

Condensed Consolidated Interim Financial Statements of

**Azucar Minerals Ltd.**

For the three and six months ended June 30, 2021  
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Azucar Minerals Ltd. (“the Company”) for the three and six months ended June 30, 2021 have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed consolidated interim financial statements by an entity’s auditor.

**Azucar Minerals Ltd.**

Condensed consolidated interim statements of financial position  
(Unaudited - Expressed in Canadian dollars)

	<b>June 30, 2021</b>	December 31, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 10)	<b>2,769,694</b>	4,424,939
Accounts receivable and prepaid expenses (Note 4)	<b>49,402</b>	111,821
	<b>2,819,096</b>	4,536,760
<b>Non-current assets</b>		
Property and equipment (Note 5)	<b>143,967</b>	154,817
Exploration and evaluation assets (Note 6)	<b>21,960,682</b>	21,125,900
	<b>22,104,649</b>	21,280,717
<b>TOTAL ASSETS</b>	<b>24,923,745</b>	25,817,477
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 8(b))	<b>140,431</b>	598,386
<b>Total liabilities</b>	<b>140,431</b>	598,386
<b>EQUITY</b>		
Share capital (Note 7)	<b>24,043,321</b>	24,043,321
Reserves (Note 7)	<b>3,575,897</b>	3,356,037
Deficit	<b>(2,835,904)</b>	(2,180,267)
<b>Total equity</b>	<b>24,783,314</b>	25,219,091
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,923,745</b>	25,817,477
Subsequent Event (Note 14)		

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on August 18, 2021.

They are signed on the Company's behalf by:

/s/Duane Poliquin  
Director

/s/Fuad Sillem  
Director

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

**Azucar Minerals Ltd.**

Condensed consolidated interim statements of comprehensive loss  
(Unaudited - Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Expenses</b>				
Administrative services fee (Note 8(a)(b))	117,075	249,641	280,598	489,681
Depreciation (Note 5)	5,425	3,532	10,850	7,064
Office	11,884	26,782	20,929	31,120
Professional fees	43,294	34,989	81,631	53,735
Transfer agent and filing fees	15,188	14,082	29,257	29,776
Travel and promotion	13,205	5,717	24,022	28,876
Share-based payments (Note 7(b))	219,860	21,250	219,860	21,250
	<b>425,931</b>	<b>355,993</b>	<b>667,147</b>	<b>661,502</b>
<b>Other income (loss)</b>				
Interest income	2,504	11,535	5,544	36,376
Foreign exchange gain (loss)	(4)	(395)	5,966	(26,899)
	<b>2,500</b>	<b>11,140</b>	<b>11,510</b>	<b>9,477</b>
<b>Total comprehensive loss for the period</b>	<b>(423,431)</b>	<b>(344,853)</b>	<b>(655,637)</b>	<b>(652,025)</b>
<b>Basic and diluted net loss per share (Note 9)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>

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

## Azucar Mineral Ltd.

Condensed consolidated interim statements of cash flows  
(Unaudited - Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Operating activities</b>				
Net loss for the period	(423,431)	(344,853)	(655,637)	(652,025)
Items not affecting cash				
Depreciation	5,425	3,532	10,850	7,064
Share-based payments	219,860	21,250	219,860	21,250
Changes in non-cash working capital components				
Accounts receivable and prepaid expenses	66,978	75,298	62,419	77,190
Trade and other payables	(2,491)	(46,624)	(34,721)	(38,505)
Net cash used in operating activities	(133,659)	(291,397)	(397,229)	(585,026)
<b>Investing activities</b>				
Exploration and evaluation assets - costs	(838,412)	(359,519)	(1,258,016)	(1,220,047)
Property and equipment - purchase	-	-	-	-
Net cash used in investing activities	(838,412)	(359,519)	(1,258,016)	(1,220,047)
<b>Financing activities</b>				
Net cash from financing activities	-	-	-	-
Change in cash and cash equivalents	(972,071)	(650,916)	(1,655,245)	(1,805,073)
Cash and cash equivalents, beginning of period	3,741,765	6,373,947	4,424,939	7,528,104
Cash and cash equivalents, end of period	2,769,694	5,723,031	2,769,694	5,723,031
Supplemental cash flow information (Note 10)				

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

**Azucar Mineral Ltd.**

Condensed consolidated interim statement of changes in equity  
(Unaudited - Expressed in Canadian dollars)

	<u>Share Capital</u>		<u>Reserves</u>		<u>Deficit</u>	<u>Total</u>
	Number of shares	Amount	Share-based payments	Total Reserves		
		\$	\$	\$	\$	\$
<b>Balance, January 1, 2020</b>	<b>73,829,025</b>	<b>24,043,321</b>	<b>3,302,237</b>	<b>3,302,237</b>	<b>(828,924)</b>	<b>26,516,634</b>
Share-based payments	-	-	21,250	21,250	-	21,250
Total comprehensive loss for the period	-	-	-	-	(652,025)	(652,025)
<b>Balance, June 30, 2020</b>	<b>73,829,025</b>	<b>24,043,321</b>	<b>3,323,487</b>	<b>3,323,487</b>	<b>(1,480,949)</b>	<b>25,885,859</b>
Share-based payments	-	-	32,550	32,550	-	32,550
Total comprehensive loss for the period	-	-	-	-	(699,318)	(699,318)
<b>Balance, December 31, 2020</b>	<b>73,829,025</b>	<b>24,043,321</b>	<b>3,356,037</b>	<b>3,356,037</b>	<b>(2,180,267)</b>	<b>25,219,091</b>
Share-based payments	-	-	219,860	219,860	-	219,860
Total comprehensive loss for the period	-	-	-	-	(655,637)	(655,637)
<b>Balance, June 30, 2021</b>	<b>73,829,025</b>	<b>24,043,321</b>	<b>3,575,897</b>	<b>3,575,897</b>	<b>(2,835,904)</b>	<b>24,783,314</b>

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

## **Azucar Minerals Ltd.**

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

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### **1. Nature of Operations**

Azucar Minerals Ltd. (the “Company” or “Azucar”) was incorporated on April 10, 2015 under the laws of the Province of British Columbia pursuant to a Plan of Arrangement to reorganize Almaden Minerals Ltd. (“Almaden”) which was completed on July 31, 2015. The Company’s business activity is the exploration of the El Cobre project in Veracruz, Mexico. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage. The address of the Company’s registered and records office is Suite 1710 –1177 West Hastings Street, Vancouver, BC, Canada V6E 2L3.

### **2. Basis of Presentation**

#### *(a) Statement of Compliance with International Financial Reporting Standards*

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards (“IAS”) 34 “*Interim Financial Reporting*” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

#### *(b) Basis of preparation*

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes the Company will continue its operations for a reasonable period of time. The Company’s ability to continue its operations is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period.

Except as described below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2020.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ended December 31, 2021.

These condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the period ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ended December 31, 2021.

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

### 3. Significant Accounting Policies

The preparation of these condensed consolidated interim financial statements requires management to make judgements and estimates 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 judgements and estimates. The condensed consolidated interim financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and 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 the revision affects both current and future periods. There have been no changes in estimates since the annual consolidated financial statements as at and for the year ended December 31, 2020.

### 4. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	June 30, 2021	December 31, 2020
	\$	\$
Accounts receivable	21,332	65,519
Prepaid expenses	28,070	46,302
	<b>49,402</b>	<b>111,821</b>

### 5. Property and Equipment

	Computer hardware	Computer software	Field equipment	Building	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
<b>December 31, 2020</b>	<b>3,068</b>	<b>27,719</b>	<b>39,582</b>	<b>118,420</b>	<b>188,789</b>
Additions	-	-	-	-	-
<b>June 30, 2021</b>	<b>3,068</b>	<b>27,719</b>	<b>39,582</b>	<b>118,420</b>	<b>188,789</b>
<b>Accumulated depreciation</b>					
<b>December 31, 2020</b>	<b>2,387</b>	<b>8,532</b>	<b>17,132</b>	<b>5,921</b>	<b>33,972</b>
Depreciation	359	2,621	2,245	5,625	10,850
<b>June 30, 2021</b>	<b>2,746</b>	<b>11,153</b>	<b>19,377</b>	<b>11,546</b>	<b>44,822</b>
<b>Carrying amounts</b>					
December 31, 2020	681	19,187	22,450	112,499	154,817
<b>June 30, 2021</b>	<b>322</b>	<b>16,566</b>	<b>20,205</b>	<b>106,874</b>	<b>143,967</b>

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

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### 6. Exploration and Evaluation Assets

<b>Exploration and evaluation assets – El Cobre</b>	<b>\$</b>
<b>Acquisition costs:</b>	
<b>Opening balance – December 31, 2020</b>	<b>1,539,062</b>
Additions	-
<b>Closing balance – June 30, 2021</b>	<b>1,539,062</b>
<b>Deferred exploration costs:</b>	
<b>Opening balance - December 31, 2020</b>	<b>19,586,838</b>
Costs incurred during the period:	
Drilling and related costs	249,069
Professional/technical fees	27,571
Claim maintenance/lease costs	47,142
Geochemical, metallurgy	50,772
Travel and accommodation	46,775
Geology, geophysics, exploration	251,698
Supplies and miscellaneous	22,710
Environmental	12,635
Value-added tax	126,410
<b>Total deferred exploration costs during the period</b>	<b>834,782</b>
<b>Closing balance – June 30, 2021</b>	<b>20,421,620</b>
<b>Total exploration and evaluation assets</b>	<b>21,960,682</b>

The following is a description of the Company's property interest and related spending commitments:

(a) *El Cobre*

The Company owns a 100% interest in the El Cobre property located in the state of Veracruz, Mexico.

### 7. Share Capital and Reserves

(a) *Authorized share capital*

At June 30, 2021, the Company's authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

### 7. Share Capital and Reserves (Continued)

#### (b) Stock option plan

The Company's stock option plan permits the issuance of options to acquire up to a maximum of 10% of the Company's issued common shares. Stock options issued to any consultant or person providing investor relations services cannot exceed 2% of the issued and outstanding common shares in any twelve month period. At June 30, 2021, the Company may reserve up to 697,903 shares that may be granted as stock options. The exercise price of any option cannot be less than the volume weighted average trading price of the shares for the five trading days immediately preceding the date of the grant. The maximum term of all options is ten years. The Board of Directors determines the term of the option and the time during which any options may vest. Options granted to consultants or persons providing investor relations services shall vest in stages with no more than 25% of such option being exercisable in any three month period. All options granted during the period ended June 30, 2021 vested on the date of grant.

The continuity of stock options for the period ended June 30, 2021 is as follows:

Expiry date	Exercise price	December 31, 2020	Granted	Exercised	Expired/cancelled	June 30, 2021
April 28, 2021	\$ 0.60	3,584,200	-	-	(3,584,200)	-
June 4, 2021	\$ 0.29	493,000	-	-	(493,000)	-
July 7, 2021	\$ 0.34	967,800	-	-	-	967,800
February 28, 2022	\$ 0.36	515,000	-	-	-	515,000
May 9, 2022	\$ 0.11	425,000	-	-	-	425,000
December 17, 2022	\$ 0.16	465,000	-	-	(85,000)	380,000
May 11, 2023	\$ 0.12	-	3,984,200	-	-	3,984,200
June 14, 2023	\$ 0.13	-	413,000	-	-	413,000
Options outstanding and exercisable		<b>6,450,000</b>	<b>4,397,200</b>	-	<b>(4,162,200)</b>	<b>6,685,000</b>
Weighted average exercise price		\$ 0.45	\$ 0.12	-	\$ 0.55	\$ 0.17

The fair value of the options granted during the period ended June 30, 2021, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.33%
Expected life	2 years
Expected volatility	79.83%
Expected dividend yield	Nil
Weighted average fair value per option	\$0.05

During the six months ended June 30, 2021, the Company recognized share-based payments expense of \$219,860 (2020 - \$21,250) associated with the vesting of stock options granted.

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

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### 8. Related Party Transactions and Balances

#### (a) Compensation of key management personnel

Key management personnel include these persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management includes members of the Board, the President and Chief Executive Officer, the Chief Financial Officer and the Executive Vice President. These amounts are included within administrative services fee expense. The aggregate value of compensation to key management personnel was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management fees <sup>(1)</sup>	78,150	151,800	195,375	303,600
Share-based payments	155,650	15,000	155,650	15,000
	<b>233,800</b>	166,800	<b>351,025</b>	318,600

<sup>(1)</sup> Management fees are recorded within Administrative services fees.

#### (b) Other related party transactions

##### Administrative Services Agreement

The Company paid administrative services fees to Almaden pursuant to an Administrative Services Agreement dated May 15, 2015, under which Almaden provides the Company with office space, executive management, marketing support, technical oversight, and financial/corporate secretary duties, amongst other administrative services.

Almaden and the Company are considered related parties through common officers.

At June 30, 2021, included in trade and other payables is \$87,948 (December 31, 2020 - \$81,623) due to Almaden.

##### Other

At June 30, 2021, the Company accrued \$46,551 (December 31, 2020 - \$460,463) payable to Almadex for drilling services in Mexico included in exploration and evaluation assets.

Almadex and the Company are considered related parties through common officers.

Amounts owing to related parties are unsecured, non-interest bearing and due on demand.

### 9. Net Loss per Share

#### Basic and diluted net loss per share

The calculation of basic net loss per share for the three months ended June 30, 2021 was based on the net loss attributable to common shareholders of \$423,431 (2020 - \$344,853) and a weighted average number of common shares outstanding of 73,829,025 (2020 - 73,829,025).

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

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### 9. Net Loss per Share (Continued)

The calculation of basic net loss per share for the six months ended June 30, 2021 was based on the net loss attributable to common shareholders of \$655,637 (2020 – \$652,025) and a weighted average number of common shares outstanding of 73,829,025 (2020 – 73,829,025).

The calculation of diluted net loss per share for the three and six months ended June 30, 2021 and 2020 did not include the effect of stock options and warrants as they were considered anti-dilutive.

### 10. Supplemental Cash Flow Information

Cash and cash equivalents is comprised of the following:

	June 30, 2021	December 31, 2020
	\$	\$
Cash	1,269,694	1,024,939
Term Deposits	1,500,000	3,400,000
	<u>2,769,694</u>	<u>4,424,939</u>

As at June 30, 2021, \$49,851 (December 31, 2020 - \$473,085) of exploration and evaluation asset costs is included in trade and other payables

### 11. Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and trade and other payables approximate their carrying values because of the short-term nature of these instruments.

The Company does not carry any financial instruments at fair value.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and commodity and equity price risk

#### (a) Currency risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

As at June 30, 2021, the Company is exposed to foreign exchange risk through the following assets and liabilities denominated in currencies other than the functional currency of the applicable subsidiary:

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

### 11. Financial Instruments (Continued)

#### (a) Currency risk (Continued)

	US dollar	Mexican peso
All amounts in Canadian dollars		
	\$	\$
Cash and cash equivalents	293,077	247,071
<b>Total assets</b>	<b>293,077</b>	<b>247,071</b>
Trade and other payables	111	47,718
<b>Total liabilities</b>	<b>111</b>	<b>47,718</b>
<b>Net assets</b>	<b>292,966</b>	<b>199,353</b>

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$30,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$20,000.

#### (b) Credit risk

The Company's cash and cash equivalents are held in large Canadian and Mexican financial institutions. The Company's accounts receivable consists primarily of sales tax due from the federal government of Canada. The Company is exposed to credit risks through its accounts receivable.

To mitigate exposure to credit risk on cash and cash equivalents, the Company has established policies to limit the concentration of credit risk with any given banking institution where the funds are held, to ensure counterparties demonstrate minimum acceptable credit risk worthiness and ensure liquidity of available funds.

As at June 30, 2021, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents and accounts receivable.

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Trade and other payables are due within twelve months of the statement of financial position date.

#### (d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to varying interest rates on cash and cash equivalents. The Company has no interest-bearing debt.

A 1% change in the interest rate does not have any significant impact on the Company's net loss.

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

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### 11. Financial Instruments (Continued)

#### (e) Commodity and equity price risk

The ability of the Company to explore its exploration and evaluation assets and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors gold prices to determine the appropriate course of action to be taken by the Company. Equity price risk is defined as the potential adverse impact on the Company's operations due to movements in individual equity price or general movements in the level of the stock market. The Company closely monitors the individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

### 12. Management of Capital

The Company considers its capital to consist of components of 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 exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its 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 attempt to issue new shares and acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations for the foreseeable future. There have been no changes to the Company's capital management approach during the year. The Company is not subject to externally imposed capital requirements.

### 13. Segmented Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral resource properties in Canada, the United States, and Mexico.

Geographic information is as follows:

	Property and equipment	Exploration and evaluation assets	June 30, 2021
	\$	\$	\$
Mexico	128,247	21,960,682	22,088,929
Canada	15,720	-	15,720
	<b>143,967</b>	<b>21,960,682</b>	<b>22,104,649</b>

The Company's revenue from interest income on cash and cash equivalents was earned in Canada.

## **Azucar Minerals Ltd.**

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2021

(Unaudited - Expressed in Canadian dollars)

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### **14. Subsequent Event**

On July 8, 2021, the Company granted certain employees, consultants and directors an aggregate of 793,800 stock options in accordance with the terms of the Company's stock option plan, each of which is exercisable into one common share at an exercise price of \$0.11 per share until July 8, 2023.