

COLIBRI RESOURCE CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

August 31, 2020



COLIBRI RESOURCE CORPORATION
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements
AUGUST 31, 2020 and AUGUST 31, 2019
(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

These accompanying unaudited condensed consolidated interim financial statements of Colibri Resource Corporation have been prepared by and are the responsibility of the Company's management.

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

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS

(Unaudited – Prepared by Management)

| | Three months ended August | | Nine months ended August | |
|--|---------------------------|------------|--------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| EXPENSES, ADMINISTRATIVE AND GENERAL | | | | |
| Accounting and audit fees | 11,000 | 8,500 | 40,740 | 32,750 |
| Advertising and promotion | 25,893 | 4,326 | 70,174 | 42,889 |
| Amortization | 666 | 203 | 2,162 | 497 |
| Consulting | 10,000 | 17,500 | 47,083 | 48,251 |
| Directors fees | 2,500 | 1,500 | 5,250 | 4,750 |
| Foreign exchange | 2,796 | 4,352 | 21,138 | 13,899 |
| Interest expense | 21,114 | 1,840 | 58,155 | 6,740 |
| Legal | 2,334 | 5,214 | 6,100 | 29,711 |
| Management fees (Note 6) | 18,000 | 18,000 | 54,000 | 54,000 |
| Office and miscellaneous | 3,193 | 27,150 | 39,807 | 71,787 |
| Rent | 4,662 | 4,662 | 16,204 | 14,898 |
| Telephone | 962 | 1,121 | 3,282 | 2,757 |
| Transfer agent and filing fees | 4,884 | - | 17,220 | 18,180 |
| Travel and related costs | 2,765 | 5,708 | 11,299 | 29,255 |
| Wages and benefits | 20,467 | 20,903 | 61,153 | 61,950 |
| Share-based compensation | 7,712 | 17,884 | 77,489 | 59,363 |
| | (138,948) | (138,863) | (531,256) | (491,677) |
| Other Income (Expense) | | | | |
| Unrealized gain on investments | 20,148 | - | 190,148 | - |
| Realized gain on sale of investments | 39,100 | - | 39,100 | - |
| Accretion | (15,945) | - | (51,657) | - |
| NET LOSS FOR THE PERIOD | (95,645) | (138,863) | (355,665) | (491,677) |
| COMPREHENSIVE LOSS | | | | |
| Net loss for the period | (95,645) | (138,863) | (353,665) | (491,677) |
| Other comprehensive income (loss) | | | | |
| Items that will subsequently be reclassified to profit or loss | | | | |
| Cumulative translation adjustment | (11,087) | 127 | (204,447) | (15,295) |
| COMPREHENSIVE LOSS FOR THE PERIOD | (106,732) | (138,736) | (559,112) | (506,972) |
| BASIC AND DILUTED LOSS PER SHARE | (0.00) | (0.00) | (0.01) | (0.01) |
| Weighted average number of shares outstanding (Note 11) | 65,102,551 | 58,347,116 | 65,532,077 | 55,654,964 |

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

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)

| | Note | August 31, 2020 | November 30, 2019 |
|---|------|---------------------|----------------------|
| ASSET | | | |
| Current assets | | | |
| Cash | | \$ 88,058 | \$ 347,148 |
| Receivables | | 14,041 | 13,054 |
| Investment | 4 | 401,423 | 300,000 |
| Prepaid expenses | | 64,980 | 60,126 |
| | | <u>568,502</u> | <u>720,328</u> |
| Capital assets | 5 | 26,821 | 16,267 |
| Exploration and evaluation assets | 6 | 1,785,402 | 1,685,614 |
| | | <u>\$ 2,380,725</u> | <u>\$ 2,422,209</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 181,078 | \$ 152,550 |
| Accounts payable to related parties | 10 | 431,790 | 425,365 |
| Promissory note payable | 8 | 428,936 | 398,670 |
| | | <u>1,041,804</u> | <u>976,585</u> |
| Convertible debentures | 9 | 784,431 | 571,412 |
| Loan payable | 7 | 40,000 | - |
| | | <u>1,866,235</u> | <u>1,547,997</u> |
| Shareholders' equity | | | |
| Share capital | 11 | 14,904,896 | 14,806,146 |
| Contributed surplus | 11 | 431,712 | 452,392 |
| Equity component of convertible debenture | 9 | 315,904 | 292,753 |
| Accumulated other comprehensive income | | (305,102) | (99,655) |
| Deficit | | <u>(14,832,920)</u> | <u>(14,577,424)</u> |
| | | <u>514,490</u> | <u>874,212</u> |
| | | <u>\$ 2,380,725</u> | <u>\$ 2,422,209</u> |

Nature of operations and going concern (note 1)

Subsequent events (note 16)

Approved on behalf of the Board:

“William Macdonald” Director

“Ronald Goguen” Director

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

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)

| | Share Capital | | Share | Equity | Accumulated | Contributed | Deficit | Total |
|---|---------------|--------------|-----------------------------|---------------------------------------|----------------------------------|-------------|----------------|------------|
| | Number | Amount | Subscriptions Receivable | Component Convertible Debenture | Comprehensive Other Income | Surplus | | |
| Balance at November 30, 2018 | 52,902,986 | \$14,216,635 | \$ - | \$ - | \$ (81,462) | \$ 409,628 | \$(14,405,762) | \$ 139,039 |
| Loss for the period | - | - | - | - | - | - | (491,677) | (491,677) |
| Other comprehensive income | - | - | - | - | (15,295) | - | - | (15,295) |
| Net proceeds from private placement | 8,620,000 | 414,015 | - | - | - | - | - | 414,015 |
| Broker warrants | - | (4,230) | - | - | - | 4,230 | - | - |
| Share subscription receivable | - | - | 30,000 | - | - | - | - | 30,000 |
| Share based compensation | - | - | - | - | - | 59,363 | - | 59,363 |
| Balance at August 31, 2019 | 61,522,986 | \$14,626,420 | \$ 30,000 | \$ - | \$ (96,757) | \$ 473,221 | \$(14,897,439) | \$ 135,445 |
| Income (loss) for the period | - | - | - | - | - | - | 308,012 | 308,012 |
| Other comprehensive income | - | - | - | - | (2,898) | - | - | (2,898) |
| Shares issued for cash | 3,360,000 | 179,985 | (30,000) | - | - | - | - | 149,985 |
| Share issue costs | - | (22,750) | - | - | - | - | - | (22,750) |
| Share based compensation | - | - | - | - | - | 13,665 | - | 13,665 |
| Equity component of convertible debentures | - | - | - | 292,753 | - | - | - | 292,753 |
| Reclassification of expired options and broker warrants | - | 22,491 | - | - | - | (34,494) | 12,003 | - |
| Balance at November 30, 2019 | 64,782,986 | \$14,806,146 | \$ - | \$ 292,753 | \$ (99,655) | \$ 452,392 | \$(14,577,424) | \$ 874,212 |
| Loss for the period | - | - | - | - | - | - | (353,665) | (353,665) |
| Other comprehensive income | - | - | - | - | (205,447) | - | - | (205,447) |
| Shares issued for cash | 2,000,000 | 100,000 | - | - | - | - | - | 100,000 |
| Share issue costs | - | (1,250) | - | - | - | - | - | (1,250) |
| Share based compensation | - | - | - | - | - | 77,489 | - | 77,489 |
| Equity component of convertible debenture | - | - | - | 23,151 | - | - | - | 23,151 |
| Reclassification of expired options | - | - | - | - | - | (98,169) | 98,169 | - |
| Balance at August 31, 2020 | 66,782,986 | \$14,904,896 | \$ - | \$ 315,904 | \$ (305,102) | \$ 431,712 | \$(14,832,920) | \$ 514,490 |

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

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

| | Nine Months Ended | |
|---|--------------------------|-------------------|
| | August 31, | August 31, |
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss and comprehensive loss for the periods | \$ (353,665) | \$ (491,677) |
| Add: Items not requiring the use of cash | | |
| Amortization | 2,162 | 497 |
| Share based compensation | 77,489 | 59,363 |
| Unrealized gain on investment | (190,148) | - |
| Realized gain on sale of investment | (39,100) | - |
| Accretion | 51,657 | - |
| Unrealized foreign exchange | 21,138 | (15,295) |
| | <u>(430,467)</u> | <u>(447,112)</u> |
| Change in non-cash working capital items: | | |
| (Increase) decrease in receivables | (987) | (9,060) |
| (Increase) decrease in prepaid expenses | (4,854) | 55,494 |
| Increase (decrease) in accounts payable and accrued liabilities | 28,528 | (34,447) |
| | <u>(407,780)</u> | <u>(435,125)</u> |
| Net cash used in operating activities | <u>(407,780)</u> | <u>(435,125)</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Acquisition of exploration and evaluation assets | (99,788) | - |
| Acquisition of capital assets | (12,716) | (3,551) |
| Proceeds from sale of investments | 127,825 | - |
| | <u>15,321</u> | <u>(3,551)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net cash from issue of common shares | 98,750 | 414,015 |
| Advances from related parties | 6,425 | - |
| Net cash received from issue of convertible debenture | 183,155 | - |
| Increase in loan payable | 40,000 | - |
| Cash received from share subscriptions receivable | - | 30,000 |
| | <u>328,330</u> | <u>444,015</u> |
| Net cash from financing activities | <u>328,330</u> | <u>444,015</u> |
| Effect of changes in foreign exchange rates | (194,961) | - |
| (DECREASE) INCREASE IN CASH DURING THE PERIOD | (259,090) | 5,339 |
| CASH, beginning of periods | 347,148 | 15,524 |
| CASH, end of periods | \$ 88,058 | \$ 20,863 |

Supplemental disclosure with respect to cash flows (Note 12)

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

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

Colibri Resource Corporation (“the Company”) was incorporated on February 20, 2004 in the Province of British Columbia. The Company’s registered office and principal place of business is 105 Englehart St., Suite 700, Dieppe, NB, Canada.

The Company is pursuing opportunities in the exploration of mineral and natural resource properties in Mexico and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the properties.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and liabilities in the normal course of business. Several adverse conditions cast significant doubt on the validity of this assumption. As at August 31, 2020, the Company has working capital deficit of \$ 473,302 (Nov 30, 2019 –deficit of \$256,257) and has a cumulative deficit of \$14,832,920 (Nov 30, 2019 – \$14,577,424), no source of operating cash flow, and no assurances that sufficient funding will be available to conduct further exploration and development of its resource property projects.

The only source of future funds presently available to the Company is through the issuance of share capital, or by the sale of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing or sale of an interest in the future will depend in part upon the prevailing market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised through the issuance of shares, control of the Company may change and shareholders may suffer dilution. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company’s business, results of operations, and financial condition.

The amounts shown as exploration and evaluation assets represent acquisition costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral property interests is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended November 30, 2019, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended November 30, 2019.

The Board of Directors approved these consolidated financial statements for issue on October 27, 2020.

(b) Basis of Measurement

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, with the exception of certain financial instruments classified as available-for-sale which are measured at fair value as described in Note 3. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

(c) Subsidiaries and Principles of Consolidation

These condensed interim consolidated financial statements include the accounts of Colibri Resources Corporation and its wholly owned subsidiaries Canadian Gold Resources Ltd., 0901223 B.C. Ltd., Minera Bestep S.A. de C.V., and Yaque Minerales S.A. de C.V. Yaque Minerales S.A. de C.V. and Minera Bestep S.A. de C.V. are incorporated in Mexico for the purposes of developing mineral properties. All intercompany transactions and balances have been eliminated upon consolidation. All amounts are reported and measured in Canadian dollars.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial report from the date control commences to the date control ceases.

(d) Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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 may affect both the period of revision and future periods. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the condensed consolidated interim statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

2. BASIS OF PRESENTATION *(Continued)*

- The assumption of going concern basis of accounting;
- The carrying value and recoverable amount of exploration and evaluation assets;
- The inputs used in accounting for share-based compensation expense in the statements of operations and comprehensive loss;
- The valuation of shares issued in non-cash transactions;
- The valuation allowance applied against deferred income tax assets;
- The determination of functional currency; and
- The determination that the foreign exchange differences on loans to the Mexican subsidiaries are recorded to other comprehensive income because the loans are part of the net investment in a foreign operation and repayment is not expected in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at three months or less, with no penalties on early retirement.

(b) Exploration and evaluation assets

Exploration and evaluation assets are recorded at cost less accumulated impairment losses, if any. All direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the technical feasibility and commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. Technical feasibility and commercial viability is defined as (1) the determination of mineral reserves and (2) a decision to proceed with development has been recommended by management and approved by the Company's board of directors. To the extent that the expenditures are made to establish mineral reserves within the rights to explore, the Company will consider those costs as capital in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the exploration and evaluation asset.

Management reviews the facts and circumstances to determine whether there is an indication that the carrying amount of the exploration and evaluation assets exceeds their carrying value on a regular basis. Indication includes but is not limited to, the expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned and if the entity has decided to discontinue exploration activity in the specific area. If the facts and circumstances suggest the carrying value exceeds the recovery value, the Company will write down the carrying value of the property.

Where the Company has determined that the underlying mineral interest has reserves and, if impairment indicators exist, the Company will also assess for impairment under IAS 36 impairment of assets, whereby the cash generating unit (CGU) is assessed for impairment by comparing the carrying value to its recoverable amount, which is the higher of the value in use and the fair value less cost to sell. The fair value is determined by the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction, which is often estimated using discounted cash flows for the CGU.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) 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. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The consolidated financial statements are presented in Canadian dollars, which is Colibri's functional currency.

The assets and liabilities of the Company's foreign operations that have a functional currency different from that of Colibri are translated in Canadian dollars using the exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transaction are used. Exchange differences arising, if any, are recognized in other comprehensive income as cumulative translation adjustments.

The functional currency of the Company's 100% owned subsidiaries Yaque Minerales S.A. de C.V. and Minera Bestep S.A. de C.V. is the Mexican Peso.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. The foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income

(e) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Income Taxes *(Continued)*

and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable

right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(f) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. Diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

(g) Share Capital

The Company records its share capital proceeds from share issuances net of related issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Agent's warrants, stock options and other equity instruments issued as purchase consideration in nonmonetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

(h) Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting

COLIBRI RESOURCE CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended August 31, 2020 and August 31, 2019

(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

(i) Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Company has classified its cash at fair value through profit or loss, and sales tax receivable as loans and loans receivable.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had neither available-for-sale, nor held-to-maturity instruments during the period ended August 31, 2020.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has determined that no adjustments are currently required for transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading.

(i) Compound financial instruments

The component parts of compound financial instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the borrowing rate available for similar non-convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The value of the conversion option classified as equity component is determined at the date of issue by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debentures will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debentures, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

Transaction costs related to the issue of convertible debentures are allocated to the liability and equity component in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debenture using the effective interest method.

(j) Accounting standards adopted:

IFRS 16 Leases (“IFRS 16”) eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing the asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS.

The adoption of this standard did not have a significant impact on the Company’s consolidated financial statements.

Accounting standards issued but not yet applied

For the purposes of preparing and presenting the Company’s condensed consolidated interim financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not yet been adopted because they are not effective for the Company until subsequent to August 31, 2020.

Amendments to IFRS 3, Business Combinations (IFRS 3) - Definition of a Business In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments are effective January 1, 2020, with early adoption permitted. The amendments are applied prospectively to transactions or other events that occur on or after the date of first application.

Amendments to IAS 1, Presentation of Financial Statements (IAS 1) and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) - Definition of Material- In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

provide financial information about a specific reporting entity." These amendments are effective January 1, 2020.

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current- In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted.

The amendments are not expected to have an impact on the Company's consolidated financial statements.

4. INVESTMENT

| | 2020 | 2019 |
|-----------------------|------------|------|
| Tocvan Ventures Corp. | \$ 401,423 | \$ - |

The investment in Tocvan Ventures Corp. consists of 1,408,500 common shares representing a 7.7% interest. Tocvan Ventures Corp. is a reporting issuer whose shares are listed on the Canadian Securities Exchange.

The shares of Tocvan Ventures Corp. were received as partial consideration for the option of a mineral property as described in Note 6.

5. CAPITAL ASSETS

| | Land | Equipment | Computer Equipment | Total |
|----------------------------------|----------|-----------|-----------------------|-----------|
| Cost: | | | | |
| Balance August 31, 2019 | \$ 6,627 | \$ 4,172 | \$ 4,090 | \$ 14,889 |
| Additions | - | 13,481 | 5,258 | 18,739 |
| Exchange | (668) | - | - | (668) |
| Balance August 31, 2020 | \$ 5,959 | \$ 17,653 | \$ 9,348 | \$ 32,960 |
| Accumulated amortization: | | | | |
| Balance August 31, 2019 | \$ - | \$ 335 | \$ 3,362 | \$ 3,697 |
| Amortization | - | 190 | 2,252 | 2,442 |
| Balance August 31, 2020 | \$ - | \$ 525 | \$ 5,614 | \$ 6,139 |
| Carrying amounts: | | | | |
| August 31, 2019 | \$ 6,627 | \$ 3,837 | \$ 728 | \$ 11,192 |
| August 31, 2020 | \$ 5,959 | \$ 17,128 | \$ 3,734 | \$ 26,821 |

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION ASSETS

Title to Mineral Properties

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

Colibri Property (“Pitaya Property”)

On June 16, 2004, the Company agreed to an option agreement with Minera Cadenza S de RL de CV (“Cadenza”), a private Mexican company wholly owned by Cadence Resource Corporation, a Canadian private company controlled by a director and a former director of the Company, to purchase a 90% interest in the Colibri property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid \$50,000 and issued 200,000 common shares with a value of \$30,000. The Company agreed to pay \$300,000, issue a total of 1,200,000 common shares and incur a total of \$1,800,000 (incurred) in exploration expenditures by June 16, 2010, to earn its 90% interest. The Company has paid the \$350,000 and issued all of the 1,400,000 common shares with a total value of \$244,500. The Company exercised its option and acquired 100% interest in the Colibri Property, and Cadence Resource Corporation retains a 3% Net Smelter Returns (“NSR”) royalty.

As part of the Colibri property, on June 16, 2004, the Company agreed to an assignment of contract agreement to have the right to purchase a 100% interest in two mineral claims known as the San Francisco and the Juarez claims for a total of US\$1,000,000 to be paid over a six year period ending January 1, 2011. All option payments made under this agreement will be applied to the purchase price of US\$1,000,000 if the Company elects to purchase these two mineral claims. To date, the Company has paid US\$131,000, but has decided not to pay the remaining option payments, as the costs did not warrant the cost of finalizing the option agreements. All previously capitalized costs relating to these two mineral claims were written off in the Company’s 2009 consolidated financial statements.

On May 27, 2011, the Company closed an “earn-in” and shareholders agreement with Agnico-Eagle Mines Ltd., whereby Agnico may acquire up to a 75% interest in the Colibri gold project and form a joint venture with the Company by making qualified exploration expenditures and payments to Colibri. To earn its 75% interest, Agnico is required to spend a minimum of US\$3.0 million in exploration expenditures by May 27, 2014, of which US\$1.5 million (US\$2,797,013 incurred to November 30, 2014) is to be spent in the first 18 months, as well as complete a positive feasibility study within five years. In addition, Agnico will be required to make option payments totaling US\$1,452,000 (US\$218,000 paid to November 30, 2016) over a seven year period.

After completion of the feasibility study, and Agnico earning its 75% interest, Agnico and Colibri will form a joint venture to develop the Colibri Project. As required under this agreement, a Mexican company, Minera Azor Dorado S.A. de C.V. (the “Operating Company”) was incorporated as a wholly-owned subsidiary of a newly incorporated British Columbia company, 0901223 B.C. Ltd. (the joint venture company) to hold the right, title and interest in the Colibri Project and transfer of the concessions comprising the Colibri Project to the Operating Company.

The Company owned 100% of the joint venture company up to November 17, 2012, at which time Agnico exercised its first option under the Earn-in Agreement to acquire a 51% interest, consequently leaving the Company with a 49% interest in the joint venture company. Effective May 14, 2013 Agnico decided not to exercise the second option under the Earn-in and Shareholders Agreement. Following termination of the second option, Agnico and Colibri will now jointly operate the Colibri Project, with Agnico as General Manager, at their current ownership levels subject to adjustments relating to budget funding obligations. As Agnico has also terminated the sole-funding period, any further contributions to the Project must now be contributed by Agnico and Colibri in proportion to their ownership interests. The Company has elected not

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Colibri Property (“Pitaya Property”) *(Continued)*

to participate in funding of the last year’s budget, and as a result has had its ownership interest recalculated to 34%, as stipulated in Section 12.6 of the Agreement.

During the 2018 fiscal year, the Company entered into an agreement with Agnico with respect to the sale of the Colibri Project whereby Agnico will manage the sale process. In the event of a sale, if the consideration is any combination of cash and securities the Company will receive its proportionate share of such cash and securities. If the consideration received is other than a combination of cash and securities, the Company will receive cash proceeds from Agnico in the amount of \$US500,000.

As a result, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of \$1,730,793.

Evelyn Property

In March 2010 the Company’s subsidiary, Minera Halcones, acquired a 100% interest in the Evelyn III claim via a Mexican government “sorteo” or claim lottery. This 506.3 hectare claim is located in the State of Sonora, Mexico.

During the 2018 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of \$15,890.

During the 2019 year, the Company carried out preparatory work for a drilling program to be completed during fiscal 2020. Consequently, exploration and evaluation costs of \$70,220 were capitalized.

During the current period, the Company carried out a drilling program and costs of \$110,030 were capitalized.

Pilar Property

In August 2017, the Company through its wholly owned subsidiary, Minera Bestep, acquired a 100% interest in the Pilar property. The Pilar property is located in the State of Sonora, Mexico.

During the 2018 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of \$5,067,557.

During the 2019 fiscal year, the Company optioned the Pilar property to Tocvan Ventures Corp. (“Tocvan”) and received as consideration 2,000,000 common shares of Tocvan, whose shares are listed on the Canadian Securities Exchange, and cash of \$125,000. Tocvan can earn a 51% interest in the Pilar property by issuing 3,000,000 common shares, making cash payments of \$275,000 to the Company, and carrying out exploration and evaluation expenditures of \$2,000,000, over a 60-month period.

Sun Property

In August 2017, the Company through its wholly owned subsidiary, Minera Bestep S.A. de C.V., acquired a 100% interest in the Sun concession.

During the 2018 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of \$8,565.

During the 2019 fiscal year, the Company determined that the Sun property was no longer an integral part of its property portfolio and allowed the concession to lapse.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION ASSETS *(Continued)*

El Mesquite Property

In November 2019, the Company through its wholly owned subsidiary, Yaque Minerales S.A. de C.V., acquired a 65% interest in the El Mesquite property. The El Mesquite property is located in the State of Sonora, Mexico.

On June 9, 2020, the Company entered into an agreement with Silver Spruce Resources Inc. (“Silver Spruce”) whereby Silver Spruce acquired a four year option to purchase a 50% interest in Yaque Minerales S.A. de C.V., a wholly owned subsidiary of the Company which owns a 65% interest in the El Mesquite property in Mexico.

Consideration for the option includes payment of an amount to acquire the remaining 35% interest in the El Mesquite property, payments required to maintain surface rights for the El Mesquite property, payment of 50% of the property taxes on the El Mesquite property, payment of 50% of the interest on an existing convertible debenture related to the purchase of Yaque Minerales, and payment of \$500,000 prior to October 2023.

Silver Spruce must also incur \$600,000 in exploration and evaluation expenditures on the El Mesquite property during the period of the option, with no minimum annual amount

Jackie Property

In November 2019, the Company through its wholly owned subsidiary, Yaque Minerales S.A. de C.V., acquired a 100% interest in the Jackie property. The Jackie property is located in the State of Sonora, Mexico.

| For the period ended August 31, 2020 | Colibri Property | Pilar Property | Evelyn Property | El Mesquite Property | Jackie Property | Total |
|---|---------------------|-------------------|--------------------|-------------------------|--------------------|--------------|
| Acquisition costs: | | | | | | |
| Balance, December 1, 2019 | \$ 422,064 | \$ - | \$ - | \$ 791,803 | \$ 173,591 | \$ 1,387,458 |
| Acquisition | - | - | - | - | - | - |
| Foreign exchange | - | - | - | (44,340) | (9,721) | (54,061) |
| Impairment | - | - | - | - | - | - |
| Balance, August 31, 2020 | \$ 422,064 | \$ - | \$ - | \$ 747,463 | \$ 163,870 | \$ 1,333,397 |
| Deferred Exploration costs: | | | | | | |
| Balance, December 1, 2019 | \$227,936 | \$ - | \$ 70,220 | \$ - | \$ - | \$ 298,156 |
| Additions | | | | | | |
| Drilling and assays | - | - | 63,300 | - | - | 63,300 |
| Field expenses and personnel | - | - | 16,416 | - | - | 16,416 |
| Geological consulting | - | - | 44,015 | - | - | 44,015 |
| Miscellaneous | - | 4,964 | 25,154 | - | - | 30,118 |
| Property and claim taxes | - | - | - | - | - | - |
| Total Additions | - | 4,964 | 148,885 | - | - | 153,849 |
| Option proceeds | - | - | - | - | - | - |
| Total deferred exploration costs | 227,936 | 4,964 | 219,105 | - | - | 452,005 |
| Balance, August 31, 2020 | \$ 650,000 | \$ 4,964 | \$ 219,105 | \$ 747,463 | \$ 163,870 | \$ 1,785,402 |

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

6. EXPORATION AND EVALUATION ASSETS (Continued)

| For the year ended November 30, 2019 | Colibri Property | Pilar Property | Sun Property | Evelyn Property | El Mesquite Property | Jackie Property | Total |
|---|---------------------|-------------------|-----------------|--------------------|-------------------------|--------------------|--------------|
| Acquisition costs: | | | | | | | |
| Balance, December 1, 2018 | \$ 422,064 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 422,064 |
| Acquisition | - | - | - | - | 791,803 | 173,591 | 965,394 |
| Foreign exchange | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - |
| Balance, November 30, 2019 | \$ 422,064 | \$ - | \$ - | \$ - | \$ 791,803 | \$ 173,591 | \$ 1,387,458 |
| Deferred Exploration costs: | | | | | | | |
| Balance, December 1, 2018 | \$ 227,936 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 227,936 |
| Additions | | | | | | | |
| Field expenses and personnel | - | - | - | 53,364 | - | - | 53,364 |
| Geological consulting | - | - | - | 16,214 | - | - | 16,214 |
| Miscellaneous | - | 2,198 | - | 642 | - | - | 2,840 |
| Property and claim taxes | - | - | - | - | - | - | - |
| Total Additions | - | 2,198 | - | 70,220 | - | - | 72,418 |
| Option proceeds | - | (2,198) | - | - | - | - | (2,198) |
| Total deferred exploration costs | 227,936 | - | - | 70,220 | - | - | 298,156 |
| Balance, November 30, 2019 | \$ 650,000 | \$ - | \$ - | \$ 70,220 | \$ 791,803 | \$ 173,591 | \$ 1,685,614 |

7. LOAN PAYABLE

| | <u>2020</u> | <u>2019</u> |
|---------|-------------|-------------|
| Balance | \$ 40,000 | \$ - |

Loan payable is a non-interest bearing loan from the Government of Canada through the Canada Emergency Business Account (CEBA) program. The loan is due on December 31, 2022 and payment by the due date will result in \$10,000 forgiveness of the loan.

8. PROMISSORY NOTE PAYABLE

The promissory note payable to Agnico-Eagle Mines Ltd., is denominated in US dollars, bears interest at 10% per annum and is secured by the Colibri mineral property. The promissory note matures on the earliest of November 8, 2021 or the sale of the Colibri mineral property.

9. CONVERTIBLE DEBENTURES

| | <u>2020</u> | <u>2019</u> |
|---------|-------------|-------------|
| Balance | \$784,431 | \$ - |

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

9. CONVERTIBLE DEBENTURE *(Continued)*

Convertible Debentures (1)

On November 5, 2019, the Company issued a convertible debenture as consideration for the acquisition of all of the outstanding shares of Yaque Minerales S.A de C.V. The unsecured convertible debenture with a principal amount of \$1,000,000 has a five-year term and is convertible to common shares of the Company at \$0.20 per share at any time prior to maturity. The debenture bears interest at 2.5% per annum payable in advance maturity. The debenture is not redeemable by the Company.

Values were allocated between the debenture and the conversion feature. The valuation approach involved determining the fair value for the debenture in the absence of a conversion feature. The Black-Scholes option pricing model was used to determine the fair value of the conversion feature. The Company determined an interest rate of 15% was fair value for a debenture without additional features attached. The present value of the interest and principal payments of the debenture at this fair value resulted in an allocation of \$571,412 for the debenture and \$292,753 to the conversion feature. The difference between the fair value and face value of the debenture is being accreted over the term to maturity using the effective interest method. During the period accretion of \$45,791 was recorded.

Convertible Debentures (2)

On May 1, 2020, the Company completed a convertible debenture financing of \$200,000. The unsecured convertible debenture has a two-year term and bears interest at 8% per annum payable quarterly in arrears and has a conversion price of \$0.05 during the first twelve-month term and \$0.10 during the second twelve-month term. The Company may redeem the debenture at any time prior to maturity upon thirty days' notice.

Values were allocated between the debenture and the conversion feature. The valuation approach involved determining the fair value for the debenture in the absence of a conversion feature. The Black-Scholes option pricing model was used to determine the fair value of the conversion feature. The Company determined an interest rate of 15% was fair value for a debenture without additional features attached. The present value of the interest and principal payments of the debenture at this fair value resulted in an allocation of \$160,002 for the debenture and \$23,153 to the conversion feature. The difference between the fair value and face value of the debenture, net of expenses, is being accreted over the term to maturity using the effective interest method. During the period accretion of \$5,866 was recorded.

10. RELATED PARTY TRANSACTIONS AND BALANCES

Accounts payable and accrued liabilities to related parties at August 31, 2020 of \$431,790 (2019 – \$484,573) is comprised of management fees and loans plus accrued interest due to companies controlled by officers of the Company. Amounts payable to related parties bear interest at 6% per annum, are due on demand, and are unsecured. In addition, included in convertible debentures is an amount of \$100,000 owing to a related party.

The Company entered into the following transactions with related parties for the three months ended August 31, 2020:

- a) Paid or accrued \$28,000 (2019 – \$27,000) in management fees to companies controlled by directors and officers of the Company.
- b) Paid or accrued \$3,500 (2019 – \$3,500) in accounting fees to an officer of the Company.
- c) Paid or accrued \$NIL (2019 – \$1,500) in fees to directors of the Company.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

10. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

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

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

Common shares:

| | Number of Shares | Amount |
|---|---------------------|---------------|
| Balance at November 30, 2018 | 52,902,986 | \$ 14,216,635 |
| Shares issued for cash, net of issuance costs | 8,620,000 | 414,015 |
| Balance August 31, 2019 | 61,522,986 | 14,626,420 |
| Shares issued for cash, net of issuance costs | 3,260,000 | 157,235 |
| Reclassification of expired broker warrants | - | 22,491 |
| Balance November 30, 2019 | 64,782,986 | \$ 14,806,146 |
| Share issued for cash, net of issuance costs | 2,000,000 | 98,750 |
| Balance August 31, 2020 | 66,782,986 | \$ 14,904,896 |

On September 24, 2015, the Company implemented a share consolidation of all its outstanding common shares on the basis of one post-consolidation share for every fifteen pre-consolidated shares.

(c) Warrants

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|----------------------------|--------------------|------------------------------------|
| Balance, November 30, 2018 | 16,385,980 | \$ 0.15 |
| Expired during fiscal 2019 | (4,265,000) | \$ 0.25 |
| Issued during fiscal 2019 | 11,880,000 | \$ 0.10 |
| Balance November 30, 2019 | 24,000,980 | \$ 0.13 |
| Issued during the period | - | - |
| Balance August 31, 2020 | 24,000,980 | \$ 0.13 |

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

The following warrants are outstanding at August 31, 2020

| Number of warrants | Exercise price per warrant | Expiry date |
|--------------------|----------------------------|-------------------|
| 6,340,000 | \$0.10 | March 13, 2022 |
| 2,280,000 | \$0.10 | August 7, 2022 |
| 3,260,000 | \$0.10 | October 9, 2022 |
| 10,770,980 | \$0.15 | February 26, 2023 |
| 1,350,000 | \$0.15 | March 15, 2023 |
| 24,000,980 | | |

In addition, there are 345,000 broker warrants outstanding of which 272,000 are exercisable at \$0.15 per share and expire on February 26, 2023 and 73,000 which are exercisable at \$0.10 per share and expire on March 13, 2022.

(d) Stock Options

The Company has in place a rolling stock option plan whereby the Company may grant stock options to eligible persons to acquire a total of up to 10% of the then existing number of shares outstanding. Awarded stock options generally vest at the discretion of the directors and are exercisable over a period not exceeding ten years at exercise prices determined by the directors. The exercise price of each option is subject to a minimum price of \$0.10 and cannot be less than the discounted market price of the Company's stock as calculated pursuant to the policies of the TSX Venture Exchange.

The number of stock options outstanding at August 31, 2020 is summarized as follows:

| | Number Of Options | Weighted Average Exercise |
|----------------------------|-------------------------|---------------------------------|
| Balance, November 30, 2018 | 4,475,000 | \$0.15 |
| Options expired | (150,000) | \$0.15 |
| Options granted | 625,000 | \$0.15 |
| Balance, November 30, 2019 | 4,950,000 | \$0.15 |
| Options granted | 1,200,000 | \$0.05 |
| Options expired | (850,000) | \$0.12 |
| Balance August 31, 2020 | 5,300,000 | \$0.10 |

At August 31, 2020, the following stock options were outstanding:

| Number of Options | Exercise Price | Expiry Date | Exercisable |
|-------------------|----------------|----------------|-------------|
| 300,000 | \$0.15 | June 14, 2021 | 450,000 |
| 1,200,000 | \$0.10 | April 16, 2028 | 1,200,000 |
| 1,975,000 | \$0.10 | April 16, 2023 | 1,714,583 |
| 625,000 | \$0.15 | April 13, 2024 | 182,292 |
| 1,200,000 | \$0.05 | May 28, 2025 | 1,200,000 |
| 5,300,000 | | | 4,746,875 |

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

At August 31, 2020, the 5,300,000 options outstanding have a weighted average life remaining of 4.24 years.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | August 31, 2020 | August 31, 2019 |
|----------------|-----------------|-----------------|
| Cash paid for: | | |
| Income taxes | \$ - | \$ - |
| Interest | \$ - | \$ - |

13. SEGMENTED INFORMATION

The Company primarily operates in one reportable business segment, being the acquisition and exploration of mineral properties located in Mexico. The net loss and assets identifiable with these geographic areas are as follows:

| August 31, 2020 | Canada | Mexico | Total |
|-------------------------|--------------|--------------|--------------|
| Net loss for the period | \$ (87,629) | \$ (8,016) | \$ (95,645) |
| Current assets | 555,539 | 12,963 | 568,502 |
| Mineral properties | - | 1,785,402 | 1,785,402 |
| Capital assets | 4,525 | 22,297 | 26,821 |
| Total assets | \$ 560,064 | \$ 1,820,662 | \$ 2,380,725 |
| Total liabilities | \$ 1,786,207 | \$ 80,028 | \$ 1,866,235 |

| August 31, 2019 | Canada | Mexico | Total |
|-------------------------|--------------|-------------|--------------|
| Net loss for the period | \$ (112,990) | \$ (25,873) | \$ (138,863) |
| Current assets | 33,306 | 48,819 | 82,125 |
| Mineral properties | - | 650,000 | 650,000 |
| Capital assets | 1,709 | 9,484 | 11,192 |
| Total assets | \$ 35,015 | \$ 708,033 | \$ 733,317 |
| Total liabilities | \$ 564,891 | \$ 42,981 | \$ 607,872 |

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

14. FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet date, August 31, 2020.

1. Fair Value

The carrying values of cash, accounts receivable, accounts payable to related parties, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments.

2. Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances primarily in large Canadian chartered banks, and no interest bearing debt. The Company's current policy is to invest cash in Canadian bank savings accounts with interest that varies at prime and guaranteed investment certificates with terms of one year or less.

3. Credit Risk

The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions, primarily in Canada, and is kept in highly liquid accounts that are closely monitored by management. Credit risk with respect to its accounts receivable is minimal due to the insignificant balances that are primarily due from government agencies.

The Company's maximum exposure to credit risk is as follows:

| August 31, 2020 | Canada | Mexico | Total |
|---------------------------|----------|-----------|-----------|
| Cash and cash equivalents | \$85,114 | \$2,944 | \$88,058 |
| Receivables | 5,691 | 8,350 | 14,041 |
| | \$90,805 | \$11,294 | \$102,099 |
| | | | |
| August 31, 2019 | Canada | Mexico | Total |
| Cash and cash equivalents | \$11,168 | \$ 9,695 | \$20,863 |
| Receivables | 4,624 | 36,614 | 41,238 |
| | \$15,792 | \$ 28,799 | \$62,101 |

4. Derivatives – Mineral Properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

14. FINANCIAL INSTRUMENTS *(Continued)*

5. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company's cash flow exposure to foreign currency is due mainly to cash, option payments and costs incurred for the development of its mineral properties in Mexico. As at August 31, 2020, the Company's condensed consolidated interim balance sheets included \$1,253 (2019 – \$NIL) of cash denominated in U.S. currency and \$2,944 (2019 – \$9,695) denominated in Mexican currency; \$NIL (2019 – \$NIL) of accounts payable which were U.S. currency denominated and \$80,028 (2019 – \$42,981) of accounts payable which were Mexico currency denominated. The Company does not use, hold or issue financial instruments for trading or speculative purposes. At August 31, 2020 there were no foreign exchange contracts outstanding.

6. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below. The Company has insufficient funds as at August 31, 2020 to settle its current accounts payable of \$612,868, and sufficient funds to cover its long-term commitments on mineral claims as outlined in Note 6.

In the opinion of management, working capital deficit of (\$473,302) at August 31, 2020 is insufficient to support the Company's normal operating requirements through its current reporting period. The Company is continuing to review expenditures to ensure adequate liquidity and flexibility to support its exploration and development strategies.

The Company believes that external financing, likely in the form of equity offerings or optioning one or more of its claims, will be required to maintain its current operations.

15. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. 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. As at August 31, 2020, total managed capital was \$514,490 (2019–\$135,445)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt or acquire or dispose of assets.

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 successful capital deployment and general industry conditions. These budgets are approved by the Company's Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in interest-bearing accounts with Canadian chartered banks.

The Company's capital resources available to it have been depleted, so has reduced operating expenditures to a minimum.

There were no changes in the Company's approach to capital management during the period ended August 31, 2020. The Company is not subject to externally imposed capital requirements.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended August 31, 2020 and August 31, 2019
(Unaudited – Prepared by Management)

16. SUBSEQUENT EVENTS

On September 18, 2020, pursuant to an amended agreement with Tocvan Ventures Corp., the Company received 1,000,000 common shares of Tocvan as well as a cash payment of \$125,000.

Subsequent to the period end, the Company sold 408,500 common shares of Tocvan Ventures Corp. for net proceeds of \$310,335.