liabilities of $372,782 (August 31, 2021 - $133,946).

Impact of COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In mid-March 2020, federal, regional, and local authorities in Canada, the United States, and other nations began to significantly restrict the ability of people to leave their homes and carry out normal day-to-day activities. These measures will have a significant, negative effect on the economy of all nations for an uncertain period of time. The Company continues to explore its properties in accordance with government guidelines.

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. There is limited interest rate risk due to the short-term nature of the Company's financial instruments.

Foreign Currency Risk

The Company conducts its business in Colombia in Colombian pesos, and in Canada in Canadian dollars. An insignificant dollar value of business in each country is transacted in a currency that is foreign to that operation, and as a result any foreign currency risk inherent in day-to-day operations is minimal.

The Company funds activities in the Colombian operation and advances funds from time to time by way of direct investment. As at August 31, 2021, the Company had a balance of cash on hand denominated in US funds of US$1,443,906 and is of the view that the US dollar will appreciate vis-à-vis the Colombian peso, and the Canadian dollar; however, the Company has assumed a foreign exchange risk. Should the US dollar appreciate 10% vis- à-vis the Canadian dollar, the Company would experience a net gain of approximately $182,178. Should it depreciate 10% vis-à-vis the Canadian dollar, the Company would experience a net loss of approximately $182,178.

Capital Management

The Company's objective when managing capital, defined as its shareholders' equity, is to safeguard the entity's ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds all administration and exploration programs from the issue of shares, generally through private placements. The Company prepares a budget for seasonal exploration programs and may initiate equity offerings to ensure sufficient funds for each season's programs. If the Company is unsuccessful in raising sufficient capital, exploration programs may be extended, delayed or cancelled. In order to conserve cash, the Company may issue shares to pay for properties or compensate directors, employees and contractors through stock options.

## 12. RISKS AND UNCERTAINTIES

An investment in the Company involves a number of risks. Prospective investors should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating the Company and its business before making any investment decision in the common shares of the Company. The Company's business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to us may also impair business operations.

Exploration and Mining Risks

The Company is engaged in mineral exploration and development activities. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors beyond the Company's control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which the Company may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish resources through drilling, to develop metallurgical processes to extract the metal from the resource and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of resource mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

Financing Risks

The Company is limited in both financial resources, and sources of operating cash flow and has no assurance that additional funding will be available to us for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's projects with the possible loss of such properties.

Regulatory Requirements

Even if the Company's mineral properties are proven to host economic mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Company may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

Uninsurable Risks

During exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company has currently decided not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

No Assurance of Titles

It is possible that any of the Company's properties may be subject to prior unregistered agreements, transfers or native land claims and title may be affected by undetected defects.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at the Company's projects will be granted.

Competition
The mineral industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than the Company for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of resource. Factors beyond the control of the Company may affect the marketability of any substances discovered.

These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its investment capital.

Environmental Regulations
The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Stage of Development
The Company is in the business of exploring for, with the goal of producing, mineral resources from its mineral exploration properties. None of the Company's properties have commenced commercial production and the Company has no history or earnings or cash flow from its operations. As result of the foregoing, there can be no assurance that the Company will be able to develop any of its properties profitably or that its activities will generate positive cash flow. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of its management in all aspects of the development and implementation of the Company business activities.

Markets for Securities
There can be no assurance that an active trading market in the Company's securities will be established and sustained. The market price for its securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of companies.

Reliance on Key Individuals
The Company's success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in its growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

Geopolitical Risks

The Company may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Company cannot be predicted.

## 13. OUTSTANDING SHARE, WARRANT AND OPTION DATA

As at August 31, 2021, the Company had the following outstanding securities:

- 115,182,383 common shares issued and outstanding in the capital of the Company (“Common Shares”);
- Nil Common Share purchase warrants (“Warrants”); and
- 1,500,000 stock options (“Options”).

## 14. CAUTIONARY NOTE TO INVESTORS REGARDING DEFINITION OF MINERAL RESOURCES

This MD&A uses the terms “Measured”, “Indicated” and “Inferred” Resources in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards. Investors are advised that while such terms are recognized and required by Canadian securities laws, the United States Securities and Exchange Commission (“SEC”) does not recognize these terms. The term “Inferred Mineral Resource” refers to a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling and for which geological evidence is sufficient to imply but not verify, geological and grade or quality continuity. These estimates are based on limited information and have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category of resource, such as “Indicated” or “Measured”, because of continued exploration. Under Canadian securities laws, estimates of an “Inferred Mineral Resource” may not form the basis of pre-feasibility or feasibility studies and can only be used in economic studies in the limited circumstances as described in NI 43-101. Investors are cautioned not to assume that all or any part of “Measured” or “Indicated Mineral Resources” will ever be converted into “Mineral Reserves” (the economically mineable part of an “Indicated” or “Measured Mineral Resource”). Investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable. In addition, disclosure of contained ounces is permitted under Canadian regulations. However, except as to Reserves, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

## 15. FORWARD LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements or forward-looking information (collectively “forward-looking statements”) within the meaning of applicable securities legislation. The Company is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: (i) the estimation of inferred and indicated mineral resources; (ii) the registration of the concession agreements comprising the Batero-Quinchia Project; (iii) the market and future price of gold; (iv) the timing, cost and success of future exploration activities, including, but not limited to, the advancement of the La Cumbre sector of the Batero-Quinchia Project towards a production decision; (v) currency fluctuations; (vi) requirements for additional capital; and (vii) increases in mineral resource estimates.

Forward-looking statements are based on reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed.

The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined, risks relating to variations in resource, grade or recovery rates resulting from current exploration and development activities, risks relating to changes in the price of gold, silver and copper and the worldwide demand for and supply of such metals, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, increases in capital and the risk of delays or increased costs that might be encountered during the development process, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Batero-Quinchia project may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, and environmental risks.

## 16. ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.