



(formerly Kal Minerals Corp.)

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Condensed Interim Financial Statements  
For the six months ended January 31, 2021 and 2020  
Presented in Canadian dollars

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## **NOTICE TO READER**

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

The accompanying unaudited condensed 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 condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements.

**TARACHI GOLD CORP.**  
(formerly Kal Minerals Corp.)  
(An exploration stage company)  
Condensed Interim Statements of Financial Position  
(Expressed in Canadian Dollars)

	January 31, 2021	July 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 7,007,352	\$ 2,568,358
Accounts receivable	165,472	12,251
Prepaid expenses	81,560	171,069
	<u>7,254,384</u>	<u>2,751,678</u>
Exploration and evaluation assets (Note 3)	3,640,073	248,724
	<u>\$ 10,894,457</u>	<u>\$ 4,253,526</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 44,588	\$ 66,432
Subscriptions received	-	1,621,135
	<u>44,588</u>	<u>1,687,567</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 4)	12,671,442	3,408,892
Contributed surplus (Note 4)	2,590,985	932,379
Accumulated deficit	(4,412,558)	(1,775,312)
	<u>10,849,869</u>	<u>2,565,959</u>
	<u>\$ 10,894,457</u>	<u>\$ 4,253,526</u>

Nature of Operations and Going Concern (Note 1)  
Subsequent Events (Note 8)

Approved on behalf of the Board of Directors on March 30, 2021:

"Michael Konnert"  
Michael Konnert, Chairman of the Board

"Lorne Warner "  
Lorne Warner, Director

The accompanying Notes are an integral part of these Financial Statements

**TARACHI GOLD CORP.**

(formerly Kal Minerals Corp.)

(An exploration stage company)

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three Months Ended January 31, 2021	Three Months Ended January 31, 2020	Six Months Ended January 31, 2021	Six Months Ended January 31, 2020
<b>EXPENSES</b>				
Professional fees	\$ 65,370	\$ 1,451	\$ 141,717	\$ 11,451
Consulting fees (Note 7)	401,510	7,500	575,167	12,500
Transfer agent and filing fees	6,801	7,741	28,093	9,691
Stock-based compensation (Note 4)	376,628	29,375	1,289,449	29,375
General and administrative	136,370	14,872	602,820	30,110
<b>OPERATING LOSS</b>	<b>(986,679)</b>	<b>(60,939)</b>	<b>(2,637,246)</b>	<b>(93,127)</b>
<b>NET and COMPREHENSIVE LOSS</b>	<b>\$ (986,679)</b>	<b>\$ (60,939)</b>	<b>\$ (2,637,246)</b>	<b>\$ (93,127)</b>
<b>LOSS PER SHARE (basic and diluted)</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (basic and diluted)</b>	<b>61,738,079</b>	<b>9483,000</b>	<b>59,710,927</b>	<b>9,483,000</b>

The accompanying Notes are an integral part of these Financial Statements

**TARACHI GOLD CORP.**  
(formerly Kal Minerals Corp.)  
(An exploration stage company)  
Condensed interim Statements of Cash Flows  
(Expressed in Canadian Dollars)

	Six Months Ended January 31, 2021	Six Months Ended January 31, 2020
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (2,637,246)	\$ (93,127)
Item not effecting cash:		
Stock based compensation	1,289,449	29,375
Shares issued for services	8,532	-
Changes in non-cash working capital items:		
Change in accounts receivable and prepaid expenses	(63,713)	(575)
Change in accounts payable and accrued liabilities	(21,844)	38,222
	<u>(1,424,822)</u>	<u>(26,150)</u>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets - acquisition	(53,172)	-
Exploration and evaluation assets – expenditures	(1,750,052)	-
	<u>(1,803,224)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares, net of share issuance costs	7,550,940	-
Proceeds from options and warrant exercise	116,100	-
	<u>7,667,040</u>	<u>-</u>
<b>NET CHANGE IN CASH</b>	4,438,994	(26,150)
<b>CASH, beginning of year</b>	2,568,358	111,780
<b>CASH, end of the period</b>	<u>\$ 7,007,352</u>	<u>\$ 85,675</u>

The accompanying Notes are an integral part of these Financial Statements

**TARACHI GOLD CORP.**  
(formerly Kal Minerals Corp.)  
(An exploration stage company)  
Condense Interim Statements of  
Changes in Equity  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
<b>Balance at July 31, 2019</b>	9,483,000	\$ 637,065	\$ 4,695	\$ (312,110)	\$ 329,650
Stock based compensation	-	-	29,375	-	29,375
Loss for the period	-	-	-	(93,127)	(93,127)
<b>Balance at January 31, 2020</b>	9,483,000	\$ 637,065	\$ 34,070	\$ (405,237)	\$ 265,898
<b>Balance at July 31, 2020</b>	37,094,664	\$ 3,408,892	\$ 932,379	\$ (1,775,312)	\$ 2,565,959
Shares issued – E&E asset (Notes 5 and 6)	500,000	335,000	-	-	335,000
Stock based compensation (Note 6)	-	-	1,289,449	-	1,289,449
Shares issued on private placement (Note 6)	23,718,605	9,487,442	-	-	9,487,442
Shares issued for services	13,126	8,532	-	-	8,532
Share issuance costs (Note 6)	-	(740,374)	425,007	-	(315,367)
Options exercised (Note 6)	150,000	24,450	(10,850)	-	13,600
Warrants exercised (Note 6)	410,000	147,500	(45,000)	-	102,500
Loss for the period	-	-	-	(2,637,246)	(2,637,246)
<b>Balance at January 31, 2021</b>	61,886,395	\$ 12,671,442	\$ 2,590,985	\$ (4,412,558)	\$ 10,849,869

The accompanying Notes are an integral part of these Financial Statements

## **TARACHI GOLD CORP. (formerly Kal Minerals Corp.)**

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### **1. Nature of Operations and Going Concern**

Tarachi Gold Corp (formerly Kal Minerals Corp.) (the "Company") was incorporated under the Business Corporations Act in British Columbia on February 19, 2016. The Company has interests in exploration and evaluation assets in Mexico, and its principal business is the exploration and development of those assets. The head office, principal address, registered address, and records office of the Company are located at #700-1090 West Georgia Street, Vancouver, BC.

The Company is in the exploration stage with respect to its exploration and evaluation assets and has not yet determined whether those assets contain ore reserves that are economically recoverable. The carrying amount of these assets represents the total of net costs capitalized and is not intended to reflect either their present or future value. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's legal interest in the assets, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the assets.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and meet its obligations in the ordinary course of business. The Company incurred a net loss of \$2,637,246 (January 31, 2020: \$93,127) for the six months ended January 31, 2021. At January 31, 2021, the Company had an accumulated deficit of \$4,412,558 (January 31, 2020: \$405,237), which has been funded primarily by the issuance of equity. The Company will need to raise new funds through the sale of shares to maintain operations. These factors together raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not reflect adjustments for the possible future effect on the recoverability and classification of the assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

### **2. Significant Accounting Policies and Basis of preparation**

#### **(a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed, and therefore these condensed interim financial statements should be read in conjunction with the Company's July 31, 2020 audited annual financial statements and the notes to such financial statements.

These condensed interim financial statements are based on the IFRS issued and effective as of March 30, 2021, the date these condensed interim financial statements were authorized for issuance by the Company's Board of Directors and follow the same accounting policies and methods of computation as the most recent annual financial statements.

## TARACHI GOLD CORP. (formerly Kal Minerals Corp.)

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies and Basis of preparation, (continued)

#### (b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements.

#### (c) Accounting standards issued but not yet adopted

The new standards or amendments issued but not yet effective are either not applicable or not expected to have a significant impact on the Company's condensed interim financial statements.

### 3. Exploration and evaluation asset

	<b>Six months ended January 31, 2021</b>	
<b>Acquisition Costs</b>		
Balance, July 31, 2020	\$	1,150,357
Issuance of shares		335,000
Cash payments		53,172
Other acquisition payments		479,903
Write-off		-
Balance, January 31, 2021	\$	2,018,432
<b>Deferred Exploration Costs</b>		
Balance, July 31, 2020		351,491
Geological consulting		214,536
Assays		84,306
Field supplies		70,854
Legal and agreements		77,643
Drilling		734,237
Travel		45,457
Other		43,117
Balance, January 31, 2021	\$	1,621,641
<b>Total</b>		
Balance, July 31, 2020	\$	1,501,848
Balance, January 31, 2021	\$	3,640,073



## TARACHI GOLD CORP. (formerly Kal Minerals Corp.)

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 3. Exploration and evaluation asset (continued)

#### a) Juliana and Las Moritas Property

On September 3, 2020, the Company announced it entered into an agreement to acquire 100% of Juliana and Las Moritas concessions in Sonora, Mexico. The Company has the right to acquire the concessions by making aggregate cash payments of \$2,130,000 USD to the optionor over the following 60 months, as well as through the issuance of 4,000,000 total common shares.

Cash payments (USD)	Common shares	Date
\$ 40,000	500,000	Execution date (paid and issued)
\$ 30,000	Nil	Six months anniversary of the execution date
\$ 30,000	1,000,000	Twelve months anniversary of the execution date
\$ 30,000	Nil	Eighteen months anniversary of the execution date
\$ 60,000	1,000,000	Twenty-four months anniversary of the execution date
\$ Nil	1,500,000	Twenty-six months anniversary of the execution date
\$ 60,000	Nil	Thirty months anniversary of the execution date
\$ 150,000	Nil	Thirty-six months anniversary of the execution date
\$ 150,000	Nil	Forty-two months anniversary of the execution date
\$ 150,000	Nil	Forty-eight months anniversary of the execution date
\$ 700,000	Nil	Fifty-four months anniversary of the execution date
\$ 700,000	Nil	Sixty months anniversary of the execution date
<b>\$ 2,130,000</b>	<b>4,000,000</b>	

#### b) Tarachi Project

On March 27, 2020, the Company entered into a letter agreement with the option to earn 100% interest in the Tarachi Project. The Company can earn 100% interest in the Property by making the following payments:

- Making total cash payments of USD\$5,000,000 as outlined below; and
- Issuing a total of 10,000,000 common shares as outlined below.

Cash payments (USD)	Common shares	Date
\$ 25,000	2,500,000	Upon signing of the Agreement (Issued and paid) 5 days after closing the Company's next financing
\$ 75,000	Nil	(Paid)
\$ 100,000	2,500,000	First anniversary
\$ 100,000	2,500,000	Second anniversary
\$ 100,000	2,500,000	Third anniversary
\$ 4,600,000	Nil	Fourth anniversary
<b>\$ 5,000,000</b>	<b>10,000,000</b>	

In addition, the Company paid a finder's fee of 2,500,000 common shares with a fair value of \$500,000 in connection with the option agreement.

## **TARACHI GOLD CORP. (formerly Kal Minerals Corp.)**

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### **3. Exploration and evaluation asset (continued)**

#### **c) LOI with Manto Resources S.A. de C.V. (Please refer Note 8)**

On October 9, 2020, the Company signed a letter of intent with Manto Resources S.A. de C.V. (“Manto”) pursuant to which the Company may acquire certain assets related to the Magistral del Oro tailing processing plant in Durango, Mexico. The acquisition is intended to allow the Company to potentially enter near term production and generate free cash flow.

Acquisition terms include 4,000,000 common shares, 15% royalty on net profits to Manto and USD \$500,000 reimbursement for cash outlays, satisfy obligations of Manto for USD \$1,653,960 plus value added tax and issuing 1,685,916 common shares over 6 months and bonus payments on milestones up to USD \$2,000,000 and 12,000,000 common shares.

The Company advanced US\$ 362,000 plus IVA for an Ejido payment which forms part of the acquisition cost.

### **4. Share capital**

#### *Authorized share capital:*

Unlimited common shares without par value.

#### *Issued and outstanding:*

61,886,395 (July 31, 2020 – 37,094,664) common shares, of which 1,676,400 common shares are held in escrow (July 31, 2020 – 2,514,600).

#### *Shares issued during the six months ended January 31, 2021*

On August 14, 2020, the Company closed a non-brokered private placement for gross proceeds of \$9,487,442 through the issuance of 23,718,605 units at a price of \$0.40 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of \$0.70 per share for a period of 24 months. The Company paid finder’s fees of \$304,938, \$5,554 of related costs and issued 755,610 finder’s warrants at the same terms as the warrants described above. The fair value of the finders’ warrants is \$425,007.

The Company issued 500,000 shares pursuant to the option agreement to acquire the Juliana and Las Moritas Property. The Company issued 13,126 shares pursuant to a geological consulting agreement during the period ended January 31, 2021. The Company issued 560,000 shares for options and warrants exercises during the period ended January 31, 2021, for total proceeds of \$116,100.

#### *Options*

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the granted options are fixed by the Board of Directors and are not to exceed ten years. The exercise price of options are determined by the Board of Directors, but shall not be less than the closing price of the Company’s common shares on the day preceding the day on which the options are granted, less any discount permitted by the TSX Venture Exchange (the “Exchange”). Options granted under the plan may vest immediately on grant, or over a period as determined by the Board of Directors or, in respect of options granted for investor relations services, as prescribed by the Exchange.

**TARACHI GOLD CORP. (formerly Kal Minerals Corp.)**

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)**4. Share capital (continued)***Options*

A continuity schedule of the Company's outstanding stock options for the six months ended January 31, 2021 and 2020 are as follows:

	January 31, 2021		January 31, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
<b>Outstanding, beginning of year</b>	<b>3,535,000-</b>	<b>\$ 0.31</b>	<b>-</b>	<b>\$ -</b>
Granted	3,138,000	0.47	350,000	0.15
Expired	(565,000)	0.37		
Exercised	(150,000)	0.09	-	-
<b>Outstanding and exercisable, end of the period</b>	<b>5,958,000</b>	<b>\$ 0.39</b>	<b>350,000</b>	<b>\$ 0.15</b>

At January 31, 2020, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

Expiry date	Options outstanding	Exercise price	Weighted average remaining contractual life (in years)
September 12, 2021	300,000	\$ 0.08	0.61
June 18, 2025	2,350,000	\$ 0.31	4.38
July 20, 2025	300,000	\$ 0.66	4.47
August 26, 2024	1,250,000	\$ 0.69	3.57
July 15, 2021	350,000	\$ 0.66	0.45
January 21, 2026	1,408,000	\$ 0.66	4.98
	<b>5,958,000</b>		<b>3.94</b>

The fair value of the options granted was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk Free Interest Rate	0.19%-0.34%
Expected Dividend Yield	-
Expected Volatility	160%-184%
Expected Term in Years	1-5 years

The Company recorded total fair value of \$1,289,449 as share based compensation for the six months ended January 31, 2021 (January 31, 2020 - \$29,375).

**TARACHI GOLD CORP. (formerly Kal Minerals Corp.)**

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)**4. Share capital (continued)***Warrants (continued)**Warrants*

A continuity schedule of the Company's outstanding common share purchase warrants for the six months ended January 31, 2021 and 2020 is as follows:

	January 31, 2021		January 31, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
<b>Outstanding, beginning of year</b>	<b>13,569,897</b>	<b>\$ 0.12</b>	<b>-</b>	<b>\$ -</b>
Issued	12,671,163	0.70	62,500	0.10
Exercised	(410,000)	0.25	-	-
Expired	-	-	-	-
<b>Outstanding, end of the period</b>	<b>25,831,060</b>	<b>\$ 0.47</b>	<b>62,500</b>	<b>\$ 0.10</b>

At January 31, 2021, the Company had outstanding warrants exercisable to acquire common shares of the Company as follows:

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
May 22, 2022	12,673,664	\$ 0.25	1.30
May 22, 2022	486,233	\$ 0.25	1.30
August 14, 2022	11,859,303	\$ 0.70	1.53
August 14, 2022	755,610	\$ 0.70	1.53
August 14, 2021	56,250	\$ 0.40	0.53
	<b>26,831,060</b>	<b>\$ 0.47</b>	<b>1.41</b>

The fair value of the warrants granted was calculated as of the grant date using the Black-Scholes option pricing model with the following assumptions:

Risk Free Interest Rate	0.27%
Expected Dividend Yield	-
Expected Volatility	164%
Expected Term in Years	2 years

During the six months period ended January 31, 2021 and 2020, the Company recorded fair value of \$425,007 (October 31, 2019 - \$Nil) against reserves.

## TARACHI GOLD CORP. (formerly Kal Minerals Corp.)

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 5. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to continue its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company's capital includes the components of its shareholders' equity. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash. In order to preserve cash, the Company does not pay any dividends.

The Company is not subject to any externally imposed capital requirements. The Company did not change its capital management approach during the six months ended January 31, 2021. The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements.

### 6. Financial instruments

#### a) Categories of financial instruments and fair value measurements

The Company's financial assets and liabilities are classified as follows:

	January 31, 2021	July 31, 2020
<b>Financial assets:</b>		
<b><i>Fair value through profit and loss</i></b>		
Cash	\$ 7,007,352	\$ 2,568,358
Receivables	165,472	-
Prepaid expenses	81,560	-
	<b>7,254,384</b>	<b>2,568,358</b>
<b>Financial liabilities:</b>		
<b><i>Other financial liabilities</i></b>		
Accounts payable and accrued liabilities	\$ 44,588	\$ 66,432

The amount of accounts payable and accrued liabilities includes amounts due to related parties (Note 07).

#### b) Fair value information

The Company's accounts payable and accrued liabilities are carried at amortized cost. The fair value approximates the carrying amount due to the short-term nature of this instrument.

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of inputs used in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). At January 31, 2021 and 2020, the Company had no financial assets measured and recognized on the statement of financial position at fair value belonging in Level 2 or Level 3 of the fair value hierarchy.

## TARACHI GOLD CORP. (formerly Kal Minerals Corp.)

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 6. Financial instruments

#### c) Management of financial risks

The Company's financial instruments expose the Company to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. At January 31, 2021, the Company was exposed to credit risk on its cash.

The Company's cash is held with a high credit quality financial institution in Canada and as at January 31, 2021.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

At January 31, 2021, the Company had cash of \$7,007,352 (July 31, 2020 - \$2,568,358) and accounts payable and accrued liabilities of \$44,588 (July 31, 2020 - \$66,432) with contractual maturities of less than one year. The Company has sufficient cash to meet its current liabilities as at January 31, 2021. The Company assessed its liquidity risk as low at January 31, 2021.

##### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at January 31, 2021.

##### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies.

As at January 31, 2021, the Company had limited exposure to foreign currency risk, as the majority of balances are denominated in Canadian dollars. The Company assessed its financial currency risk as low as at January 31, 2021.

##### *Price risk*

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company does not currently use financial instruments designed to hedge these market risks.

## TARACHI GOLD CORP. (formerly Kal Minerals Corp.)

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 7. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the exchange amount, being the amount established and agreed upon by the related parties.

The Company's key management personnel consist of directors and executives and companies owned, directly or indirectly, by key management personnel of the Company.

<u>Name</u>	<u>Nature of Transactions</u>
Lorne Warner, former CEO	Consulting
Martin Bajic, former CFO	Consulting
Michael Konnert, Chairman, Director	Consulting
Mahesh Liyanage, CFO	Consulting
Inventa Capital Corp.	rent and general and administrative expenses

As at January 31, 2021, the Company has amounts due to related parties totaling \$15,750 (July 31, 2020: \$5,250).

The Company's key management compensation for the three and six months ended January 31, 2021 and 2020 is as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>January 31, 2021</b>	<b>January 31, 2020</b>	<b>January 31, 2021</b>	<b>January 31, 2020</b>
Consulting	\$ 56,000	\$ 7,500	\$ 107,000	\$ 12,500
Rent and general and administration	21,818	-	53,137	-
Stock based compensation	1,018,000	-	1,523,495	-
<b>Total</b>	<b>\$ 1,095,818</b>	<b>\$ 7,500</b>	<b>\$ 1,683,632</b>	<b>\$ 12,500</b>

### 8. Subsequent events

#### PROJECT ACQUISITION

On February 8, 2021, the Company announced signing of a purchase agreement with Manto Resources S.A. de C.V. ("Manto") to acquire Magistral del Oro mill and tailings project ("Magistral") and On March 18, 2021 the Company announced the closing for the purchase of Magistral. The mill and high-grade gold tailings, located in the State of Durango, provide the Company with a near-term pathway to gold production and the Project is expected to start generating positive cashflow in 2022.

## **TARACHI GOLD CORP. (formerly Kal Minerals Corp.)**

(An exploration stage company)

Notes to Consolidation Interim Financial Statements for the six months ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### **8. Subsequent events, (continued)**

#### Acquisition Terms

Final terms of the Purchase Agreement are in line with the original Letter of Intent dated October 9, 2020, with Manto:

- Consideration for the Acquisition will consist of issuing 4,000,000 common shares of Tarachi to Manto.
- The Company will grant Manto a 15% net profits royalty on the estimated 1.3 million tonnes of tailings material expected to be processed and reimburse Manto for US\$1,179,500 of cash outlays.
- The Company will satisfy certain obligations of Manto by paying a total of approximately US\$1,111,000 plus any Mexican value added tax (IVA) and issuing 1,685,916 Common Shares within 90 days of closing.
- Manto will be entitled to the following staged bonus payments:
  - An additional 4,000,000 Common Shares 60 days after the Closing Date.
  - 4,000,000 Common Shares 180 days after the Closing Date.
  - 4,000,000 Common Shares 365 days after the Closing Date.
  - US\$500,000 in cash following 6 months of commercial production at Magistral.
  - US\$500,000 in cash following 12 months of commercial production at Magistral.
  - Upon the Company earning US\$15,000,000 in revenue from Magistral, the Company will pay Manto US\$1,000,000.
- A finder's fee of 1,000,000 Common Shares will be issued to Spirit Exploration Corp.