

COLIBRI RESOURCE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTHS ENDED DECEMBER 31, 2021 AND
YEAR ENDED NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Colibri Resources Inc:

Opinion

We have audited the consolidated financial statements of Colibri Resources Inc and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the thirteen month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company for the year ended November 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on March 29, 2021.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that for the year ended December 31, 2021 the Company has incurred losses over the years resulting in a deficit in the amount of \$14,169,349. at December 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises:

- 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. 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

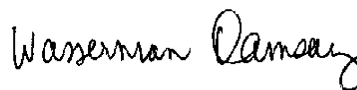
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not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

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

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



Markham, Ontario
July 27, 2022

Chartered Professional Accountants
Licensed Public Accountants

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in Canadian Dollars)

		Thirteen month period ended December 31,	Year ended November 30,
	Note	2021	2020
EXPENSES, ADMINISTRATIVE AND GENERAL			
Accounting and audit fees	\$	89,558	\$ 51,740
Advertising and promotion		222,633	105,937
Amortization and depreciation		94,998	27,601
Consulting fees		155,438	82,584
Foreign exchange		(18,303)	(7,486)
Legal		22,034	29,193
Interest and accretion expense	11	197,839	185,568
Management fees		154,000	72,000
Office and miscellaneous		218,026	40,585
Telephone		5,619	3,923
Transfer agent and filing fees		26,999	18,153
Travel and related costs		24,098	15,248
Wages and benefits		90,976	82,084
Share-based compensation	14	249,184	81,903
		<u>(1,533,099)</u>	<u>(789,033)</u>
Other Income			
Mineral property option proceeds in excess of capitalized costs		938,226	590,040
Fair value adjustments on investments	6	648,536	198,425
Realized gain on investments	6	<u>121,860</u>	<u>50,484</u>
		<u>1,708,622</u>	<u>838,949</u>
NET INCOME FOR THE YEAR		<u>175,523</u>	<u>49,916</u>
COMPREHENSIVE INCOME			
Net income for the period		175,523	49,916
Cumulative translation adjustment		<u>(121,655)</u>	<u>(16,321)</u>
COMPREHENSIVE INCOME FOR THE PERIOD	\$	<u>53,868</u>	\$ <u>33,595</u>
BASIC AND DILUTED INCOME PER SHARE			
		<u>(0.00)</u>	<u>(0.00)</u>
Weighted average number of shares outstanding		<u>87,512,362</u>	<u>65,911,924</u>

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

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	December 31, 2021		November 30, 2020
ASSETS				
Current assets				
Cash	3	\$ 1,309,475	\$	337,641
Receivables	4	43,936		29,122
Investments	6	950,791		486,000
Prepaid expenses	5	40,996		95,266
		2,345,198		948,029
Capital assets	7	480,770		27,978
Right-of-use assets	8	159,085		185,158
Exploration and evaluation assets	9	2,734,298		2,064,106
		\$ 5,719,351	\$	3,225,271
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		\$ 199,596	\$	283,244
Accounts payable to related parties	13	84,092		328,024
Promissory note payable	10	462,035		430,296
Current portion of lease liability	8	21,502		28,353
		767,225		1,069,917
Convertible debentures	11	728,058		783,579
Lease liability	8	133,012		154,299
Loan payable	12	40,000		30,000
		1,668,295		2,037,795
Shareholders' equity				
Share capital	14	17,561,923		14,980,761
Contributed surplus		603,360		436,126
Equity component of convertible debenture	11	292,753		315,904
Accumulated other comprehensive income		(237,631)		(115,976)
Deficit		(14,169,349)		(14,429,339)
		4,051,056		1,187,476
		\$ 5,719,351	\$	3,225,271

Nature of operations and going concern (note 1)
Subsequent events (note 21)

Approved on behalf of the Board:

(Signed) "William Macdonald" Director

(Signed) "Ron Goguen" Director

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

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

	Share Capital		Accumulated Other Comprehensive Income	Equity Component Convertible Debenture	Contributed Surplus	Deficit	Total
	Number	Amount					
Balance at November 30, 2019	642,782,986	\$ 14,806,146	\$ (99,655)	\$ 292,753	\$ 452,392	\$(14,577,424)	\$ 874,212
Net income for the year	-	-	-	-	-	49,916	49,916
Other comprehensive loss	-	-	(16,321)	-	-	-	(16,321)
Shares issued for cash	2,962,500	177,000	-	-	-	-	177,000
Share issue costs	-	(2,385)	-	-	-	-	(2,385)
Share-based compensation	-	-	-	-	81,903	-	81,903
Equity component of convertible debenture	-	-	-	23,151	-	-	23,151
Reclassification of expired options and broker warrants	-	-	-	-	(98,169)	98,169	-
Balance at November 30, 2020	67,745,486	\$14,980,761	\$ (115,976)	\$ 315,904	\$ 436,126	\$(14,429,339)	\$1,187,476
Net income for the year	-	-	-	-	-	175,523	175,523
Other comprehensive loss	-	-	(121,655)	-	-	-	(121,655)
Shares issued for cash	23,881,139	2,388,114	-	-	-	-	2,388,114
Share issue costs	-	(112,822)	-	-	-	-	(112,822)
Broker warrants	-	(2,517)	-	-	2,517	-	-
Shares issued on exercise of warrants	1,100,000	110,000	-	-	-	-	110,000
Shares issued on conversion of debenture	4,000,000	198,387	-	(23,151)	-	-	175,236
Share-based compensation	-	-	-	-	249,184	-	249,184
Reclassification of expired options	-	-	-	-	(84,467)	84,467	-
Balance at December 31, 2021	96,726,625	\$ 17,561,923	\$ (237,631)	\$ 292,753	\$ 603,360	\$(14,169,349)	\$4,051,056

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

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020
(Expressed in Canadian Dollars)

	Thirteen months ended December 31,	Year ended November 30,
	2021	2020
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net income	\$ 175,523	\$ 49,916
Add: Items not requiring the use of cash		
Amortization and depreciation	94,998	27,601
Share-based compensation	249,184	81,903
Fair value adjustments on investments	(648,536)	(198,425)
Gain on sale of investments	(121,860)	(50,484)
Mineral property option proceeds in excess of capitalized cost	(938,226)	(590,040)
Interest and accretion	139,944	185,568
Unrealized foreign exchange	(18,303)	(7,916)
Government grant	10,000	10,000
Change in non-cash working capital items:		
(Increase) decrease in receivables	(14,814)	(16,068)
(Increase) increase in prepaid expenses	54,270	(35,140)
Increase (decrease) in accounts payable and accrued liabilities	(83,648)	68,194
Net cash used in operating activities	(1,101,468)	(474,891)
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES		
Acquisition of mineral properties and deferred exploration costs	(859,278)	(582,616)
Purchase of property and equipment	(538,332)	(17,256)
Mineral property option payments received	124,520	298,265
Proceeds from sale of investments	1,263,105	527,909
Net cash (used in) from investing activities	(9,985)	226,302
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from the issue of common shares-net	2,385,292	174,615
Repayment of related parties	(243,932)	(98,456)
Repayment of lease obligation	(33,752)	(32,984)
Proceeds from issue of convertible debenture	-	200,000
Proceeds of loan payable	20,000	40,000
Interest paid on debentures	(12,500)	(12,500)
Net cash from financing activities	2,115,108	270,675
Effect of changes in foreign exchange rates	(31,821)	(31,593)
INCREASE (DECREASE) IN CASH DURING THE YEAR	971,834	(9,507)
CASH, beginning of period	337,641	347,148
CASH, end of period	\$ 1,309,475	\$ 337,641

Supplemental disclosure with respect to cash flows (Note 15)

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

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020
(Expressed in Canadian Dollars)

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 consolidated 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. The following material uncertainties cast significant doubt on the validity of this assumption. During the thirteen-month period ended December 31, 2021, the Company had net income of \$175,523 (Year ended November 30, 2020– \$49,916), and as at December 31, 2021, has working capital of \$1,577,973 (2020 –working capital deficit \$121,888), a cumulative deficit of \$14,169,349 (2020 – \$14,429,339), 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 Company has raised funds from private placements during the year (note 12(b)).

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.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

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

The Board of Directors approved these consolidated financial statements for issue on July 27, 2022.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION *(Continued)*

(b) Basis of Measurement

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

(c) Subsidiaries and Principles of Consolidation

These 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. were incorporated in Mexico for the purposes of developing mineral properties. All intercompany transactions and balances have been eliminated upon consolidation. All amounts are reported are 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 consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and 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 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:

- The assumption of going concern basis of accounting;
- The carrying value and recoverable amount of exploration and evaluation assets (note 7);
- The inputs used in accounting for share-based compensation expense in the consolidated statements of operations and comprehensive loss (note 12(d));
- The valuation of shares issued in non-cash transactions (note 3);
- The valuation allowance applied against deferred income tax assets (note 16);
- The determination of functional currency (note 3); 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.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

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.

(c) Capital Assets

Capital assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of capital assets consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Capital assets are depreciated on a straight-line basis over their useful lives at the following rates:

Drilling equipment-10 years
Transportation equipment-4 years
Computer equipment-3 years
Furniture and fixtures-3 years

(d) 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 as an expense in the consolidated statement of comprehensive income (loss). For an asset that does not generate largely

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

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

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.

(e) Revenue Recognition

Interest income from financial instruments (mainly cash and equivalents), is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

The Company has no ongoing revenue other than nominal interest and dividend income on cash balances, however, from time to time the Company sells or options Exploration and Evaluation assets (E&E assets) for cash and or shares of other exploration companies (or a combination of both). Any shares received are valued when received at fair market value. The cash and or shares received are offset against the carrying value of the E&E asset being sold to the extent that there is any carrying value. Should the amount received be in excess of the carrying value of the E&E assets the amount is recognized in the income statement as mineral property option proceeds in excess of capitalized costs. Similarly, should the proceeds be less than the carrying value of the E&E asset being sold or optioned the balance is recognized in the income statement as Loss on sale or option of exploration and evaluation assets.

(f) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The right-of-use ("ROU") asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the earlier of the end of the useful life or the lease term using either the straight-line or units-of-production method, depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

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

payments can arise from a change in an index or rate, if there is a change in the Company's estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded to the statement of loss if the carrying amount of the ROU asset has been reduced to zero.

(g) 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 the functional currency for Colibri and Canadian Gold Resources Ltd. The functional currency of Yaque Minerales S.A de C.V. and Minera Bestep S.A. de C.V, is the Mexican Peso.

Transactions denominated in foreign currencies 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.

The assets and liabilities of the Company's foreign operations that have a functional currency different from Colibri are translated into 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.

(h) Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are derecognized to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

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

(i) 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 outstanding that may add to the total number 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 of common shares. Diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

(j) 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.

(k) 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 consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting 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.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

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

(l) Financial Instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

The Company has made the following classifications:

Cash	FVTPL
Marketable securities	FVTPL
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Promissory note	Amortized cost
Lease liability	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVTPL are measured at fair value with changes in fair value recognized in the statements of comprehensive loss.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of operations. The election is available on an investment-by-investment basis. As at December 31, 2021, the Company did not have any financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

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

(i) Financial Instruments *(Continued)*

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net loss when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

De-recognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate. A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net loss.

Impairment of financial assets:

A loss allowance for expected credit losses is recognized in net loss for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Financial instruments recorded at fair value:

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

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

(i) Financial Instruments *(Continued)*

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

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.

As at December 31, 2021, the carrying value of investments is recorded at fair value on the statement of financial position. Investments in public company shares are carried at fair value using the quoted trading share price and would be considered Level 1.

(m) Accounting standards issued but not yet applied

Property, plant and equipment-proceeds before intended use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company will recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of that earliest period presented. This amendment will impact the Company's accounting for proceeds from mineral sales prior to reaching commercial production levels intended by management.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments— Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

In May 2021, the International Accounting Standards Board issued targeted amendments to IAS 12, Income Taxes. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. With a view to reducing diversity in reporting, the amendments will clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. This amendment is not expected to have a material impact on the Company's financial statements.

COLIBRI RESOURCE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020**

(Expressed in Canadian Dollars)

4. ACCOUNTS RECEIVABLE

	2021	2020
Sales tax recovery	\$ 10,855	\$ 14,758
Recovery of expenses	20,712	1,499
Other	<u>12,369</u>	<u>12,865</u>
	<u>\$ 43,936</u>	<u>\$ 29,122</u>

5. PREPAID EXPENSES

	2021	2020
Prepaid insurance	\$ 1,115	\$ 1,138
Investor relations	35,953	92,324
Other	<u>3,928</u>	<u>1,804</u>
	<u>\$ 40,996</u>	<u>\$95,266</u>

6. INVESTMENT

	November 30, 2020	Additions	Proceeds from sales	Realized gains	Unrealized gain	December 31, 2021
	\$	\$	\$	\$	\$	\$
Tocvan Ventures Corp.	486,000	910,000	(1,224,159)	115,414	641,036	928,291
Silver Spruce Resources Inc.	0	47,500	(38,946)	6,446	7,500	22,500
	<u>486,000</u>	<u>957,500</u>	<u>(1,263,105)</u>	<u>121,860</u>	<u>648,536</u>	<u>950,791</u>

	November 30, 2019	Additions	Proceeds from sales	Realized gains	Unrealized gain	November 30, 2020
	\$	\$	\$	\$	\$	\$
Tocvan Ventures Corp.	300,000	465,000	(527,909)	50,484	198,425	486,000

The Company acquired 2,000,000 common shares of Tocvan Ventures Corp. during fiscal 2019 as partial consideration for the option of a mineral property as described in Note 7. During fiscal 2020 the Company acquired an additional 1,000,000 shares and sold 1,650,000 shares and realized a gain of \$50,484. During fiscal 2021, the Company acquired an additional 1,000,000 shares and sold 1,329,900 shares and realized a gain of \$115,414. The fair value of the shares has been adjusted to reflect market value resulting in a cumulative gain of \$641,036 (2020 – gain of \$198,425).

The Company acquired 1,000,000 common shares of Silver Spruce Resources Inc. during fiscal 2021 as partial consideration for an option agreement of mineral properties. The Company sold 500,000 shares and realized a gain of \$6,446. The fair value of the shares has been adjusted to reflect market value resulting in a cumulative gain of \$7,500.

Tocvan Ventures Corp. and Silver Spruce Resources Inc. are reporting issuers whose shares are listed on the Canadian Securities Exchange and the TSX Venture Exchange respectively.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

7. CAPITAL ASSETS

	Land	Office Equipment	Computer Equipment	Transportation Equipment	Drilling Equipment	Total
Cost:						
Balance November 30, 2020	\$ 6,441	\$ 21,097	\$ 10,483	\$ -	\$ -	\$ 38,021
Additions	-	12,299	1,313	75,127	449,593	538,332
Disposals	-	(16,258)	-	-	-	(16,258)
Exchange	(232)	(1,745)	751	130	777	(319)
Balance, December 31, 2021	\$ 6,209	\$ 15,393	\$ 12,547	\$ 75,257	\$ 450,370	\$ 559,776
Accumulated amortization:						
Balance November 30, 2020	\$ -	\$ 3,236	\$ 6,807	\$ -	\$ -	\$ 10,043
Amortization	-	4,375	2,628	18,782	44,959	70,744
Disposals	-	(1,800)	-	-	-	(1,800)
Exchange	-	(841)	750	32	78	19
Balance December 31, 2021	\$ -	\$ 4,970	\$ 10,185	\$ 18,814	\$ 45,037	\$ 79,006
Carrying amounts:						
November 30, 2020	\$ 6,441	\$ 17,861	\$ 3,676	\$ -	\$ -	\$ 27,978
December 31, 2021	\$ 6,209	\$ 10,423	\$ 2,362	\$ 56,443	\$ 405,333	\$ 480,770

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its head office space in Dieppe, New Brunswick and a lease agreement for its office in Sonora, Mexico.

The continuity of the ROU asset and lease liability is as follows:

Right-of-use asset

Value of right-of-use asset recognized as at December 1, 2019	\$	208,665
Depreciation		(24,182)
Effect of foreign exchange		675
Value of right-of-use asset as at November 30, 2020	\$	185,158
Depreciation		(24,258)
Effect of foreign exchange		(1,815)
Value of right-of-use asset as at December 31, 2021	\$	159,085

Lease liability

Lease liability recognized as of December 1, 2019	\$	208,665
Lease payments		(32,984)
Lease interest		6,338
Effect of foreign exchange		633
Lease liability as of November 30, 2020	\$	182,652
Lease payments		(33,752)
Lease interest		7,455
Effect of foreign exchange		(1,841)
Lease liability as of December 31, 2021	\$	154,514
Current portion	\$	21,502
Long-term portion	\$	133,012

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY *(Continued)*

Undiscounted future lease payments are CDN \$18,648 through November 2030 and MXN \$220,350 (CDN\$13,682) through December 2025.

9. 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

The Company holds a 24% interest in the Colibri property.

Evelyn Property

The Company holds a 100% interest in the Evelyn property.

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 fiscal 2020, the Company incurred exploration and evaluation expenditures in the amount of \$437,575 related to the Evelyn property.

During fiscal 2021, the Company incurred exploration and evaluation expenditures in the amount of \$832,829 related to the Evelyn property.

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 2019 year, the Company optioned the Pilar property to Tocvan Ventures Corp. ("Tocvan") whose shares are listed on the Canadian Securities Exchange, and received as consideration 2,000,000 common shares of Tocvan valued at \$260,000 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.

During the 2020 fiscal year, the Company received an additional 1,000,000 common shares of Tocvan valued at \$465,000 and cash of \$125,000 as partial consideration in connection with the option agreement.

During fiscal 2021, the Company received an additional 1,000,000 common shares of Tocvan valued at \$910,000 and cash of \$25,000 as partial consideration in connection with the option agreement.

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.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

9. EXPORATION AND EVALUATION ASSETS *(Continued)*

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.

During fiscal 2021, the Company re-acquired the Sun property by paying tax arrears in the amount of \$4,054.

El Mesquite Property

In November 2019, the Company through its recently acquired 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.

During the 2020 fiscal year, 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 USD in exploration and evaluation expenditures on the El Mesquite property during the period of the option, with no minimum annual amount.

During the 2020 fiscal year, Silver Spruce paid USD \$82,500 (CAD \$109,000) as partial payment to acquire the 35% interest in the property and is up to date with amounts payable under the option.

During fiscal 2021, Silver Spruce paid USD\$27,500 (CAD \$35,500) as partial payment to acquire the 35% interest in the property and is up to date with amounts payable under the option.

Jackie Property

In November 2019, the Company through its recently acquired 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.

During the 2020 fiscal year, the Company entered into an option agreement with Silver Spruce Resources Inc. (“Silver Spruce”) whereby Silver Spruce can earn a 50% interest in the Jackie property by cash payments of \$50,000 USD and the issuance of \$50,000 CDN Silver Spruce shares to the Company over a two-year period. In addition, Silver Spruce is required to carry out \$100,000 USD of exploration and evaluation expenditures of which \$50,000 USD of expenditures must be incurred during the first year of the option.

During fiscal 2021, the Company received 1,000,000 common shares of Silver Spruce valued at \$47,500 and cash of USD \$50,000 (CAD \$64,000) in connection with the option agreement.

El Diamante Property

During fiscal 2021, the Company entered into an earn-in agreement whereby the Company can initially earn a 50% interest in the El Diamante property by making cash payment of \$100,000 USD, paying one-half of the property tax and security costs and incurring the cost of 2,000 metres of drilling and related costs over a two-year period. Upon completion of its earn-in, the Company can either continue exploration and

COLIBRI RESOURCE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020**

(Expressed in Canadian Dollars)

9. EXPORATION AND EVALUATION ASSETS (Continued)

evaluation activities under a joint venture agreement with current owner of the property, or acquire the remaining 50% of the property by payment of \$2.1 million USD or payment of \$1.4 million USD and granting of a 2%NSR. The El Diamante property is located in the State of Sonora, Mexico.

During fiscal 2021, the Company entered into an agreement with Silver Spruce Resources Inc. (“Silver Spruce”) whereby Silver Spruce can earn a 50% interest in the Company’s interest in the El Diamante

property by making a cash payment of \$75,000 USD and incurring 75% of the Company’s costs with respect to the 2,000 metres of drilling and 50% of any other costs incurred by the Company with respect to the El Diamante property.

During fiscal 2021, the Company received cash in the amount of USD \$87,000 (CAD \$108,663) and received \$26,354 as reimbursement of operating costs from Silver Spruce.

	Colibri Property	Pilar Property	Sun Property	Evelyn Property	El Mesquite Property	Jackie Property	El Diamante Property	Total
Balance, December 1, 2019	\$ 650,000	\$ -	\$ -	\$ 70,220	\$ 791,803	\$ 173,591	\$ -	\$ 1,685,614
Acquisition	-	-	-	-	109,729	-	-	109,729
Field expenses and personnel	-	-	-	31,144	1,451	-	-	32,595
Drilling	-	-	-	250,342	9,798	-	-	260,140
Geological consulting	-	-	-	76,522	250	-	-	76,772
Miscellaneous	-	5,029	-	79,662	18,689	-	-	103,380
Option proceeds	-	(5,029)	-	-	(168,236)	-	-	(173,265)
Effect of foreign exchange	-	-	-	(95)	(21,600)	(9,164)	-	(30,859)
Balance, November 30, 2020	650,000	-	-	507,795	741,884	164,427	-	2,064,106
Acquisition	-	-	-	-	72,330	-	126,980	199,310
Field expenses and personnel	-	-	-	115,344	22,295	-	-	137,639
Drilling	-	-	-	392,828	2,721	-	-	395,549
Geological consulting	-	-	-	186,491	1,550	-	-	188,041
Miscellaneous	-	15,736	4,054	143,572	26,541	29,080	32,820	251,803
Option proceeds	-	(17,299)	-	-	(35,502)	(111,518)	(95,235)	(259,554)
Recovery of expenses	-	-	-	-	(114,044)	(65,000)	(39,782)	(218,826)
Effect of foreign exchange	-	1,563	-	(5,406)	(14,739)	(6,185)	997	(23,770)
Balance, December 31, 2021	\$ 650,000	\$ -	\$ 4,054	\$ 1,340,624	\$ 703,036	\$ 10,804	\$ 25,780	\$ 2,734,298

10. 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 December 31, 2022 or the sale of the Colibri mineral property. The Company accrued US \$32,500 of interest expense during the thirteen-month period ended December 31, 2021 (Year ended November 30, 2020 - \$US 30,000).

11. CONVERTIBLE DEBENTURES

	<u>2021</u>	<u>2020</u>
Convertible debenture (1)	\$ 728,058	\$ 615,114
Convertible debenture (2)	\$ -	\$ 170,465
	\$ 728,058	\$ 783,579

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

11. CONVERTIBLE DEBENTURE *(Continued)*

Convertible Debenture (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. (note 7). The unsecured convertible debenture with a principal amount of \$1,000,000 is due in September 2023 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. The debenture is not redeemable by the Company.

The valuation approach for the debenture 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 21% 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 year, interest and accretion expense of \$139,944 was recognized.

Convertible Debenture (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.

The proceeds 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 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, net of issuance costs and \$23,151 to the conversion feature. The difference between the fair value and face value of the debenture, net of expenses, was being accreted over the term to maturity using the effective interest method. During the 2020 fiscal year interest and accretion of \$15,565 was recorded. During Q1 of fiscal 2021 the debenture was converted to 4,000,000 common shares and the carrying value of the convertible debenture along with the conversion feature were transferred to share capital.

12. LOAN PAYABLE

As a result of COVID-19, the Canadian federal government created the Canada Emergency Business Account ("CEBA"), designed to provide some financial assistance to qualifying Canadian companies. In April 2020, the Company applied for this funding and received \$40,000 as an unsecured, non-interest-bearing demand loan. In December 2020, the Company applied for and received an additional \$20,000 pursuant to the same terms and conditions. This loan is due on or before December 31, 2023. If paid before this time, \$20,000 of the loan is forgiven. If not paid by this date, interest at a rate of 5% per annum, will need to be paid monthly.

The Company intends to repay the loan prior to December 31, 2023 and has recognized \$10,000 in income during fiscal 2020 and \$10,000 during fiscal 2021.

13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Accounts payable and accrued liabilities to related parties for 2021 of \$84,092 (2020 – \$328,024) is comprised of management fees and loans plus accrued interest due to companies controlled by officers of

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

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

the Company. Amounts payable to related parties at December 31, 2021 are non-interest bearing, are due on demand, and are unsecured.

The Company entered into the following transactions with related parties during the thirteen-month period ended December 31, 2021:

- a) Paid or accrued for 2021 \$206,000 (2020 – \$114,000) in management fees to companies controlled by directors and officers of the Company.
- b) Paid or accrued for 2021 is \$21,000 (2020 – \$14,000) in accounting fees to an officer of the Company.
- c) Paid or accrued for 2021 \$13,038 (2020 – \$7,000) in consulting fees to directors of the Company.
- d) Paid or accrued \$65,300 (2020-\$7,900) to a director for exploration and evaluation services.
- e) Granted stock options for 2021 with a fair value of \$219,015 (2020-\$53,577) to directors and officers of the Company.

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.

14. 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, 2019	64,782,986	\$	14,806,146
Shares issued for cash, net of issue costs	2,962,500		174,615
Balance November 30, 2020	67,745,486	\$	14,980,761
Shares issued for cash, net of issue costs	23,881,139		2,272,775
Shares issued for conversion of debenture	4,000,000		198,387
Shares issued for exercise of warrants	1,100,000		110,000
Balance December 31, 2021	96,726,625	\$	17,561,923

During the thirteen-month period ended December 31, 2021, the Company issued 23,881,139 units at \$0.10 per unit for gross proceeds of \$2,388,114. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.15 per share for a period of twenty-four months from the date of issue. The Company incurred share issuance costs of \$112,822 and issued 30,000 broker warrants in connection with the financing.

COLIBRI RESOURCE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020**

(Expressed in Canadian Dollars)

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

During the thirteen-month period ended December 31, 2021, the Company issued 4,000,000 common shares upon the exercise of a convertible debenture. The carrying value of the convertible debenture along with the carrying value of the convertible debenture conversion feature were transferred to share capital.

During the thirteen-month period ended December 31, 2021, the Company issued 1,100,00 common shares on the exercise of common share purchase warrants for gross proceeds of \$110,000.

During the year ended November 30, 2020, the Company issued 2,000,000 common shares at a subscription price of \$0.05 per share for gross proceeds of \$100,000. The Company incurred share issuance costs of \$1,250 in connection with the financing. In addition, the Company issued 962,500 units at a subscription price of \$0.08 per unit for gross proceeds of \$77,000. Each unit consists of 1 common share and 1 share purchase warrant exercisable for two years at \$0.08 per common share. The Company incurred share issuance costs of \$1,135 in connection with the financing.

(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, 2019	24,000,980	\$ 0.13
Issued during the year	962,500	\$ 0.12
Balance, November 30, 2020	24,963,480	\$ 0.13
Issued during the period	23,881,139	\$ 0.15
Exercised during the period	(1,100,000)	\$ 0.10
Balance December 31, 2021	47,744,619	\$ 0.14

The following warrants are outstanding at December 31, 2021:

Number of warrants	Exercise price per warrant	Expiry date
5,840,000	\$0.10	March 13, 2022
2,280,000	\$0.10	August 7, 2022
2,660,000	\$0.10	October 9, 2022
962,500	\$0.12	November 5, 2022
10,770,980	\$0.15	February 26, 2023
1,350,000	\$0.15	March 15, 2023
23,881,139	\$0.15	April 9, 2023
47,744,619		

In addition, there are 375,000 broker warrants outstanding of which 272,000 are exercisable at \$0.15 per share and expire on February 26, 2023, 73,000 which are exercisable at \$0.10 per share and expire on March 13, 2022, and 30,000 which are exercisable at \$0.15 per share and expire April 9, 2023.

(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

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

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

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 December 31, 2021 is summarized as follows:

	Number Of Options	Weighted Average Exercise
Balance, November 30, 2019	4,950,000	\$0.11
Options expired	(850,000)	\$0.11
Options granted	1,200,000	\$0.05
Balance, November 30, 2020	5,300,000	\$0.09
Options expired	(925,000)	\$0.15
Options granted	2,150,000	\$0.10
Balance, December 31, 2021	6,525,000	\$0.09

At December 31, 2021, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date	Exercisable
1,200,000	\$0.10	April 16, 2028	1,200,000
1,975,000	\$0.10	April 23, 2023	1,975,000
1,200,000	\$0.05	May 28, 2025	1,200,000
1,900,000	\$0.10	April 21, 2026	1,900,000
250,000	\$0.10	July 28, 2026	250,000
6,525,000			6,525,000

At December 31, 2021, the 6,525,000 options outstanding have a weighted average life remaining of 3.69 years.

The model inputs for options granted during the thirteen-month period ended December 31, 2021, and the year ended November 30, 2020:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
May 28, 2020	May 28, 2025	\$0.05	\$0.05	1.57%	5 years	142%	0%
April 21, 2021	April 21, 2026	\$0.13	\$0.10	.96%	5 years	137%	0%
July 28, 2021	July 28, 2026	\$0.10	\$0.10	.96%	5 years	137%	0%

Total expenses arising from the share-based payment transactions recognized during the thirteen-month period ended December 31, 2021 as part of share-based compensation expense was \$249,184 (year ended November 30, 2020: \$81,903).

As at December 31, 2021 there was \$nil (November 30, 2020: \$13,365) of unrecognized compensation cost related to unvested share-based compensation.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	December 31, 2021	November 30, 2020
Cash paid for:		
Income taxes	\$ -	\$ -
Interest	\$ 12,500	\$ 12,500

16. 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:

December 31, 2021	Canada	Mexico	Total
Net income (loss) for the period	\$ (447,289)	\$ 622,812	\$ 175,523
Current assets	2,263,552	81,646	2,345,198
Mineral properties	-	2,734,298	2,734,298
Capital assets	3,174	477,596	480,770
Right-of-use assets	120,593	38,492	159,085
Total assets	\$ 2,387,319	\$ 3,332,032	\$ 5,719,351
Total liabilities	\$ 1,544,744	\$ 123,551	\$ 1,668,295
November 30, 2020	Canada	Mexico	Total
Net loss for the year	\$ (488,227)	\$ 538,143	\$ 49,916
Current assets	921,749	26,280	948,029
Mineral properties	-	2,064,106	2,064,106
Capital assets	5,748	22,230	27,978
Right-of-use-asset	135,245	49,913	185,158
Total assets	\$ 1,062,742	\$ 2,162,529	\$ 3,225,271
Total liabilities	\$ 1,856,207	\$ 181,588	\$ 2,037,795

17. 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 statement of financial position date, December 31, 2021.

1. Fair Value

COLIBRI RESOURCE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS *(Continued)*

Financial instruments included in the consolidated statements of financial position are measured either at fair value or amortized cost. Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in an arm's-length transaction between knowledgeable and willing parties.

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. Marketable securities in the form of common shares of listed companies are valued based on quoted market prices for identical assets in an active market.

Debt instruments are valued at the approximate carrying value as discount rate on these instruments approximate the Company's credit risk.

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 interest rate is fixed on 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:

December 31, 2021	Canada	Mexico	Total
Cash	\$ 1,267,853	\$ 41,622	\$ 1,309,475
Receivables	33,621	10,315	43,936
	\$ 1,301,474	\$ 51,937	\$ 1,353,411

November 30, 2020	Canada	Mexico	Total
Cash and cash equivalents	\$ 322,642	\$ 14,999	\$ 337,641
Receivables	19,651	9,471	29,122
	\$ 342,293	\$ 24,470	\$ 366,763

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS *(Continued)*

5. Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar. The Company, through its subsidiaries, has operations in Mexico and therefore is exposed to foreign currency gains and losses due to fluctuations in the exchange rate between the Mexican peso and the Canadian dollar. To reduce the risk, the Company maintains pesos denominated bank accounts in Mexico, and when possible, negotiates its Mexican operations in US dollars. Foreign currency gains and losses on loans from the Company to the Mexican subsidiaries are recorded in other comprehensive income because the loans are part of a net investment in a foreign operation and repayment of the loans is not expected in the foreseeable future.

Should the Canadian dollar strengthen or weaken 10% vis-à-vis the Mexican peso, then a translation gain or loss of approximately \$4,000 would arise and would be recorded through other comprehensive income.

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 sufficient funds as at December 31, 2021 to settle its current liabilities of \$727,225, and sufficient funds to cover its long-term commitments on mineral claims as outlined in Note 9.

The Company has working capital of \$1,577,973 at December 31, 2021 which, in the opinion of management, is sufficient to support the Company's normal operating requirements through its current reporting period. The Company is continuing to review expenditures in order 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 in order to maintain its current operations.

18. INCOME TAXES

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

	2021	2020
Income (loss) before income taxes	\$ 175,523	\$ 49,916
Statutory tax rate	29.00 %	29.00 %
Expected income tax recovery at statutory rates	\$ 50,902	\$ 14,480
Effect of foreign tax rate	3,488	5,590
Items subject to lower tax rate		(35,440)
Share based compensation and non-deductible expenses	(395,688)	50,350
Share issuance costs booked directly through equity	(6,500)	6,710
Unrealized foreign exchange	(68,913)	(48,020)
Change in unrecognized deferred income tax assets	416,711	6,330
Income tax recovery	\$ -	\$ -

COLIBRI RESOURCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

18. INCOME TAXES *(Continued)*

The following table summarizes the components of deferred tax:

	2021	2020
	\$	\$
Deferred Tax Assets		
Operating tax losses	44,011	15,650
Capital lease obligation	44,809	38,320
Deferred Tax Liabilities		
Right-of-use asset	(46,135)	(39,220)
Convertible debentures	-	(8,300)
Marketable securities	(42,685)	(6,450)
Net Deferred tax asset (liability)	-	-

Deferred tax balances have not been recognized in respect of the following deductible temporary differences because their future utilization is not yet considered probable:

	2021	2020
	\$	\$
Non-capital losses – Canada	7,821,249	6,656,180
Capital losses	5,795,675	5,551,240
Exploration expenditures	1,651,450	1,272,958
Share issue costs	112,072	74,870
Property, plant and equipment	188,444	19,060

The non-capital losses carried forward will expire between 2026 and 2042.

The exploration expenditures, and property, plant, and equipment may be carried forward indefinitely.

The capital losses may be carried forward indefinitely but are only deductible against capital gains.

The share issue costs will be deducted for tax purposes over the next four years.

19. 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 December 31, 2021, total managed capital was \$4,051,056 (November 30, 2020 – \$1,187,476)

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.

There were no changes in the Company's approach to capital management during the period ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

COLIBRI RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2021 AND YEAR ENDED
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

19. CUMULATIVE TRANSLATION ACCOUNT

The cumulative translation account is a component of Accumulated Other Comprehensive Income (Loss) and in the Company's case represents the accumulated net foreign currency gains and losses from converting its Mexican subsidiaries from their functional currency, the Mexican Peso, to the Company's reporting currency of Canadian dollars. The balance is made up as follows:

	2021	2020
Opening balance	\$ (115,976)	\$ (99,655)
Current losses from conversion of Mexican subsidiaries to \$ CDN	(121,655)	(16,321)
Closing balance	\$ (237,631)	\$ (115,976)

20. SUBSEQUENT EVENTS

The Company completed the acquisition of the El Mesquite property.

The Company and its optionee completed exploration and evaluation activities to earn a 50% interest in the El Diamante property.