

RIDGESTONE MINING INC.

Interim Consolidated Financial Statements

Nine Months Ended September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

The accompanying unaudited interim consolidated financial statements have been prepared by Management of Ridgestone Mining Inc. and have not been reviewed by the Company's auditors.

RIDGESTONE MINING INC.Interim consolidated statements of financial position
(Expressed in Canadian dollars)

| | September 30, 2021 \$ | December 31, 2020 \$ |
|---|-----------------------------|----------------------------|
| | (unaudited) | |
| ASSETS | | |
| Current assets | | |
| Cash | 371,222 | 46,046 |
| Prepays and deposits | 9,927 | 25,539 |
| Taxes recoverable and other receivables | 48,343 | 34,148 |
| Total current assets | 429,492 | 105,733 |
| Non-current assets | | |
| Exploration and evaluation assets (Note 3) | 2,174,296 | 1,956,539 |
| Total assets | 2,603,788 | 2,062,272 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 4) | 145,903 | 424,069 |
| Due to related parties (Note 5) | 83,711 | 133,505 |
| Loans payable (Note 6) | – | 160,000 |
| Total liabilities | 229,614 | 717,574 |
| Shareholders' equity | | |
| Share capital (Note 7) | 8,845,861 | 6,489,869 |
| Equity reserve (Note 8) | 911,737 | 790,880 |
| Deficit | (7,383,424) | (5,936,051) |
| Total shareholders' equity | 2,374,174 | 1,344,698 |
| Total liabilities and shareholders' equity | 2,603,788 | 2,062,272 |

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors on November 25, 2021:

/s/ "Jonathan George"
Jonathan George, Director

/s/ "Erwin Wong"
Erwin Wong, Director

(The accompanying notes are an integral part of these interim consolidated financial statements)

RIDGESTONE MINING INC.

Interim consolidated statements of comprehensive loss
(Expressed in Canadian dollars)
(Unaudited)

| | For the three months ended September 30, 2021 \$ | For the three months ended September 30, 2020 \$ | For the nine months ended September 30, 2021 \$ | For the nine months ended September 30, 2020 \$ |
|---|---|---|--|--|
| Expenses | | | | |
| Consulting fees (Note 5) | 56,898 | 235,648 | 896,441 | 661,280 |
| Foreign exchange (gain) loss | (1,302) | (6,221) | 26,375 | (28,555) |
| General and administrative | 15,102 | 5,825 | 40,018 | 53,706 |
| Mineral exploration costs (Notes 3 and 5) | 134,596 | 76,483 | 334,087 | 621,041 |
| Professional fees | 20,431 | 28,429 | 148,030 | 134,535 |
| Share-based compensation | – | 158,001 | – | 172,098 |
| Total expenses | 225,725 | 498,165 | 1,444,951 | 1,614,105 |
| Net loss before other items | (225,725) | (498,165) | (1,444,951) | (1,614,105) |
| Other income or expense | | | | |
| Write-down on mineral property | – | – | – | (298,302) |
| Interest expense | (2) | (1,557) | (2,422) | (1,557) |
| Net and comprehensive loss | (225,727) | (499,722) | (1,447,373) | (1,913,964) |
| Loss per share, basic and diluted | (0.00) | (0.01) | (0.02) | (0.04) |
| Weighted average shares outstanding, basic and diluted | 91,610,176 | 44,910,174 | 87,381,742 | 43,033,672 |

(The accompanying notes are an integral part of these interim consolidated financial statements)

RIDGESTONE MINING INC.

Interim consolidated statement of changes in equity
(Expressed in Canadian dollars)
(Unaudited)

| | Share capital | | Equity reserve \$ | Deficit \$ | Total shareholders' equity \$ |
|---|-------------------|------------------|----------------------|--------------------|----------------------------------|
| | Number of shares | Amount \$ | | | |
| Balance, December 31, 2019 | 35,198,161 | 4,876,008 | 638,178 | (3,813,844) | 1,700,342 |
| Units issued for cash | 7,012,013 | 1,051,802 | – | – | 1,051,802 |
| Share issuance costs | – | (47,170) | 5,380 | – | (41,790) |
| Shares issued pursuant to mineral property purchase agreement | 2,000,000 | 470,000 | – | – | 470,000 |
| Shares issued for services | 700,000 | 105,000 | – | – | 105,000 |
| Share-based compensation | – | – | 172,098 | – | 172,098 |
| Net loss for the period | – | – | – | (1,913,964) | (1,913,964) |
| Balance, September 30, 2020 | 44,910,174 | 6,455,640 | 815,656 | (5,727,808) | 1,543,488 |
| Balance, December 31, 2020 | 45,110,174 | 6,489,869 | 790,880 | (5,936,051) | 1,344,698 |
| Units issued for cash | 44,000,000 | 2,320,000 | – | – | 2,320,000 |
| Share issuance costs | – | (278,886) | 140,919 | – | (137,967) |
| Shares issued pursuant to mineral property option agreement | 479,127 | 64,682 | – | – | 64,682 |
| Units issued for finders' fee for mineral property option agreement | 509,375 | 66,219 | 28,053 | – | 94,272 |
| Shares issued for cash upon exercise of warrants | 1,211,500 | 101,812 | (10,950) | – | 90,862 |
| Shares issued for cash upon exercise of stock options | 300,000 | 82,165 | (37,165) | – | 45,000 |
| Net loss for the period | – | – | – | (1,447,373) | (1,447,373) |
| Balance, September 30, 2021 | 91,610,176 | 8,845,861 | 911,737 | (7,383,424) | 2,374,174 |

(The accompanying notes are an integral part of these interim consolidated financial statements)

RIDGESTONE MINING INC.Interim consolidated statements of cash flows
(Expressed in Canadian dollars)

| | For the nine months ended September 30, 2021 \$ | For the nine months ended September 30, 2020 \$ |
|---|--|--|
| Operating activities | | |
| Net loss | (1,447,373) | (1,913,964) |
| Items not involving cash: | | |
| Issuance of shares for services | – | 105,000 |
| Share-based compensation | – | 172,098 |
| Write-down of mineral property | – | 298,302 |
| Changes in non-cash operating working capital: | | |
| Prepaid expenses | 15,612 | 15,400 |
| Taxes recoverable | (14,195) | (8,081) |
| Accounts payable and accrued liabilities | (278,166) | 238,122 |
| Due to related parties | (49,794) | 38,387 |
| Net cash used in operating activities | (1,773,916) | (1,054,736) |
| Investing activities | | |
| Option payment on exploration and evaluation assets | (58,803) | – |
| Deposit on exploration and evaluation assets | – | (44,247) |
| Net cash used in investing activities | (58,803) | (44,247) |
| Financing activities | | |
| Proceeds from issuance of units, net of issuance costs | 2,182,033 | 1,010,012 |
| Proceeds from issuance of shares upon exercise of warrants | 90,862 | – |
| Proceeds from issuance of shares upon exercise of stock options | 45,000 | – |
| Proceeds from loans | – | 110,000 |
| Repayment of loans | (160,000) | – |
| Net cash provided by financing activities | 2,157,895 | 1,120,012 |
| Increase in cash | 325,176 | 21,029 |
| Cash, beginning of period | 46,046 | 57,530 |
| Cash, end of period | 371,222 | 78,559 |
| Non-cash investing and financing activities: | | |
| Fair value of finders' warrants issued pursuant to private placements | 140,919 | – |
| Reclassification of deposit to exploration and evaluation assets | – | 1,240,724 |
| Reclassification of fair value of stock options upon exercise | 10,950 | – |
| Reclassification of fair value of stock options upon exercise | 37,165 | – |
| Shares issued pursuant to mineral property purchase agreement | 64,682 | 470,000 |
| Share issued for services | – | 105,000 |
| Units issued for finders' fee for mineral property option agreement | 94,272 | – |
| Supplemental disclosures: | | |
| Interest paid | 7,098 | – |
| Income taxes paid | – | – |

(The accompanying notes are an integral part of these interim consolidated financial statements)

(The accompanying notes are an integral part of these interim consolidated financial statements)

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

1. Nature of Operations and Continuance of Business

Ridgestone Mining Inc., (the “Company”), was incorporated in British Columbia, Canada on March 30, 2017 under the name 1113414 B.C. Ltd. On March 30, 2017, the Company changed its name to Ridgestone Mining Inc. The Company’s principal business plan is to acquire, explore and develop mineral properties and ultimately seek earnings by exploiting mineral claims. On February 16, 2018, the Company’s common shares became listed and commenced trading on the TSX Venture Exchange (“Exchange”) under the symbol “RMI”. The Company’s registered and records office is Suite 409, 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3.

These interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at September 30, 2021, the Company has not generated any revenue and has accumulated losses of \$7,383,424 since inception. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. There is no guarantee that the Company will be able to complete any of the above objectives. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company is closely monitoring the impact of the pandemic on all aspects of its business but anticipates that COVID-19 may impact the Company’s ability to raise financing.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of financial statements, including IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements.

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cerro de Oro Minerales, S.A. de C.V., a company incorporated on September 21, 2018, in Mexico. All inter-company balances and transactions have been eliminated on consolidation.

The interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, which is also the Company and its subsidiary’s functional currency.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

2. Summary of Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments

The preparation of these interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include fair value of share-based payments, recoverability of exploration and evaluation assets, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Recently Adopted Accounting Standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Exploration and Evaluation Assets

Mineral property acquisition costs:

| | Rebeico Property \$ | Alaska Property \$ | Guadalupe y Calvo Property \$ | Total \$ |
|-----------------------------|---------------------------|--------------------------|-------------------------------------|-------------|
| Balance, December 31, 2020 | 715,814 | 1,240,725 | – | 1,956,539 |
| Additions | – | – | 217,757 | 217,757 |
| Balance, September 30, 2021 | 715,814 | 1,240,725 | 217,757 | 2,174,296 |

Mineral exploration costs:

| | Nine months ended September 30, 2021 \$ | Nine months ended September 30, 2020 \$ |
|---------------------------|---|---|
| General exploration | 137,221 | 221,764 |
| Geological and geophysics | 196,866 | 398,863 |
| Meals and accommodations | – | 414 |
| | 334,087 | 621,041 |
| | 334,087 | 621,041 |

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

3. Exploration and Evaluation Assets (continued)

Rebeico Property

On March 8, 2018, the Company entered into an Assignment Agreement with 1082223 B.C. Ltd. (the "Assignor"), a private company controlled by a member of the Board of Directors of the Company, and YQ Gold de Mexico, S. de R.L. de C.V. ("YQ Gold"), to acquire the Assignor's interest in an Option Agreement between the Assignor and YQ Gold, in respect of certain mineral claims, known as the Rebeico property, located in Sonora, Mexico. In consideration for the assignment, the Company paid cash consideration of \$55,000. Upon closing of the Assignment Agreement, the Company assumed all of the Assignor's rights and obligations under the Option Agreement dated December 21, 2017 ("Effective Date"), as amended April 6, 2018, and December 14, 2018. On April 6, 2018, and December 14, 2018, the Company entered into an Amendment Agreement and Second Amending Agreement, respectively, with YQ Gold with respect to the Option Agreement assigned on March 8, 2018, on the Rebeico Property.

Under the Amendment Agreement and Second Amending Agreement, the Company's required payment of US\$500,000 to YQ Gold shall be made as follows:

- i) US\$50,000 (\$64,810) cash (paid) and an additional US\$150,000 which, at the sole option of the Company, may be satisfied in either cash or through the issuance of common shares of the Company having an equivalent fair market value within three business days from receipt of Exchange approval (paid by issuance of 845,347 common shares with a fair value of \$194,430);
- ii) US\$100,000 cash, of which US\$50,000 (\$67,361) shall be paid on or before December 21, 2018 (paid) and US\$50,000 (\$67,293) shall be paid upon the earlier of (i) the closing of the first debt and/or equity financing or (ii) January 31, 2019 (paid), and an additional US\$200,000 which, at the sole option of the Company, may be satisfied in either cash or through the issuance of common shares of the Company having an equivalent fair market value on or before the six-month anniversary of receipt of Exchange approval (paid by issuance of 988,592 common shares with a fair value of \$266,920).

The Company must also incur exploration expenditures of US\$1,000,000 within two years from Exchange approval (completed) and pay 50% of the profit derived from commercial production of the Property, to a maximum of US\$1,450,000, to YQ Gold. Once the above payments have been made, the Company can exercise the option and acquire 100% of the right, title and interest in and to the Rebeico property. Upon execution of the option, YQ Gold principals will be granted a 2% NSR (subject to an optional repurchase of 1% of the NSR by the Company for US\$1,000,000) in respect of all products produced from the property and the area of common interest which was included within five kilometers of the center point of the Rebeico property as at the date of execution of the Option Agreement.

Alaska Property

On June 25, 2019, the Company entered into a Mineral Property Purchase Agreement (the "Agreement") to purchase a 100% interest in 10 mining concessions adjacent to its Rebeico Property. In consideration for the mining concessions, the Company agreed to pay US\$83,000 and issue 5,000,000 common shares of the Company (the "Purchase Price"). The closing date of the Agreement is the date which is the first day on which the Purchase Price has been paid in full, following Exchange approval. Upon closing, the vendor will transfer an undivided 100% interest in the property to the Company. The Agreement may be terminated, and the transactions contemplated by the Agreement may be abandoned, at any time prior to the closing date by written agreement of the vendor and the Company. The Agreement received Exchange approval on September 11, 2019. At December 31, 2019, the Company had paid \$66,477 (US\$50,000) and issued 3,000,000 common shares with a fair value of \$660,000, which was recognized as a deposit on exploration and evaluation assets. During the year ended December 31, 2020, the Company paid the remaining \$44,247 (US\$33,000) and issued the remaining 2,000,000 common shares with a fair value of \$470,000, at which point the Agreement closed and the Company acquired the property.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

3. Exploration and Evaluation Assets (continued)

Guadalupe y Calvo Property

On January 27, 2021, the Company entered into an Option Agreement with Endeavour Silver Corp. ("Endeavour") to acquire a 100% interest in the Guadalupe y Calvo project, located in Chihuahua State, Mexico. The Company received TSX Venture Exchange (the "Exchange") approval of the agreement on February 19, 2021. In connection with the option agreement the Company issued 509,375 units with a fair value of \$66,219 as a finder's fee. Each unit consisted of one common share and one warrant, with each warrant exercisable at \$0.19 per share for a period of 24 months.

Pursuant to the Option Agreement, the Company can earn a 100% interest in the property by making the following payments:

- Pay US\$40,000 plus value-added tax ("VAT") (paid) and issue common shares with an equivalent value of US\$50,000 (issued) upon Exchange approval of the agreement;
- Issue common shares with an equivalent value of US\$350,000 on or before the 12 months following the effective date.
- Pay US\$100,000 plus VAT and issue common share with an equivalent value of US\$450,000 on or before the 24 months following the effective date;
- Pay US\$300,000 plus VAT and issue common shares with an equivalent value of US\$550,000 on or before the 36 months following the effective date;
- Pay US\$860,000 plus VAT and issue common shares with an equivalent value of US\$350,000 on or before the 48 months following the effective date; and

The equivalent common shares shall be based on the volume weighted average price of the most recent 20 trading days prior to the due date, and converted to US dollars in accordance with the exchange rate in effect on the effective date.

The Company must also incur the following exploration expenditures:

- US\$250,000 within 12 months following the effective date;
- An additional US\$250,000 within 24 months following the effective date; and
- An additional US\$250,000 within 36 months following the effective date.

Upon completion of the acquisition of a 100% interest in the property, the Company will grant a 2% Net Smelter Return Royalty (the "NSR") to Endeavour. The Company will have the option to buy back the 2% NSR for US\$2,000,000 prior to the commencement of commercial production.

4. Accounts Payable and Accrued Liabilities

| | September 30, 2021 | December 31, 2020 |
|---------------------|-----------------------|----------------------|
| Accounts payable | \$ 56,739 | \$ 128,345 |
| Accrued liabilities | 89,164 | 295,724 |
| | <u>145,903</u> | <u>424,069</u> |

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

5. Related Party Transactions

The remuneration of directors and other members of key management for the nine months ended September 30, 2021, and 2020, are as follows:

| | September 30, 2021 | September 30, 2020 |
|---------------------------------|-----------------------|-----------------------|
| Consulting fees | \$ 102,500 | \$ 137,500 |
| Geological and geophysical fees | 22,500 | – |
| | <u>125,000</u> | <u>137,500</u> |

- (a) As at September 30, 2021, the Company owed \$44,610 (December 31, 2020 – \$44,610) to a director and former President of the Company. The balance is unsecured, non-interest bearing and due on demand.
- (b) During the nine months ended September 30, 2021, the Company incurred \$45,000 (2020 – \$45,000) in consulting fees to the Chief Financial Officer (“CFO”) of the Company. As at September 30, 2021, the Company owed \$6,621 (December 31, 2020 – \$32,199) to the CFO of the Company for accrued consulting fees and expenses paid on behalf of the Company. The balance is unsecured, non-interest bearing and due on demand.
- (c) During the nine months ended September 30, 2021, the Company incurred \$22,500 (2020 – \$nil) in geological and geophysical fees and \$nil (2020 – \$41,000) in consulting fees to the President of the Company. As at September 30, 2021, the Company owed \$2,500 (December 31, 2020 – \$4,762) to the President of the Company. The balance is unsecured, non-interest bearing and due on demand.
- (d) During the nine months ended September 30, 2021, the Company incurred \$57,500 (2020 – \$39,000) of consulting fees to a private company controlled by a director of the Company. As at September 30, 2021, the Company owed a total of \$17,480 (December 31, 2020 – \$39,434) to the director of the Company and the private company controlled by a director of the Company. The balance is unsecured, non-interest bearing and due on demand.
- (e) During the nine months ended September 30, 2021, the Company incurred \$nil (2020 – \$12,500) of consulting fees to a director of the Company. As at September 30, 2021, the Company owed \$12,500 (December 31, 2020 – \$12,500) to a director of the Company. The balance is unsecured, non-interest bearing and due on demand.

6. Loans Payable

- (a) On November 3, 2020, the Company entered into a loan agreement for \$25,000, which is unsecured, bears interest at 12% and matures on November 3, 2021.
- (b) On October 27, 2020, the Company entered into a loan agreement for \$25,000, which is unsecured, bears interest at 12% and matures on October 27, 2021.
- (c) On August 31, 2020, the Company entered into a loan agreement for \$75,000, which is unsecured, bears interest at 12% and matures on August 17, 2021.
- (d) On August 20, 2020, the Company entered into a loan agreement for \$35,000, which is unsecured, bears interest at 12% and matures on August 20, 2021.

During the nine months ended September 30, 2021, the Company repaid the loans with principal balances and accrued interest totalling \$160,000 and \$7,098, respectively.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

7. Share Capital

Authorized: Unlimited common shares without par value

Share transactions for the nine months ended September 30, 2021:

- (a) On January 15, 2021, the Company completed the first tranche of a private placement of 24,100,000 units at \$0.05 per unit for gross proceeds of \$1,205,000. Each unit consists of one common share and one-half of one transferrable common share purchase warrant. Each whole warrant is exercisable at \$0.075 per share for a period of 12 months following closing of the private placement, and subject to certain acceleration provisions. In connection with the private placement, the Company paid finders' fees of \$58,500, incurred other issuance costs of \$43,980 and issued 1,170,000 finders warrants with a fair value of \$93,860, which have the same terms as the warrants issued in the private placement. Directors of the Company acquired 1,250,000 units in this first tranche of the private placement.
- (b) On January 26, 2021, the Company completed the second tranche of a private placement of 13,900,000 units at \$0.05 per unit for gross proceeds of \$695,000. Each unit consists of one common share and one-half of one transferrable common share purchase warrant. Each whole warrant is exercisable at \$0.075 per share for a period of 12 months following closing of the private placement, and subject to certain acceleration provisions. In connection with the private placement, the Company paid finders' fees of \$21,780 and issued 435,600 finders warrants with a fair value of \$35,164, which have the same terms as the warrants issued in the private placement. Directors of the Company acquired 700,000 units in this second tranche of the private placement.
- (c) On February 1, 2021, the Company completed the third tranche of a private placement of 6,000,000 units at \$0.07 per unit for gross proceeds of \$420,000. Each unit consists of one common share and one-half of one transferrable common share purchase warrant. Each whole warrant is exercisable at \$0.10 per share for a period of 12 months following closing of the private placement, and subject to certain acceleration provisions. In connection with the private placement, the Company paid finders' fees of \$13,707 and issued 195,814 finders warrants with a fair value of \$11,895, which have the same terms as the warrants issued in the private placement.
- (d) On February 19, 2021, the Company issued 479,127 common shares with a fair value of \$64,682 pursuant to an Option Agreement with Endeavour Silver Corp. for the Guadalupe y Calvo property (Note 3).
- (e) On February 24, 2021, the Company issued 509,375 units with a fair value of \$94,272 as a finder's fees related to the Option Agreement on the Guadalupe y Calvo property. Each unit consisted of a common share and warrant, with each warrant being exercisable at \$0.19 per share for a period of 24 months (Note 3).
- (f) On March 23, 2021, the Company issued 300,000 common shares upon exercise of 300,000 stock options at \$0.15 per share for proceeds of \$45,000. Upon exercise, \$37,165 was reclassified from equity reserves to share capital.
- (g) During the nine months ended September 30, 2021, the Company issued a total of 1,211,500 common shares upon exercise of 1,211,500 warrants at \$0.075 per share for proceeds of \$90,862. Upon exercise, \$10,950 was reclassified from equity reserves to share capital related to finder's warrants that were exercised.

Escrow shares

The Company does not have any common shares held in escrow as at September 30, 2021. During the nine months ended September 30, 2021, a total of 1,575,000 shares were released from escrow.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

8. Stock Options

The Company's Board of Directors approved a stock incentive plan dated November 15, 2017. The Board of directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price will not be less than the discounted market price defined in the policies of the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding ten years. Provided the Company is listed on the Exchange, the option holders can elect to exercise options on a cashless basis.

The following table summarizes information about the options at September 30, 2021, and the changes for the period then ended:

| | Number of options | Weighted average exercise price \$ |
|--|-------------------|------------------------------------|
| Options outstanding – December 31, 2020 | 3,850,000 | 0.16 |
| Exercised | (300,000) | 0.15 |
| Cancelled | (400,000) | 0.15 |
| Options outstanding – September 30, 2021 | 3,150,000 | 0.17 |
| Options exercisable – September 30, 2021 | 3,150,000 | 0.17 |

The weighted average share price at the date of exercise for share options exercised during the nine months ended September 30, 2021 was \$0.12 per share. The following table summarizes information about stock options outstanding and exercisable at September 30, 2021:

| Exercise price \$ | Options outstanding | Options exercisable | Weighted average remaining contracted life (years) |
|-------------------|---------------------|---------------------|--|
| 0.15 | 2,300,000 | 2,300,000 | 2.76 |
| 0.21 | 850,000 | 850,000 | 2.11 |

Share-based compensation expense is determined using the Black-Scholes Option Pricing Model. During the nine months ended September 30, 2021, the Company recognized share-based compensation expense of \$nil (2020 – \$172,098) in equity reserves. The weighted average fair value of each option granted during the nine months ended September 30, 2021 was \$nil (2020 – \$0.12) per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

| | 2021 | 2020 |
|-------------------------|------|--------|
| Risk-free interest rate | – | 0.36% |
| Dividend yield | – | 0% |
| Expected Volatility | – | 71.48% |
| Expected life (years) | – | 4.68 |
| Forfeiture rate | – | 0% |

Equity reserve

The equity reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements
September 30, 2021
(Expressed in Canadian dollars)
(Unaudited)

9. Warrants

The following table summarizes information about the warrants at September 30, 2021, and the changes for the period then ended:

| | Number of warrants | Weighted average exercise price \$ |
|---|--------------------|------------------------------------|
| Warrants outstanding – December 31, 2020 | 8,770,609 | 0.27 |
| Issued | 24,310,789 | 0.08 |
| Exercised | (1,211,500) | 0.075 |
| Expired | (8,770,609) | 0.27 |
| Warrants outstanding – September 30, 2021 | 23,099,289 | 0.08 |

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at September 30, 2021:

| Exercise Price \$ | Expiry date | Warrants outstanding | Weighted average remaining contracted life (years) |
|-------------------|-------------------|----------------------|--|
| 0.075 | January 15, 2022 | 12,178,500 | 0.29 |
| 0.075 | January 26, 2022 | 7,215,600 | 0.32 |
| 0.10 | February 1, 2022 | 3,195,814 | 0.34 |
| 0.19 | February 24, 2023 | 509,375 | 1.40 |

10. Financial Instruments

(a) Categories of Financial Instruments and Fair Value Measurements

The Company classifies cash at FVTPL, and accounts payable, due to related parties, and loans payable as amortized cost.

The fair values of cash, accounts payable, due to related parties and loans payable approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) 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. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Management monitors the amount of credit extended to the parties for expense recoveries. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in the currencies that differ from the respective functional currency. The Company operates in Canada, United States and Mexico. Future exploration programs and option payments may be denominated in U.S. dollars and Mexican pesos. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

10. Financial Instruments (continued)

(c) Foreign Exchange Rate Risk (continued)

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

(d) 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 currently settles its financial obligations with cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Liquidity risk is assessed as high.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged during the nine months ended September 30, 2021.

12. Subsequent Events

- (a) On October 26, 2021, the Company announced a temporary reduction of the exercise price of its outstanding share purchase warrants issued on January 15, 2021 (the "First Tranche"), January 26, 2021 (the "Second Tranche"), and February 1, 2021 (the "Third Tranche"). The exercise price of the First Tranche and Second Tranche of warrants originally exercisable at \$0.075 per share, along with the Third Tranche of warrants originally exercisable at \$0.10 per share, will be reduced to \$0.05 per share for the period commencing on November 11, 2021, until November 24, 2021 (the "Designated Exercise Period"). The warrants will then revert to the original exercise price for the remainder of their applicable term. On November 22, 2021, the Company extended the Designated Exercise Period from November 24, 2021, to December 1, 2021.
- (b) On November 10, 2021, the Company entered into a consulting agreement for public relations services with a term of 6 months in consideration for \$200,000.