



**Consolidated Financial Statements**

**December 31, 2021**

**Expressed in Canadian Dollars**



## Independent auditor's report

To the Shareholders of Mundoro Capital Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mundoro Capital Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lana Kirk.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia  
April 29, 2022

**MUNDORO CAPITAL INC.***(An exploration stage company)***Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)**

<i>As at</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,587,477	\$ 2,083,665
Amounts receivable (note 3)	188,919	136,900
Deposits	33,492	19,806
Prepaid expenses	56,857	92,076
	<b>3,866,745</b>	<b>2,332,447</b>
<b>Non-current assets</b>		
Investments (note 4)	496,578	493,964
Equipment and vehicles (note 6)	143,457	189,184
Mineral interests (note 7)	201,105	72,474
	<b>841,140</b>	<b>755,622</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,707,885</b>	<b>\$ 3,088,069</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 9 & 11)	\$ 586,843	\$ 361,240
Advances from joint venture partners (note 9)	-	519,728
Short-term loan (note 5)	60,000	-
<b>TOTAL LIABILITIES</b>	<b>646,843</b>	<b>880,968</b>
<b>EQUITY</b>		
Share capital (note 10)	53,826,494	50,384,465
Contributed surplus	9,094,652	8,994,887
Stock options reserve	1,427,106	1,205,763
Accumulated other comprehensive loss	(18,343)	(74,023)
Deficit	(60,268,867)	(58,303,991)
<b>TOTAL EQUITY</b>	<b>4,061,042</b>	<b>2,207,101</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 4,707,885</b>	<b>\$ 3,088,069</b>

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

These consolidated financial statements are authorized for issue by the Board of Directors on April 29, 2022.

The consolidated financial statements are signed on the Company's behalf by:

*/s/ Michael Calyniuk, Director*

*/s/ Teo Dechev, Director*

**MUNDORO CAPITAL INC.***(An exploration stage company)***Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)**

	For the year ended	
	December 31, 2021	December 31, 2020
<b>Exploration and project evaluation (note 8)</b>	\$ 3,053,332	\$ 2,783,953
Less: recoveries	(2,082,141)	(1,791,842)
	971,191	992,111
<b>EXPENSES</b>		
Corporate governance	267,149	215,586
General and administrative	154,623	132,580
Accounting and audit	189,882	149,196
Corporate communication	187,370	171,608
Operator fees earned	(206,128)	(175,705)
	592,896	493,265
<b>OTHER (INCOME) EXPENSES</b>		
Interest income	(4,939)	(5,267)
Share-based payments	321,108	110,337
Depreciation (note 6)	50,951	63,574
Foreign exchange (gain) loss	36,283	(116,342)
Write-down of mineral interests (note 7)	-	413,872
Increase in fair value of investments (note 4)	(2,614)	(123,954)
	400,789	342,220
<b>NET LOSS FOR THE YEAR</b>	\$ 1,964,876	\$ 1,827,596
<b>OTHER COMPREHENSIVE (INCOME) LOSS WHICH MAY BE RE-CLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		
Foreign currency translation differences for foreign operations	(55,680)	135,344
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>	\$ 1,909,196	\$ 1,962,940
<b>BASIC AND DILUTED LOSS PER SHARE</b>	\$ (0.02)	\$ (0.02)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	99,083,250	81,387,573

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

## MUNDORO CAPITAL INC.

(An exploration stage company)

### Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share capital		Reserves			Accum. Other Comprehensive Income and loss	Deficit	Total
	Number of shares	Amount	Contributed Surplus	Stock options reserve				
<b>Balance at December 31, 2019</b>	<b>80,664,527</b>	<b>\$ 50,288,125</b>	<b>\$ 9,000,153</b>	<b>\$ 1,090,160</b>	<b>\$ 61,321</b>	<b>\$ (56,476,395)</b>	<b>\$ 3,963,364</b>	
Units issued for cash-private placement	735,473	99,289	-	-	-	-	99,289	
Units issued for cash-stock option	45,001	5,400	-	-	-	-	5,400	
Share issue costs	-	(8,349)	-	-	-	-	(8,349)	
Share-based payments (Note 11 (b))	-	-	(5,266)	115,603	-	-	110,336	
Net comprehensive loss for the year	-	-	-	-	(135,344)	(1,827,596)	(1,962,940)	
<b>Balance at December 31, 2020</b>	<b>81,445,001</b>	<b>\$ 50,384,465</b>	<b>\$ 8,994,887</b>	<b>\$ 1,205,763</b>	<b>\$ (74,023)</b>	<b>\$ (58,303,991)</b>	<b>\$ 2,207,101</b>	
<b>Balance at December 31, 2020</b>	<b>81,445,001</b>	<b>\$ 50,384,465</b>	<b>\$ 8,994,887</b>	<b>\$ 1,205,763</b>	<b>\$ (74,023)</b>	<b>\$ (58,303,991)</b>	<b>\$ 2,207,101</b>	
Units issued for cash-private placement	19,287,500	3,086,000	-	-	-	-	3,086,000	
Units issued for cash-stock option	1,233,462	150,350	99,765	(99,765)	-	-	150,350	
Units issued for cash-warrant	1,500,926	300,185	-	-	-	-	300,185	
Share issue costs	-	(94,506)	-	-	-	-	(94,506)	
Share-based payments (Note 11 (b))	-	-	-	321,108	-	-	321,108	
Net comprehensive loss for the year	-	-	-	-	55,680	(1,964,876)	(1,909,196)	
<b>Balance at December 31, 2021</b>	<b>103,466,889</b>	<b>\$ 53,826,494</b>	<b>\$ 9,094,652</b>	<b>\$ 1,427,106</b>	<b>\$ 18,343</b>	<b>\$ (60,268,867)</b>	<b>\$ 4,061,042</b>	

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

**MUNDORO CAPITAL INC.***(An exploration stage company)***Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)**

	For the year ended	
	December 31, 2021	December 31, 2020
<b>Cash flows provided from (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (1,964,876)	\$ (1,827,596)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	50,951	63,574
Share-based payments	321,108	110,337
Change in fair value of investments (note 5)	(2,614)	(123,954)
Write-down of mineral interests	-	413,872
Foreign exchange (gain) loss	36,283	(137,982)
	<b>(1,559,148)</b>	<b>(1,501,749)</b>
Amounts receivable	(62,766)	1,122,130
Prepaid expenses	35,219	(2,117)
Deposits	(15,244)	6,380
Accounts payable and accrued liabilities	235,592	(685,013)
Advances from joint venture partners	(519,728)	303,624
<b>Net cash used in operating activities</b>	<b>(1,886,075)</b>	<b>(756,745)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares for cash	3,086,000	99,289
Issuance of common shares for cash, stock option exercise	150,350	5,400
Issuance of common shares for cash, warrant exercise	300,185	-
Share issuance cost	(94,506)	(8,349)
Proceeds from government loan	60,000	-
<b>Net cash flows from financing activities</b>	<b>3,502,029</b>	<b>96,340</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures on resource properties	(123,832)	(6,694)
Purchase of equipment	(30,430)	(15,145)
Proceeds from disposition of assets	21,600	2,372
Restricted cash	-	44,996
<b>Net cash flows used in investing activities</b>	<b>(132,662)</b>	<b>25,529</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>20,520</b>	<b>(25,975)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,503,812</b>	<b>(660,851)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,083,665</b>	<b>2,744,516</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,587,477</b>	<b>\$ 2,083,665</b>

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



## MUNDORO CAPITAL INC.

(An exploration stage company)

### Notes to the Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

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#### 1. NATURE OF OPERATIONS

Mundoro Capital Inc. (“Company”, “MCI”, and “Mundoro”) was incorporated on March 6, 2008 under the Business Corporations Act of the Province of British Columbia and is a Canadian based mineral acquisition, exploration and development company (see discussion under “Summary of Activities”). The Company’s common stock is quoted on the TSX Venture Exchange (“TSXV”) under the symbol MUN. The Company’s head office and principal address is 14<sup>th</sup> floor - 1040 West Georgia Street, Vancouver, British Columbia, Canada V6E 4H1. The business of exploration and development involves a high degree of risk and there can be no assurance that current exploration and development programs will result in discovery or future profitable operations.

On March 11, 2020, The World Health Organization (WHO) declared COVID-19 a global pandemic. The impact of COVID-19 remains uncertain, current circumstances are dynamic and the impact of the pandemic on our business operations, including the duration and effect on our future exploration and access to various levels of government cannot be reasonably estimated at this time. The Company’s operation continues with precautions and strictly adheres to the health guidelines of the Governments in the jurisdictions we work.

The conflict in Ukraine, and the accompanying international response including economic sanctions, has been disruptive to the world economy, with increased volatility in commodity markets, including higher oil and gasoline prices, which could negatively impact supply chains. There is a risk of substantial market impact arising from the conflict which could have a material adverse effect on the economics of the Company’s projects, and the Company’s ability to operate its business and advance project exploration. The events in Ukraine have not to-date affected the Company’s operations in Bulgaria and Serbia. The Company is closely monitoring the situation in Ukraine.

#### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

**a) Statement of compliance with International Financial Reporting Standards**

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

**b) Basis of preparation**

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**c) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Intercompany balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

**d) Foreign currency translation**

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its controlled entities are measured using the currency of the primary economic environment in which each entity operates. The functional currency of the Canadian entities, Mexican entity, Bulgarian entity, Serbian entity and Dutch entities are the Canadian dollar (CAD\$), US dollar (USD), Mexican peso (MXN), Bulgarian Lev (BGN), Serbian dinar (RSD) and Euro (EUR), respectively.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise.

## MUNDORO CAPITAL INC.

(An exploration stage company)

### Notes to the Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### **Presentation Currency:**

The presentation currency of the Company is the Canadian dollar.

The financial results and financial position of the entities whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in accumulated other comprehensive income in the statement of changes in equity. These differences are recognized in the statement of loss during the period in which the operation is disposed of.

### **e) Equipment and vehicles**

Equipment and vehicles are initially recognized at cost. All items of equipment and vehicles are subsequently carried at cost less accumulated depreciation and impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided at the following annual rates:

Computers	30% declining balance
Furniture and fixtures	20% declining balance
Office equipment	20% declining balance
Field equipment	30% declining balance
Vehicles	30% declining balance

Residual value estimates and estimates of useful life are updated as required, but at least annually.

### **f) Mineral interests**

#### **Exploration Assets**

Exploration assets include the acquisition of mineral rights for mineral properties held by the Company. The fair value of consideration paid for mineral rights is capitalized. The amounts shown for exploration assets represent costs of acquisition incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against future production or written off if the exploration assets are abandoned or sold.

#### **Exploration and Project Evaluation Costs**

Exploration and project evaluation costs, other than acquisition costs, are expensed as incurred until such time as proven and probable reserves are established. Following confirmation of mineral reserves on a project, the project is considered to have

demonstrated technical feasibility and commercial viability and the related exploration and evaluation expenditures are capitalized as deferred development assets, after first being tested for impairment.

### **g) Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any impairment indicators exist, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated

## MUNDORO CAPITAL INC.

(An exploration stage company)

### Notes to the Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in net loss for the relevant period.

### h) *Share-based payments*

The Company's share option plan allows directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity.

The fair value of a share-based award is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

### i) *Share Capital*

When the Company issues private placement units, the shares and warrants are measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares to be the more easily measurable component and they are valued with reference to the market price. The residual value attributed to the warrants, if any, is recorded as a separate component of equity.

### j) *Financial instruments*

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

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 (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets and financial liabilities at initial recognition.

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 FVTOCI. 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.

#### **Financial assets and liabilities at amortized cost**

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 at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. 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 profit or loss in the period in which they arise.

## MUNDORO CAPITAL INC.

(An exploration stage company)

Notes to the Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

The Company's equity instruments are designated as FVTPL and have been initially recognized at fair value. Subsequently they are measured at fair value, with both realized and unrealized gains and losses recognized in the profit and loss in the period in which they arise.

#### **j) Taxation**

Tax expense comprises the sum of deferred tax and current tax not recognized directly in equity.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization or settlement, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in comprehensive loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

#### **k) Cash, cash equivalents and short-term investments**

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. Short term investments are highly liquid investments that are readily convertible into cash and which are subject to insignificant risk of changes in value.

#### **l) Accounting policy judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. Estimates and other judgments are regularly evaluated and are based on management's experience and other factors including expectations about future events that are believed to be reasonable under the circumstances.

The following discusses the most significant accounting judgement that the Company has made in the preparation of the financial statements.

##### **Impairment**

The application of the Company's accounting policy for impairment of non-financial assets requires judgment to determine whether indicators of impairment exist including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures or further exploration and project evaluation of resource properties are budgeted, and results of exploration and project evaluation activities on the exploration assets.

For the year ended December 31, 2021, the Company conducted its impairment analysis, and it did not identify any indicators that its mineral interests were impaired or required a write-down. For the fiscal year ended December 31, 2020, the company had determined its mineral interests in Bulgaria were impaired and wrote off these mineral assets.

## MUNDORO CAPITAL INC.

(An exploration stage company)

### Notes to the Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### *Assessments of fair value*

The assessment of fair value is principally used in accounting for business combinations, impairment testing and the valuation of certain financial assets and liabilities.

The fair value of an asset or liability is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants. Fair value for the Company's investment in private entity Galenit AD is determined based on observable market data including comparable market information of similar companies and adjusting for certain factors such as size, location and liquidity of the financial asset or liability where discounted cash flow models (and other valuation techniques) and assumptions considered to be reasonable and consistent with those that would be applied by a market participant.

## 3. AMOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
<b>Amounts receivable</b>		
VAT/GST receivable	\$ 159,117	\$ 129,944
Receivable from joint venture partners	29,802	-
Other receivable	-	6,956
	<b>\$ 188,919</b>	<b>\$ 136,900</b>

## 4. INVESTMENTS

In 2013, the Company, through a 100%-owned subsidiary, acquired at a cost of \$280,853, a 2.9% equity interest in Galenit AD, a privately held Bulgarian gold producing company that operates adjacent to one of the Company's former exploration licenses. As at December 31, 2021, the fair value of such equity investment was determined to be \$496,578 (December 31, 2020 - \$493,964), resulting in an increase in fair value of this investment of \$2,614 in the Company's statement of loss. See Note 2. Assessments of fair value. This investment has been designated at FVTPL. The valuation approach is discussed in Note 15.

## 5. SHORT-TERM LOAN

In February 2021, the Company was approved for and received a \$60,000 line of credit ("CEBA loan") under the Canada Emergency Business Account (CEBA) program funded by the Government of Canada. The CEBA loan is non-interest bearing and can be repaid without penalty at any time. On December 31, 2021, the outstanding balance on the CEBA loan was automatically converted to a 2-year interest free term loan. If \$40,000 of the CEBA loan is repaid on or before December 31, 2023, the repayment of the remaining \$20,000 will be forgiven and the Company would record it as interest and other income.

**MUNDORO CAPITAL INC.***(An exploration stage company)***Notes to the Consolidated Financial Statements**

December 31, 2021

**(Expressed in Canadian Dollars)****6. EQUIPMENT AND VEHICLES**

<b>Cost</b>	<b>Office equipment</b>		<b>Field equipment</b>		<b>Total</b>
<b>As at December 31, 2019</b>	<b>\$</b>	<b>48,382</b>	<b>\$</b>	<b>427,750</b>	<b>\$ 476,132</b>
Additions		2,226		12,919	15,145
Disposals		-		(4,699)	(4,699)
Effect of movements in exchange rates		1,170		30,068	31,238
<b>As at December 31, 2020</b>	<b>\$</b>	<b>51,778</b>	<b>\$</b>	<b>466,038</b>	<b>\$ 517,816</b>
Additions		30,430		-	30,430
Disposals		-		(67,157)	(67,157)
Effect of movements in exchange rates		7,214		(34,045)	(26,831)
<b>As at December 31, 2021</b>	<b>\$</b>	<b>89,422</b>	<b>\$</b>	<b>364,836</b>	<b>\$ 454,258</b>
<b>Accumulated depreciation</b>					
<b>As at December 31, 2019</b>	<b>\$</b>	<b>(37,872)</b>	<b>\$</b>	<b>(212,785)</b>	<b>\$ (250,657)</b>
Depreciation for the year		(7,010)		(56,564)	(63,574)
Disposal		-		2,327	2,327
Effect of movements in exchange rates		(1,208)		(15,520)	(16,728)
<b>As at December 31, 2020</b>	<b>\$</b>	<b>(46,090)</b>	<b>\$</b>	<b>(282,542)</b>	<b>\$ (328,632)</b>
Depreciation for the year		(19,357)		(31,594)	(50,951)
Disposal		-		45,557	45,557
Effect of movements in exchange rates		2,175		21,050	23,225
<b>As at December 31, 2021</b>	<b>\$</b>	<b>(63,272)</b>	<b>\$</b>	<b>(247,529)</b>	<b>\$ (310,801)</b>
<b>Net book amount</b>					
As at December 31, 2020	\$	5,688	\$	183,496	\$ 189,184
<b>As at December 31, 2021</b>	<b>\$</b>	<b>26,150</b>	<b>\$</b>	<b>117,307</b>	<b>\$ 143,457</b>

**7. MINERAL INTERESTS**

		<b>Serbia</b>		<b>Bulgaria</b>		<b>USA/Mexico</b>		<b>Total</b>
<b>Balance as at December 31, 2019</b>	<b>\$</b>	<b>32,521</b>	<b>\$</b>	<b>415,058</b>	<b>\$</b>	<b>5,748</b>		<b>453,327</b>
Acquisition costs		6,693		-		-		6,693
Write-down		-		413,872		-		(413,872)
Effect of movements in exchange rates		26,575		-		(249)		26,326
<b>Balance at December 31, 2020</b>	<b>\$</b>	<b>65,789</b>	<b>\$</b>	<b>1,186</b>	<b>\$</b>	<b>5,499</b>		<b>72,474</b>
Acquisition costs		16,623		14,236		102,629		133,488
Write-down		-		-		-		-
Effect of movements in exchange rates		(4,685)		-		(172)		(4,857)
<b>Balance at December 31, 2021</b>	<b>\$</b>	<b>77,727</b>	<b>\$</b>	<b>15,422</b>	<b>\$</b>	<b>107,956</b>		<b>201,105</b>

During the year 2020, the Company wrote down \$413,872 in mineral interests due to the expiration of certain license terms. The Company has reapplied on certain of these licences.

## MUNDORO CAPITAL INC.

(An exploration stage company)

Notes to the Consolidated Financial Statements

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### 7. MINERAL INTERESTS (continued)

Amounts received from third parties earning into a license(s) are netted against the exploration expenditures on the applicable licenses and recognized in the Company's statement of loss. Any advances received for future exploration work or any reimbursable funds expended by the Company are recognized separately in the statement of financial position. Operator fees earned as the designated operator of the projects are recognized in the Company's statement of loss.

#### Serbian Properties

At the end of 2021, the Company held, through its Serbian subsidiaries, the following 100%-owned exploration licenses: Zeleznik Crvena Zemlja, Padina, Odej, Bobot, Bacevica, Oblez, Skorusa, Branik, Kotlenik, Ponor, Vitanovac. These properties are located in Northeastern Serbia east of Belgrade. To maintain title to the exploration licenses in Serbia, the Company has ongoing annual exploration expenditure commitments and is obligated to pay annual property taxes and other related costs associated with maintaining the properties in good standing. For the year ended December 31, 2021, property taxes amounted to \$29,614 (2020 - \$51,626).

Mundoro entered into an Agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") which included the Borsko Jezero license ("JOGMEC-Mundoro JV Project") in 2016. During Stage One (March 2016 – March 2019) of the Earn-in, JOGMEC sole-funded US\$4 million of exploration expenditures. From March 2016 to April 2020, JOGMEC sole funded a total of US\$5.8 million (C\$8.1 million) for the JOGMEC-Mundoro JV Project and has completed the earn-in for a 51% interest in the project. All work commitments have been met for the JOGMEC-Mundoro JV Project during this term. The project is now at a proportionate funding stage, and during Q2-2020 Mundoro exercised the option to acquire a 2% interest in the project from JOGMEC (increasing Mundoro's interest to 51%) for a nominal consideration and maintained its role as the operator.

In 2019, the Company announced it had entered into an earn-in agreement (the "Earn-in Agreement") with Vale Canada Limited ("Vale"), in which Mundoro granted to Vale over two phases ("Phase One and Phase Two") an option to earn up to a 75% interest in four of its exploration licenses: Skorusa, Oblez, Dubrava and Padina (the "Vale-Mundoro Projects") by sole funding expenditures of up to US\$50 million. The Vale-Mundoro Projects are located within the Timok Magmatic Complex ("Timok"). Phase One provides Vale the option to earn a 51% in the Vale-Mundoro Projects by sole-funding US\$5 million in expenditures over 3 years. Following Phase One, Vale has the option, exercisable within 60 days, to elect to enter Phase Two, whereupon it can earn an additional 24% interest in the Vale-Mundoro Projects, for a total of 75% interest, by sole-funding an additional US\$45 million in expenditures (the "Phase Two Option") by the fifth anniversary of the election date. If either party dilutes below 10%, their interest will convert into a 2% NSR of which up to 1% NSR will be re-purchasable.

In 2021, the Company entered into an option agreement with Vale, granting Vale an earn-in option for two exploration licenses, Savinac and Bacevica, both located within the Timok Magmatic Complex in northeastern Serbia and directly adjacent to the west of the Oblez and Skorusa licences.

#### USA Properties

In 2021, the Company and Vale established a generative alliance focused on generation of new projects with high potential to host porphyry copper and related metal deposits within Arizona and New Mexico. In December 2021, the two parties completed an option agreement on a copper porphyry property in Arizona.

#### Bulgarian Properties

In Q1 2019, Mundoro entered into a Generative Program Agreement (the "Generative Agreement") in the Republic of Bulgaria ("Bulgaria") with Japan Oil, Gas and Metals National Corporation ("JOGMEC"). JOGMEC has designated a few properties as Designated Projects to proceed to the next stage of the Generative Agreement. Mundoro also has a number of applications at the Ministry of Energy in Bulgaria for areas of exploration.

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## 7. MINERAL INTERESTS (continued)

In Q4-2021, a contract was signed with the Bulgarian Ministry of Energy for one of the Designated Projects located in western Bulgaria. This project is considered highly prospective for sediment-hosted copper stratiform type deposits, like that in the Kupferschiefer region of Germany and Poland and the Central African Copperbelt of Zambia and DRC. There are around 60 known copper-lead-zinc mineral occurrences and several historical mines in this area.

### Other Properties

The Company owns 100% interest in the Camargo Project, a porphyry copper-gold deposit located in Southeastern Chihuahua State, Mexico. To maintain the Camargo mineral concession, the Company has an ongoing annual exploration expenditure commitment and is obligated to pay approximately \$8,000 semi-annually in government property tax payments.

## 8. EXPLORATION AND PROJECT EVALUATION

The following is a summary of expenditures incurred on the Company's projects:

	Serbia	Bulgaria	USA	Total
<b>For the year ended December 31, 2021</b>				
Corporate <sup>1</sup>	\$ 198,177	\$ 87,362	\$ -	\$ 285,539
Land holding <sup>2</sup>	29,614	-	-	29,614
Government and community relations <sup>3</sup>	79,500	64,736	-	144,236
Field related <sup>4</sup>	202,978	7,524	-	210,502
Personnel <sup>5</sup>	608,334	27,975	62,395	698,704
Technical services <sup>6</sup>	1,204,186	-	-	1,204,186
Project evaluation <sup>7</sup>	270,206	53,586	156,759	480,551
Total expenditures	2,572,995	241,183	219,154	3,053,332
Less: recoveries	(2,082,141)	-	-	(2,082,141)
	\$ 490,854	\$ 241,183	\$ 219,154	\$ 971,191

	Serbia	Bulgaria	Other	Total
<b>For the year ended December 31, 2020</b>				
Corporate <sup>1</sup>	\$ 199,043	\$ 87,058	\$ 333	\$ 280,378
Land holding <sup>2</sup>	51,626	-	-	58,441
Government and community relations <sup>3</sup>	72,453	29,317	-	179,374
Field related <sup>4</sup>	195,912	-	-	349,361
Personnel <sup>5</sup>	527,777	20,090	-	971,887
Technical services <sup>6</sup>	1,051,931	125,118	-	2,571,585
Project evaluation <sup>7</sup>	376,948	30,670	67,910	523,057
Total expenditures	2,475,690	292,254	16,009	2,783,953
Less: recoveries	(1,758,434)	(33,408)	-	(1,791,842)
	\$ 717,256	\$ 258,846	\$ 16,009	\$ 992,111



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#### 8. EXPLORATION AND PROJECT EVALUATION (continued)

- <sup>1</sup> Corporate expenses include legal fees, and general and administrative costs related to the projects.
- <sup>2</sup> Land holding costs include property taxes and related costs associated with holding the properties.
- <sup>3</sup> Government and community relations relates to the costs of communicating with governing bodies in the local jurisdictions.
- <sup>4</sup> Field related expenses include items such as field equipment costs and lodging for field personnel.
- <sup>5</sup> Personnel costs for conducting exploration work include consultants and employees, full-time and allocated.
- <sup>6</sup> Technical Services expenditures include activities such as geochemical sampling and assaying, geophysical surveys and interpretation, and drilling and assaying.
- <sup>7</sup> Project evaluation expenditures capture those costs incurred in analysis of existing mineral projects and evaluating new mineral project opportunities.

#### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021		December 31, 2020	
Trade payables	\$	434,488	\$	238,218
Advances from joint ventures		-		519,728
Accrued liabilities		152,355		123,022
	\$	586,843	\$	880,968

#### 10. SHARE CAPITAL

##### a) Authorized share capital

Unlimited number of common shares without par value.

##### b) Issued share capital

At December 31, 2021, there were 103,466,889 issued and fully paid common shares (December 31, 2020 – 81,445,001).

In December 2019, the Company closed the first tranche of a private placement of 11,340,502 units at a price of \$0.135 per unit for gross proceeds of \$1,530,968. Each unit is comprised of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of \$0.20 for a period of 24 months.

In January 2020, the Company closed the second tranche of the private placement of 735,473 units at a price of \$0.135 per unit for gross proceeds of \$99,289. Each unit is comprised of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of \$0.20 for a period of 24 months. A total of \$5,674 was paid as a finder's fee to certain qualified registrants equal to 7% of the gross proceeds raised by such finders. Total costs incurred by the Company in connection with the private placement amounted to \$8,349.

In February 2021, the Company closed a private placement of 19,287,500 units at a price of \$0.16 per units for gross proceeds of \$3,086,000. Each unit is comprised of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of \$0.30 for a period of 24 months. A total of \$60,000 was paid as a finder's fee to certain qualified registrants equal to 6% of the gross proceeds raised by such finders. Total costs incurred by the Company in connection with the private placement amounted to \$94,507.

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#### 10. SHARE CAPITAL (continued)

During the year 2021, stock options for 1,233,462 common shares were exercised at a price of \$0.12189 per share for gross proceeds of \$150,350.

During the year 2021, warrants for 1,500,926 common shares were exercised at a price of \$0.20 per share for proceeds of \$300,185. Warrants exercisable for 7,730,705 shares at \$0.20 per share expired.

#### c) Stock options

The continuity of stock options during the year ended December 31, 2021 and the year ended December 31, 2020 was as follows:

	December 31, 2021		December 31, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Opening Balance	6,662,500	\$ 0.14	6,917,500	\$ 0.14
Granted	2,650,000	0.23	1,545,000	0.12
Exercised	(1,233,462)	0.12	(45,001)	0.12
Expired	-	-	(452,500)	0.21
Forfeited & canceled	(355,833)	0.19	(1,302,499)	0.12
Closing Balance	7,723,205	\$ 0.17	6,662,500	\$ 0.14

The following summarizes information about stock options outstanding and exercisable at December 31, 2021:

Grant date	Options outstanding	Expiry Date	Unvested Options	Options exercisable	Remaining Life	Exercise price (\$)
January 18, 2017	642,538	January 18, 2022	-	642,538	.05	0.13
June 13, 2017	1,014,000	June 13, 2022	-	1,014,000	45	0.17
May 23, 2018	1,030,000	May 23, 2023	-	1,030,000	1.40	0.11
May 27, 2019	1,275,000	May 27, 2024	-	1,275,000	2.41	0.12
June 30, 2020	1,326,667	June 30, 2025	320,000	1,006,667	3.50	0.12
May 04, 2021	2,435,000	May 03, 2026	1,685,000	750,000	4.34	0.23
	<b>7,723,205</b>		<b>2,005,000</b>	<b>5,718,205</b>	<b>2.06</b>	<b>0.14</b>

On June 30, 2020, the Company granted stock options to directors, officers, employees and contractors to purchase up to 1,545,000 common shares of the Company at an exercise price of \$0.12 per share, over a five-year term.

On May 04, 2021 the Company granted stock options to directors, officers, employees and contractors to purchase up to 2,650,000 common shares of the Company at an exercise price of \$0.23 per share, over a five-year term.

The incentive stock options granted in year 2020 and in 2021 are both subject to vesting such that 1/3rd vest at the time of the grant, 1/3rd vest after 12 months from the date of the grant and remaining 1/3rd vest after 24 months from the date of the grant.

## MUNDORO CAPITAL INC.

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### Notes to the Consolidated Financial Statements

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#### 10. SHARE CAPITAL (continued)

The estimated fair value of the stock options granted during the year ended December 31, 2021 and 2020 were calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2021	December 31, 2020
Risk-free interest rate	0.72%	1.26%
Expected annual volatility	95.30%	106.47%
Expected life (in years)	5.00	5.00
Expected dividend yield	0.00%	0.00%
Grant date fair value per option	\$0.22	\$0.11

#### d) Warrants

The change in warrants during the years ended December 31, 2021 and 2020 was as follows:

	December 31, 2021		December 31, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Opening balance	6,037,987	\$ 0.20	14,272,209	\$ 0.20
Issued	9,643,751	0.30	367,736	0.20
Exercised	(1,500,926)	0.20	-	-
Expired	(4,169,325)	0.20	(8,601,958)	0.20
Closing balance	10,011,487	\$ 0.30	6,037,987	\$ 0.20

A summary of the Company's warrants outstanding as at December 31, 2021 is as follows:

Issuance date	Warrants		Expiry date
	outstanding	Price per share	
January 14, 2020	367,736	\$ 0.20	January 14, 2022
February 11, 2021	9,643,751	0.30	February 11, 2023
	10,011,487	\$ 0.30	

#### 11. RELATED PARTY TRANSACTIONS AND BALANCES

#### a) Related party balances

The balances due to related parties included in accounts payables and accrued liabilities were \$31,038 as at December 31, 2021 (December 31, 2020 – \$15,050). These amounts are for reimbursement of expenses and service fees and bear no interest or repayment terms.

## MUNDORO CAPITAL INC.

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### Notes to the Consolidated Financial Statements

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#### 10. SHARE CAPITAL (continued)

##### b) Related party transactions

Expenses by nature:	For the year ended	
	December 31, 2021	December 31, 2020
Directors' fees	\$ 102,482	\$ 63,350
Short-term management salaries and benefits	484,306	461,358
Share based payments – Directors	76,893	29,426
Share based payments - Management	80,213	30,222
	<u>\$ 743,412</u>	<u>\$ 584,356</u>

The Company has the following geographic segments: the Mexico exploration program ("Mexico"), the Serbian and Bulgarian exploration programs ("Europe") and, corporate administrative functions in Canada. The Company's total assets and net losses by geographic segment are as follows:

	Canada/USA	Mexico	Europe	Total
<b>Assets</b>				
<b>12. SEGMENTED INFORMATION</b>				
As at December 31, 2021				
Non-current	\$ 139,561	\$ 5,327	\$ 696,252	\$ 841,140
Current	3,444,150	22,147	400,448	3,866,745
<b>Total assets</b>	<u>\$ 3,583,711</u>	<u>\$ 27,474</u>	<u>\$ 1,096,700</u>	<u>\$ 4,707,885</u>
As at December 31, 2020				
Non-current	\$ 18,611	\$ 5,499	\$ 663,403	\$ 687,513
Current	1,588,212	22,862	789,482	2,400,556
<b>Total assets</b>	<u>\$ 1,606,823</u>	<u>\$ 28,361</u>	<u>\$ 1,452,885</u>	<u>\$ 3,088,069</u>
<b>Net loss:</b>				
For the year ended December 31, 2021	\$ 1,689,198	\$ -	\$ 275,678	\$ 1,964,876
For the year ended December 31, 2020	\$ 1,445,523	\$ -	\$ 382,073	\$ 1,827,596

#### 13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company continuously reviews the shareholders' equity and cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry its activities through the current operating period.

## MUNDORO CAPITAL INC.

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### Notes to the Consolidated Financial Statements

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#### 14. FINANCIAL INSTRUMENTS

The Company's financial instruments as at December 31, 2021 consist of cash and cash equivalents, receivables, deposits, investments, and accounts payable. Cash and cash equivalents, receivables and accounts payable are classified as amortized cost. Investments are designated as FVTPL.

##### **Fair Value of Financial Instruments**

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The Company's equity investments are measured at fair value using Level 3 inputs and have been estimated using comparable underground gold mining companies' public information on mineral resources and market valuation and then adjusting for certain factors such as size, location and liquidity of investment.

##### ***Financial Risk Management***

The Company is exposed to a variety of financial instrument related risks. The types of risk exposure and the way in which such exposure is managed are as follows:

##### **Credit risk**

The Company is exposed to credit risk with respect to its cash, cash equivalents, and accounts receivable. Cash, cash equivalents and short-term investments have been placed on deposit with major Canadian financial institutions.

The risk arises from the non-performance of counter parties of contractual financial obligations. The Company manages credit risk, in respect of cash, cash equivalents and, short-term investments by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution. Optionees of the Company's projects are major multi-national companies and the credit risk related to receivable amounts under the option agreements is considered to be low.

Concentration of credit risk exists as the majority of cash and short-term investments are held at a single Canadian financial institution.

##### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk requirements for its exploration, development and other corporate activities, and ensuring that it has sufficient cash and cash equivalents on hand to meet its short-term business requirements. Management and the Board of Directors annually review, plan and approve annual budgets and significant expenditures and commitments. The Company believes that it has sufficient cash and cash equivalents to meet its short-term business requirements. In the long-term, the Company will have to raise funds through the issuance of equity, assumption of debt, or other financing alternatives to complete development of its current projects and any projects acquired by the Company in the future. There are no assurances that the Company would be successful in its efforts to secure any required future financing.

## MUNDORO CAPITAL INC.

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December 31, 2021

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#### 14. FINANCIAL INSTRUMENTS (continued)

The Company maintained sufficient cash and cash equivalents at December 31, 2021 in the amount of \$3,587,477, in order to meet its business requirements for at least the next twelve months. At December 31, 2021 the Company had \$188,919 in accounts receivable that were received during the first quarter of 2022 and accounts payable and accrued liabilities of \$586,843, which were expected to be paid within three months.

##### Market Risk

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

##### Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash equivalents include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2021. As at December 31, 2021, the Company held \$1,257,972 in interest bearing cash deposits. Based on this net exposure as at December 31, 2021, and assuming that all other variables remain constant, a 10% change in the interest rate the Company is currently receiving would result in an increase or decrease of approximately \$180 in the Company's net loss.

##### Currency risk

The Company operates in Canada, USA, Mexico, Serbia, and Bulgaria, and its expenses are incurred in CAD\$, US\$, MXN, EUR, BGN and RSD but funded primarily in Cdn\$ and US\$. The Company is affected by currency transaction risk, which may affect the Company's operating results as exchange rates fluctuate. Based on this exposure, as at December 31, 2021 a 5% change in exchange rates could give rise to a change in the net loss by approximately \$92,570 which is primarily due to the Company's USD cash balance of \$1.48M at year end. The Company has not hedged its exposure to currency risk.

The Company maintains its funds primarily in Canadian dollars and purchases foreign currencies to meet current operating needs.

#### 15. INCOME TAXES

##### a) *Income tax expense*

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.0% (2020 – 27.0%) as follows:

	2021	2020
Expected tax recovery	\$ (530,517)	\$ (493,451)
Share based compensation and other differences	85,993	(3,677)
Foreign exchange rate and tax rate differences	11,903	148,376
Tax losses expired during the year	-	-
Tax assets which have not been recognized	432,620	348,752
Income tax expense	\$ -	\$ -

##### b) *Deferred income tax assets*

As at December 31, 2021, no deferred tax assets are recognized on temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets.

## MUNDORO CAPITAL INC.

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### Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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#### 15. INCOME TAXES (continued)

As at December 31, 2021, the unrecognized amount of deferred tax asset arising from the deductible temporary differences are as follows:

	December 31, 2021	December 31, 2020
Tax loss carry forwards and resources pools	\$ 5,247,000	\$ 5,355,000

The Company has tax losses in Canada of approximately \$16,100,000 expiring in various amounts from 2028 to 2041. The Company also has tax losses in Mexico of approximately \$2,320,000 expiring from 2022 to 2029, tax losses in Serbia of approximately \$640,000 expiring in 2022 to 2026, and tax losses in Bulgaria of approximately \$1,173,000 expiring from 2022 to 2026.

#### 16. SUBSEQUENT EVENTS

Mundoro and JOGMEC entered into an earn-in agreement for exploration of a sediment host copper system in Bulgaria.

The Company entered into a letter of intent with a third-party major miner to earn into the Company's GT7 property located central Serbia.

There were 338,667 options exercised at prices between \$0.11 to \$0.13 per share, 355,538 options exercisable at \$0.13 per share expired, 101,000 options exercisable at prices between \$0.12 and \$0.23 per share were forfeited and the Company granted 1,725,000 options exercisable at \$0.175 per share.

Warrants to purchase 367,736 common shares at \$0.20 per share expired.