

# **OUTCROP GOLD CORP.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three and six months ended February 28, 2021 and February 29, 2020**

(Stated in Canadian dollars)

*(unaudited)*

**OUTCROP GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – stated in Canadian dollars)

	Note	February 28, 2021	August 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 2,151,011	\$ 5,952,245
Receivables		43,222	44,352
Marketable securities		-	5,730
Advances and prepaid expenses		96,955	329,668
Deferred financing costs	12	77,237	-
		2,368,425	6,331,995
<b>Equipment</b>		68,106	59,267
<b>Long-term receivables</b>		82,215	68,150
<b>Mineral Properties</b>	5	4,494,576	4,494,576
		\$ 7,013,322	\$ 10,953,988

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>			
Accounts payable and accrued liabilities	6	\$ 1,253,256	\$ 532,079
		1,253,256	532,079
<b>Shareholders' Equity</b>			
Share capital	7	45,236,313	44,702,834
Stock-based reserves	7	8,578,358	7,596,002
Warrant reserves	7	9,253,941	9,292,227
Accumulated other comprehensive loss		(3,984)	(46)
Deficit		(57,304,562)	(51,169,108)
		5,760,066	10,421,909
		\$ 7,013,322	\$ 10,953,988

Nature of operations and going concern	1
Subsequent Events	12

Approved for issue by the Board of Directors on April 29, 2021.

They are signed on the Company's behalf by:

“Joseph P. Hebert”  
Joseph P. Hebert, Director

“Kevin Nishi”  
Kevin Nishi, Director

*The accompanying notes form an integral part of these condensed consolidated interim financial statements.*

**OUTCROP GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND**  
**COMPREHENSIVE LOSS**  
(Unaudited – stated in Canadian dollars)

	Note	Three months ended		Six months ended	
		February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
<b>Expenses</b>					
Exploration and evaluation	5	\$ 2,907,882	\$ 340,778	\$ 4,248,469	\$ 672,271
Foreign exchange		(399,638)	29,096	(459,883)	(19,983)
General and administrative		168,486	143,357	362,599	297,349
Investor relations		215,462	24,778	488,195	24,778
Professional fees		74,809	90,333	108,018	104,568
Stock-based compensation	7	552,920	210,208	1,141,684	210,208
Wages and benefits	8	138,272	56,293	256,970	104,623
		<b>(3,658,193)</b>	<b>(894,843)</b>	<b>(6,146,052)</b>	<b>(1,393,814)</b>
Interest income		3,703	16	7,543	20
Marketable securities, net change to fair value		(2,675)	(1,910)	3,055	(1,910)
		<b>1,028</b>	<b>(1,894)</b>	<b>10,598</b>	<b>(1,890)</b>
<b>Loss for the period</b>		<b>(3,657,165)</b>	<b>(896,737)</b>	<b>(6,135,454)</b>	<b>(1,395,704)</b>
<b>Items that are or may be reclassified to profit or loss</b>					
Foreign currency translation differences for foreign operations		2,656	(6,242)	(3,938)	(10,632)
<b>Comprehensive loss for the period</b>		<b>\$ (3,654,509)</b>	<b>\$ (902,979)</b>	<b>\$ (6,139,392)</b>	<b>\$ (1,406,336)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.03)</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding</b>	7	<b>109,299,675</b>	<b>57,102,103</b>	<b>108,687,701</b>	<b>44,270,109</b>

*The accompanying notes form an integral part of these condensed consolidated interim financial statements.*

**OUTCROP GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – stated in Canadian dollars)

	Note	Six months ended	
		February 28, 2021	February 29, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the period		\$ (6,135,454)	\$ (1,395,704)
Items not involving cash:			
Depreciation		11,760	8,311
Stock-based compensation		1,141,684	210,208
Unrealized gain on marketable securities		(5,730)	(1,910)
Unrealized foreign exchange gain		2,045	(801)
Changes in non-cash working capital balances:			
Receivables		738	(7,242)
Advances and prepaid expenses		232,713	34,528
Accounts payable and accrued liabilities	6	721,177	(74,602)
Change in long-term receivables		(14,065)	-
		<u>(4,045,132)</u>	<u>(1,227,212)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital asset acquisitions		(20,599)	-
Sale of marketable securities		11,460	-
Mineral property acquisitions	5	-	(197,028)
		<u>(9,139)</u>	<u>(197,028)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares issued	7b	335,865	2,560,000
Share subscriptions received		-	15,000
Share issue costs	7b	-	(41,099)
Deferred financing costs	12	(77,237)	-
		<u>258,628</u>	<u>2,533,901</u>
<b>Effect of foreign exchange on cash</b>		<u>(5,591)</u>	<u>(10,239)</u>
Change in cash during the period		(3,801,234)	1,099,422
<b>Cash, beginning of period</b>		<b>5,952,245</b>	<b>185,222</b>
<b>Cash, end of period</b>		<b>\$ 2,151,011</b>	<b>\$ 1,284,644</b>

Supplemental disclosure with respect to cash flows – Note 11

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

**OUTCROP GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EQUITY**  
(Unaudited – stated in Canadian dollars)

	Number of Shares	Share Capital	Stock-Based Reserve	Warrant Reserves	Accumulated Other Comprehensive Loss	Share Subscriptions Receivable	Deficit	Total
Balance, August 31, 2019	29,024,928	\$ 33,624,454	\$ 7,006,899	\$ 7,343,112	\$ (112,715)	\$ (262,223)	\$ (46,143,882)	\$ 1,455,645
Common shares issued	25,600,000	1,507,000	-	1,053,000	-	-	-	2,560,000
Common shares issued for acquisition of mineral properties	24,350,000	2,678,500	-	-	-	-	-	2,678,500
Common shares issued for finders' fees	600,000	34,000	-	26,000	-	-	-	60,000
Common shares returned to treasury	(304,583)	(36,312)	-	(31,492)	-	67,804	-	-
Share subscriptions receivable	-	-	-	-	-	15,000	-	15,000
Share issue costs	-	(75,099)	-	(26,000)	-	-	-	(101,099)
Stock-based compensation	-	-	210,208	-	-	-	-	210,208
Foreign currency translation adjustment	-	1	1	-	(10,632)	-	-	(10,630)
Loss for the period	-	-	-	-	-	-	(1,395,704)	(1,395,704)
Balance, February 29, 2020	79,270,345	\$ 37,732,544	\$ 7,217,108	\$ 8,364,620	\$ (123,347)	\$ (179,419)	\$ (47,539,586)	\$ 5,471,920
<b>Balance, August 31, 2020</b>	<b>107,798,133</b>	<b>\$ 44,702,834</b>	<b>\$ 7,596,002</b>	<b>\$ 9,292,227</b>	<b>\$ (46)</b>	<b>\$ -</b>	<b>\$ (51,169,108)</b>	<b>\$ 10,421,909</b>
Common shares issued	2,249,320	335,865	-	-	-	-	-	335,865
Stock-based compensation	-	-	1,141,684	-	-	-	-	1,141,684
Transfer of fair value of warrants exercised	-	38,286	-	(38,286)	-	-	-	-
Transfer of fair value of options exercised	-	159,328	(159,328)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	(3,938)	-	-	(3,938)
Loss for the period	-	-	-	-	-	-	(6,135,454)	(6,135,454)
Balance, February 28, 2021	110,047,453	\$ 45,236,313	\$ 8,578,358	\$ 9,253,941	\$ (3,984)	\$ -	\$ (57,304,562)	\$ 5,760,066

*The accompanying notes form an integral part of these condensed consolidated interim financial statements.*

## **OUTCROP GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended February 28, 2021  
(Unaudited – Stated in Canadian dollars)

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

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Outcrop Gold Corp. (“Outcrop” or the “Company”) is a publicly traded company incorporated under the laws of the Province of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol OCG. The corporate registered and records office is located at #905 – 1111 West Hastings Street, Vancouver, BC V6E 2J3. The Company is engaged in the identification, acquisition, exploration, and development of exploration and evaluation assets in Colombia. These condensed consolidated interim financial statements of the Company for the three and six months ended February 28, 2021 comprise the Company and its subsidiaries. The Company has not placed any of its exploration and evaluation assets into production and is therefore considered to be in the exploration stage.

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company’s ability to continue on a going concern basis depends on its ability to successfully raise additional financing for the substantial capital expenditures required to achieve planned principal operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms acceptable to the Company.

These material uncertainties raise substantial doubt regarding the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, which could be material.

COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the virus. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these unaudited condensed consolidated interim financial statements, these conditions could have a significant adverse impact on the Company’s financial position and results of operations for future periods.

### **2. BASIS OF PRESENTATION**

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#### **Statement of compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using the Principles of International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements and, accordingly, should be read in conjunction with the Company’s annual consolidated financial statements for the year ended August 31, 2020.

#### **Basis of measurement and presentation**

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## **OUTCROP GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended February 28, 2021  
(Unaudited – Stated in Canadian dollars)

### **2. BASIS OF PRESENTATION** *(continued)*

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#### **Functional and presentation currency**

The presentation currency of the Company is the Canadian dollar.

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which has been determined for each entity within the Company using an analysis of the consideration factors identified in IAS 21 - *The Effects of Changes in Foreign Exchange Rates*. The functional currency of Outcrop, the parent company, is the Canadian dollar; the functional currency of the Company’s US subsidiary, Miranda Gold USA, Inc. is the United States dollar. The functional currency of all of the Company’s Canadian subsidiaries is the Canadian dollar, and the functional currency of all of the Colombian branch operations and Colombian simplified share companies is also the Canadian dollar.

#### **Use of estimates and judgments**

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Company’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended August 31, 2020.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the company as at and for the year ended August 31, 2020.

#### **New standards, interpretations and amendments adopted during the period**

A number of new standards, amendments to standards and interpretations are not yet effective as of February 28, 2021 and have therefore not been applied in preparing these condensed consolidated interim financial statements. None are expected to have a material effect on the financial statements of the Company.

## OUTCROP GOLD CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended February 28, 2021  
(Unaudited – Stated in Canadian dollars)

### 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: Fair value through profit or loss (“FVTPL”); amortized cost; fair value through other comprehensive income (“FVOCI”).

The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	February 28, 2021		August 31, 2020
Cash	FVTPL	\$	2,151,011	\$ 5,952,245
Trade amounts receivable	Amortized cost		31,612	25,238
Marketable securities	FVTPL		-	5,730
Accounts payable and accrued liabilities	Amortized cost		1,253,256	532,079

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, advances, and accounts payable approximate their fair value due to their short-term nature. Cash and marketable securities are recorded at fair value and are calculated under the fair value hierarchy and measured using Level 1 inputs.

#### Fair value of cash and marketable securities as at February 28, 2021 and August 31, 2020:

Financial instrument	Quoted prices in active markets for identical assets		Significant other observable inputs		Significant unobservable inputs		Total as at
	Level 1		Level 2		Level 3		
<b>February 28, 2021</b>							
Cash	\$	2,151,011	\$	-	\$	-	2,151,011
Marketable securities		-		-		-	-
Total	\$	2,151,011	\$	-	\$	-	2,151,011
<b>August 31, 2020</b>							
Cash	\$	5,952,245	\$	-	\$	-	5,952,245
Marketable securities		5,730		-		-	5,730
Total	\$	5,957,975	\$	-	\$	-	5,957,975

#### Risk Management

All aspects of the Company’s risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended August 31, 2020.



## OUTCROP GOLD CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2021

(Unaudited – Stated in Canadian dollars)

### 5. MINERAL PROPERTIES

Outcrop acquires mineral properties through application, staking, and third-party vendors, some of which are subject to net smelter return royalties (“NSR”) or underlying lease payments. Subsequent to the acquisition of mineral properties, the Company may enter into agreements to sell a portion of its interest in its mineral properties to third parties in exchange for exploration expenditures, royalty interests, cash, or share-based payments.

Outcrop cannot guarantee title to all of its mineral properties as the properties may be subject to prior mineral rights applications with priority, prior unregistered agreements or transfers, and/or the title may be affected by undetected defects. Certain of the mineral rights held by Outcrop are held under applications for mineral rights and until final approval of such applications is received, Outcrop’s rights to such mineral rights may not materialize and the exact boundaries of Outcrop’s properties may be subject to adjustment.

Mineral properties deferred to the condensed consolidated statements of financial position at February 28, 2021 are as follows:

	August 31, 2020	Additions	Recoveries	Impairment/ Write off project	Effect of movement in exchange rates	February 28, 2021
<b>Alaska:</b>						
Renshaw Royalty	\$ 1	\$ -	\$ -	\$ -	\$ -	1
<b>Colombia:</b>						
Antares	\$ 112,987	\$ -	\$ -	\$ -	\$ -	112,987
Argelia	265,240	-	-	-	-	265,240
Kuntur	20,438	-	-	-	-	20,438
Lyra	20,676	-	-	-	-	20,676
Mallama	298,216	-	-	-	-	298,216
Oribella	41,568	-	-	-	-	41,568
Santa Ana	3,735,450	-	-	-	-	3,735,450
	<b>4,494,575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,494,575</b>
<b>TOTAL</b>	<b>\$ 4,494,576</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,494,576</b>

	August 31, 2019	Additions	Recoveries	Impairment/ Write off project	Effect of movement in exchange rates	August 31, 2020
<b>Alaska:</b>						
Renshaw Royalty	\$ 425,635	\$ 61,107	\$ -	\$ (491,591)	\$ 4,850	1
<b>Colombia:</b>						
Antares	\$ 112,987	\$ -	\$ -	\$ -	\$ -	112,987
Argelia	265,240	-	-	-	-	265,240
Cauca	95,032	-	-	(95,032)	-	-
Kuntur	20,438	-	-	-	-	20,438
Lyra	20,676	-	-	-	-	20,676
Mallama	298,216	-	-	-	-	298,216
Oribella	41,568	-	-	-	-	41,568
Santa Ana	-	3,735,450	-	-	-	3,735,450
	854,157	3,735,450	-	(95,032)	-	4,494,575
<b>TOTAL</b>	<b>\$ 1,279,792</b>	<b>\$ 3,735,450</b>	<b>\$ -</b>	<b>\$ (586,623)</b>	<b>\$ 4,850</b>	<b>4,494,576</b>

## OUTCROP GOLD CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended February 28, 2021  
(Unaudited – Stated in Canadian dollars)

### 5. MINERAL PROPERTIES (continued)

#### Exploration and evaluation expenditures

Exploration and evaluation expenditures recorded in profit or loss for the six month periods ended February 28, 2021 and February 29, 2020 are as follows:

	Six months ended February 28, 2021			Six months ended February 29, 2020		
	Exploration expenditures	Recoveries from funding partners	Net exploration expenditures	Exploration expenditures	Recoveries from funding partners	Net exploration expenditures
Antares	5,120	-	5,120	3,315	-	3,315
Argelia	5,120	-	5,120	3,315	-	3,315
Cauca	-	-	-	9,945	-	9,945
Kuntur	-	-	-	3,315	-	3,315
Lyra	-	-	-	3,315	-	3,315
Mallama	25,601	-	25,601	10,038	-	10,038
Oribella	5,120	-	5,120	10,131	-	10,131
Santa Ana	4,166,544	-	4,166,544	517,463	-	517,463
General exploration	40,964	-	40,964	111,434	-	111,434
TOTAL	\$ 4,248,469	\$ -	\$ 4,248,469	\$ 672,271	\$ -	\$ 672,271

#### COLOMBIA:

##### a) Antares Project

On October 9, 2015, the Company executed an option agreement (the “Antares Option”) by and among Activos Mineros de Colombia S.A.S. (“AMC”), the Company, the Company’s subsidiary Miranda Gold Colombia II Ltd. (“MAD II”), and the Colombian Branch of MAD II to acquire the Antares property with minimum operation payments and a share issuance by the Company due according to the schedule below. Upon commencing commercial production (as defined in the agreement), the minimum operation payments will cease and the payment of a 1.8% NSR will commence.

The Company must meet the following schedule to maintain the option:

Antares Option Due Dates	Minimum Operation Payments Payable (in US dollars)	Common Shares to be Issued to AMC
October 9, 2015 (paid)	\$ 60,000	-
October 9, 2016 (paid)	60,000	-
Upon registration of the Mining Concession Contract for the Antares property (payable 30-days subsequent)	70,000	-
Upon the first anniversary of the registration of the Mining Concession Contract (“Registration Date”)	80,000	150,000
Upon the second anniversary of the Registration Date	90,000	-
Upon the third anniversary of the Registration Date	100,000	-
Upon the fourth anniversary of the Registration Date	120,000	-
Upon the fifth anniversary of the Registration Date	120,000	-
Upon the sixth anniversary of the Registration Date, and for each successive anniversary	150,000	-

## OUTCROP GOLD CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended February 28, 2021  
(Unaudited – Stated in Canadian dollars)

### 5. MINERAL PROPERTIES (continued)

Further, to maintain the Antares Option, a schedule of work commitment expenditures must be made, beginning within the first two years following the Registration Date as follows:

Antares Option Work Commitment Due Dates	Minimum Exploration Expenditures (in US dollars)	Cumulative Exploration Expenditures (in US dollars)
Within the first two years of the Registration Date	\$ 200,000	\$ 200,000
During the third year following the Registration Date	200,000	400,000
During the fourth year following the Registration Date	300,000	700,000
During the fifth year following the Registration Date	300,000	1,000,000
During the sixth year following the Registration Date	500,000	1,500,000
During the seventh year following the Registration Date	500,000	2,000,000

The above minimum exploration expenditure schedule may be suspended for up to two years in any period in which the Company does not have a suitable joint venture partner funding expenditures on the project. The Company has not yet registered the project.

#### b) Argelia Project

On June 15, 2017, the Company executed an option agreement (the “Argelia Option”) by and among Bullet Holding Corp. (“Bullet”), Esquimal S.O.M. (“Esquimal”), and the Company to acquire the Argelia property, consisting of three applications.

The terms of the Argelia Option require that Outcrop make the following series of payments and a share issuance – all conditional on the occurrence of the following events:

Argelia Option Events	Payments Payable (in US dollars)	Common Shares to be Issued
By June 22, 2017 (paid)	\$ 100,000	-
Upon TSX-V approval of the issuance of 162,427 Outcrop shares (issued)	-	162,427
Upon conversion of the applications to titles	100,000	-
Upon receipt of approval for forestry subtraction – or – Outcrop making drill applications for any of the titles	100,000	-
Upon receipt of drill permits	100,000	-
Upon announcement of an NI 43-101 resource of >500,000 oz/au total in all categories (M+I+I)	250,000	-
One year from the announcement of an NI 43-101 resource of >500,000 oz/au	250,000	-

A residual net profits interest (“NPI”) of 4% - or – an NSR of 1.5%, whichever is greater, will be payable to the vendor until US\$6,000,000 has been paid, at which time an NSR of 1.5% will be payable for the life of the mine.

#### c) Kuntur Project

The Company has applied to the Agencia Nacional de Minería (“ANM”) for several separate titles comprising the Kuntur Project, located in the Quebradona (Nuevo Chaquiro) District in Colombia. Outcrop paid approximately \$20,300 for these applications and is currently seeking conversion to titles.

## **OUTCROP GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2021

(Unaudited – Stated in Canadian dollars)

### **5. MINERAL PROPERTIES (continued)**

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#### **d) Lyra Project**

The Company has applied to the ANM for several separate titles comprising the Lyra Project, located in the Department of Antioquia, Colombia. Outcrop paid approximately \$20,500 for these applications and is currently seeking conversion to titles.

#### **e) Mallama Project**

On August 31, 2017, Outcrop completed the acquisition of the Mallama Project (“Mallama”) by an outright purchase of 100% of the shares of the Colombian simplified share company, Minera Mallama S.A.S. (“Mallama SAS”).

During the fiscal year ended August 31, 2017, Outcrop paid a total of \$298,216 in outstanding fees due to ANM prior to the final effective date of the purchase. Upon receipt of suitable drill permits on Mallama, without any future time constraint, Outcrop is required to make an additional payment of US\$200,000 to the former shareholders of Mallama SAS. An NSR of 4% will be payable to the former shareholders, with a minimum of US\$1,000,000 payable within three years of the commencement of commercial production, capped at US\$4,000,000 over the life of the mine.

#### **f) Oribella Project**

On May 13, 2014, the Company acquired the Oribella Project in the Antioquia Department of Colombia through a purchase agreement with Antioquia Gold Inc. (“Antioquia Gold”).

Upon registration of the property with ANM as a contract, Outcrop will reimburse Antioquia Gold for the application payment of COP 101,136,976 (approximately US\$35,000). Oribella is subject to a 0.5% royalty to Antioquia Gold that can be purchased for US\$1,500,000 and a 2% royalty to Barrick Gold.

#### **g) Santa Ana Project**

On January 24, 2020, the Company completed the acquisition of 100% of the Santa Ana project located in the Municipality of Falan, Tolima Department, Colombia through the purchase of all of the issued and outstanding shares of Malew Overseas S.A. (“Malew”). Malew’s wholly owned subsidiary, Lost City S.A.S., owns the Santa Ana Project.

On July 28, 2020, the Company increased the Santa Ana land position with the acquisition of additional adjacent claims. In connection with the additional adjacent claims, the Company will make the following series of payments and share issuances:

- Issue US\$500,000 in common shares of the Company within 15 days following the date on which the first of the mining concession agreements arising from certain applications is registered in the Assignee’s name with the National Mining Registry.
- Issue US\$500,000 in common shares of the Company within 15 days following the date on which the remaining mining concession agreements is registered in the Assignee’s name with the National Mining Registry.
- Upon entry into commercial production, a royalty equivalent of 2% of the NSR in the concession agreements arising from the applications. The Company has the option to purchase 1% of the NSR for cash of US\$500,000.

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### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at February 28, 2021	As at August 31, 2020
Accounts payable and accrued liabilities – Canada	\$ 141,880	\$ 77,979
Accounts payable and accrued liabilities – United States	-	2,173
Accounts payable and accrued liabilities – Colombia	1,015,734	339,178
Accounts payable to related parties – Canada (Note 8)	92,240	41,018
Amounts payable to related parties – Colombia (Note 8)	3,402	71,731
Total	\$ 1,253,256	\$ 532,079

### 7. SHARE CAPITAL

#### a) Authorized

An unlimited number of common shares without par value.

#### b) Share Issuance

At February 28, 2021, the Company had 110,047,453 common shares issued and outstanding (August 31, 2020 – 107,798,133).

During the six months ended February 28, 2021, the Company:

- Issued 524,320 common shares following the exercise of share purchase warrants at a price of \$0.20-\$0.40 per common share for gross proceeds of \$159,865; and
- Issued 1,725,000 common shares following the exercise of stock options at a price of \$0.10-\$0.17 per common share for gross proceeds of \$176,000.

#### c) Stock Options Outstanding

The Company has a shareholder-approved stock option plan that provides for the reservation for issuance of 10% of the Corporation's issued and outstanding common shares to its directors, officers, employees, and consultants. The vesting terms of each stock option grant is determined by the Board of Directors at the time of the grant.

The Company also has an award plan (the "RSU/DSU Plan") which permits the grant of restricted share units of the company ("RSU's") and/or deferred share units of the Company ("DSU's") whereby the maximum number of common shares reserved for issue under the RSU/DSU Plan shall not exceed 4,000,000 common shares of the Company. In addition, the aggregate number of common shares issuable pursuant to the RSU/DSU Plan combined with all of the Company's other securities-based compensation arrangements, including the Company's Stock Option Plan, shall not exceed 10% of the Company's outstanding shares. No RSU's or DSU's have been issued.

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### 7. SHARE CAPITAL (continued)

The continuity for stock options for the six months ended February 28, 2021 is as follows:

Number Outstanding Aug 31, 2020	Granted	Exercised	Expired/ Cancelled	Number Outstanding Feb 28, 2021	Exercise Price per Share	Expiry Date	Weighted Average Remaining Contractual Life (in years)
107,500	-	-	(107,500)	-	\$1.20	Jan 28, 2021	-
30,000	-	-	-	30,000	\$1.20	Apr 25, 2021	0.15
202,500	-	-	-	202,500	\$0.90	Jan 25, 2022	0.91
6,150,000	-	(1,675,000)	-	4,475,000	\$0.10	Feb 7, 2025	3.95
225,000	-	(50,000)	-	175,000	\$0.17	May 13, 2025	4.21
200,000	-	-	-	200,000	\$0.56	July 24, 2025	4.40
-	3,500,000	-	(1,000,000)	2,500,000	\$0.40	October 20, 2025	4.64
-	1,000,000	-	-	1,000,000	\$0.63	October 20, 2025	4.64
6,915,000	4,500,000	(1,725,000)	(1,107,500)	8,582,500	\$0.28	(weighted average)	3.62
			Exercisable	6,532,500	\$0.22	(weighted average)	3.83

As at February 28, 2021, 6,582,500 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.22.

Subsequent to February 28, 2021, 30,000 options with an exercise price of \$1.20 per share expired.

#### Stock-Based Compensation:

The fair value of each option granted to employees, officers, and directors was estimated on the date of the grant using the Black-Scholes option pricing model.

During the six months ended February 28, 2021:

- 4,500,000 stock options were granted (February 29, 2020 – 6,350,000). Options granted during the period vest 25% on the grant date and 25% each 3 months thereafter.
- The Company recorded \$1,141,684 in stock-based compensation expense (February 29, 2020 – \$210,208) for options vested during the period. The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were an expected life of 5 years, expected dividend of \$nil, and:

	Feb 7, 2020	May 13, 2020	Jul 24, 2020	Oct 20, 2020	Jan 5, 2021
Risk-free interest rate	1.34%	0.37%	0.34%	0.36%	0.39%
Expected volatility	147.76%	151.45%	153.08%	153.16%	152.59%
Fair value	\$ 0.09	\$ 0.15	\$ 0.54	\$ 0.32	\$ 0.58

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### 7. SHARE CAPITAL (continued)

#### d) Share Purchase Warrants

The continuity for share purchase warrants for the six months ended February 28, 2021 is as follows:

Number Outstanding Aug 31, 2020	Granted	Exercised	Expired/ Cancelled	Number Outstanding Feb 28, 2021	Exercise Price	Expiry Date	Weighted Average Remaining Life (in years)
2,914,056	-	-	-	<b>2,914,056</b>	\$1.20	Jun 23, 2021	0.32
2,751,250	-	-	-	<b>2,751,250</b>	\$1.20	Mar 9, 2022	1.02
10,088,760	-	(275,000)	-	<b>9,813,760</b>	\$0.40	Feb 22, 2024	2.98
1,590,721	-	-	-	<b>1,590,721</b>	\$0.40	Apr 17, 2024	3.13
22,809,320	-	(249,320)	-	<b>22,560,000</b>	\$0.20	Nov 7, 2024	3.69
10,883,928	-	-	-	<b>10,883,928</b>	\$0.42	Jun 17, 2022	1.30
51,038,035	-	(524,320)	-	<b>50,513,715</b>	\$0.40	(weighted average)	2.68

### 8. RELATED PARTY TRANSACTIONS

- a) The Company's related parties consist of companies with directors and officers in common and companies owned in whole or in part by executive officers and directors as follows:

Name	Nature of Transactions
Calibre Capital Corp. (" <b>Calibre</b> ") and Northhouse Capital Corp. (" <b>Northhouse</b> "), companies related to Alex Tong	Consulting as CFO
DKT Geosolutions Inc. (" <b>DKT</b> "), a company related to David Thomas	Consulting as VP Exploration (terminated in January 2021)
Farris LLP (" <b>Farris</b> "), a company in which Jay Sujir is a partner	Legal services
Goldnor Global Management Inc. (" <b>GGMI</b> "), a company related to Len Goldsmith	Consulting as CFO, Corporate Secretary, corporate compliance services, and financial reporting (terminated in October 2018)
RIP Services Inc. (" <b>RIP</b> "), a company related to Rakesh Patel	Consulting as CFO (terminated in December 2019)
Slater Corporate Services Corporation (" <b>SCSC</b> "), a company related to Ian Slater	Cost reimbursement, Corporate Secretary, corporate compliance services, and accounting, office, and financial reporting.

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### 8. RELATED PARTY TRANSACTIONS (continued)

The Company incurred the following fees in connection with companies owned or partially owned by key management (Chief Executive Officer, Chief Financial Officer, Corporate Secretary) and/or directors. Expenses have been measured at the exchange amount, which is determined on a cost recovery basis.

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Consulting fees – Calibre	\$ -	\$ 28,665	\$ -	\$ 28,665
Consulting fees – DKT	17,500	17,378	41,875	17,378
Consulting fees – GGMI	-	872	-	872
Consulting fees – Northhouse	20,475	-	40,950	-
Consulting fees – RIP	-	(3,600)	-	8,400
Cost reimbursement - SCSC	75,833	55,062	145,833	55,062
Legal fees – Farris	82,154	-	85,204	-
<b>Total</b>	<b>\$ 195,962</b>	<b>\$ 98,377</b>	<b>\$ 313,862</b>	<b>\$ 110,377</b>

- b) Amounts owing to related parties are disclosed in Note 6. All amounts are unsecured, with no specific terms of repayment.
- c) Prepaid amounts to related parties totalled \$nil as at February 28, 2021 (August 31, 2020 - \$45,000).
- d) Compensation of directors and members of key management personnel, including amounts disclosed in Note 8(a), (c), and (d) were as follows:

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Directors fees	\$ -	\$ 7,242	\$ -	\$ 7,242
Exploration and evaluation	19,931	17,378	44,306	17,378
Legal fees <sup>(1)</sup>	82,154	-	85,204	-
Reimbursement of expense <sup>(2)</sup>	52,281	25,062	97,281	25,062
Share based compensation	222,985	173,794	579,345	173,794
Wages and benefits	126,214	111,358	244,912	171,688
<b>Total</b>	<b>\$ 503,565</b>	<b>\$ 334,834</b>	<b>\$ 1,051,048</b>	<b>\$ 395,164</b>

<sup>(1)</sup>Amount is included in professional fees.

<sup>(2)</sup>Amount is included in general and administrative.

### 9. SEGMENTED DISCLOSURE

The Company operates in the mineral exploration sector within Colombia.

Note 5 provided disclosure as to the geographic location of equipment and of exploration and evaluation assets and expenditures.



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### 10. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and warrants as capital (*Note 7*). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk.

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

To facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors including successful capital deployment and general industry conditions.

To maximize ongoing exploration expenditures, the Company does not pay dividends. The Company's investment policy is to keep its cash treasury on deposit in interest-bearing Canadian chartered bank accounts and short-term guaranteed investment certificates.

The Company estimates that it will require additional funding to carry out its exploration plans and operations through the next twelve months. The Company is not subject to any externally imposed capital restrictions.

### 11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the six months ended	February 28, 2021	February 29, 2020
<b>Non-cash investing and financing activities:</b>		
Fair value of shares issued for mineral properties	\$ -	\$ 2,678,500
<b>Interest received</b>	<b>\$ 7,543</b>	<b>\$ 20</b>

### 12. SUBSEQUENT EVENTS

Subsequent to February 28, 2021, the Company:

- Closed a bought deal offering through a short-form prospectus consisting of 21,401,500 units at a price of \$0.43 per unit for gross proceeds of \$9,202,645. Each unit consists of one common share and one-half share purchase warrant, each full warrant exercisable into a common share at a price of \$0.60 per share until March 26, 2023. Deferred financing costs of \$77,237 associated with the transaction were recorded as at February 28, 2021;
- Issued a total of 200,000 common shares following the exercise of stock options at a price of \$0.10 per common share for gross proceeds of \$20,000; and
- Granted a total of 3,900,000 incentive stock options to directors and employees at an exercise price of \$0.30, expiring April 19, 2026.