



OUTCROP
SILVER & **GOLD**

OUTCROP SILVER & GOLD CORPORATION

(Formerly Outcrop Gold Corp.)

Consolidated Financial Statements

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Outcrop Silver & Gold Corporation (formerly Outcrop Gold Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Outcrop Silver & Gold Corporation (formerly Outcrop Gold Corp.) (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company is dependent on its ability to raise additional financing for the substantial capital expenditures required to achieve planned principal operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



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

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

December 22, 2021

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)**Consolidated statements of financial position***(Expressed in Canadian dollars)*

As at	Notes	August 31, 2021	August 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	5	\$ 4,453,217	\$ 5,952,245
Receivables	6	39,017	44,352
Marketable securities	7	-	5,730
Advances and prepaid expenses	8	233,829	329,668
Deferred financing costs	12	178,059	-
		4,909,122	6,331,995
Non-current assets			
Equipment	9	62,911	59,267
Non-current receivables	6	-	68,150
Mineral properties	10	4,453,461	4,494,576
		4,516,372	4,621,993
Total assets		\$ 9,420,494	\$ 10,953,988
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	11	\$ 675,574	\$ 532,079
		675,574	532,079
Shareholders' equity			
Share capital	12	51,605,327	44,702,834
Stock-based reserves	12	9,840,297	7,596,002
Warrant reserves	12	11,317,286	9,292,227
Accumulated other comprehensive loss		(2,377)	(46)
Deficit		(64,015,613)	(51,169,108)
Total shareholders' equity		8,744,920	10,421,909
Total liabilities and shareholders' equity		\$ 9,420,494	\$ 10,953,988
Nature of operations and going concern	1		
Subsequent events	19		

Approved for issue by the Board of Directors on December 22, 2021.

On behalf of the Board of Directors:

"Joseph P. Hebert"

 Joseph P. Hebert, Director

"Kevin Nishi"

 Kevin Nishi, Director

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

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)**Consolidated statements of loss and comprehensive loss***(Expressed in Canadian dollars)*

		Year ended August 31,	
	Notes	2021	2020
EXPENSES			
Exploration	10	\$ 7,742,535	\$ 2,111,000
Foreign exchange		(6,044)	148,778
General and administrative	13,14	779,982	472,483
Investor relations		975,509	385,215
Professional fees	14	488,640	319,208
Stock-based compensation	12	2,421,722	618,813
Wages and benefits	14	423,561	388,818
		<u>(12,825,905)</u>	<u>(4,444,315)</u>
OTHER INCOME (EXPENSES)			
Interest income		17,460	5,712
Impairment of mineral properties	10	(41,114)	(95,032)
Royalty impairment loss	10	(1)	(491,591)
Marketable securities, net change to fair value	7	3,055	-
		<u>(20,600)</u>	<u>(580,911)</u>
Loss for the year		<u>(12,846,505)</u>	<u>(5,025,226)</u>
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(2,331)	112,669
Comprehensive loss for the year		<u>\$ (12,848,836)</u>	<u>\$ (4,912,557)</u>
<hr/>			
Basic and diluted loss per share		\$ (0.11)	\$ (0.08)
Weighted average number of common shares outstanding	12	118,869,157	64,873,171

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

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)**Consolidated statements of cash flows***(Expressed in Canadian dollars)*

For the year ended	Notes	August 31, 2021	August 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		\$ (12,846,505)	\$ (5,025,226)
<i>Adjustments for items not involving cash:</i>			
Depreciation		28,268	27,026
Stock-based compensation		2,421,722	618,813
Royalty impairment loss		1	491,591
Impairment of mineral properties		41,114	95,032
Realized gain on marketable securities		(3,055)	-
Unrealized foreign exchange gain (loss)		33,041	118,613
		(10,325,414)	(3,674,151)
<i>Net changes in non-cash working capital items:</i>			
Receivables		5,355	(29,631)
Advances and prepaid expenses		95,839	(223,841)
Accounts payable and accrued liabilities		143,495	340,907
		(10,080,745)	(3,586,716)
Change in long-term receivables		68,150	(68,150)
Net cash outflows from operating activities		(10,012,595)	(3,654,866)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital asset acquisitions		(52,002)	(29,189)
Sale of marketable securities		8,785	-
Mineral property acquisitions		-	(476,950)
Royalty		-	(61,107)
Net cash outflows from investing activities		(43,217)	(567,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued		9,658,511	10,208,926
Share subscriptions received		-	15,000
Share issue costs		(908,386)	(222,418)
Deferred financing costs		(178,059)	-
Net cash inflows from financing activities		8,572,066	10,001,508
Effect of foreign exchange on cash		(15,282)	(12,373)
Net increase/(decrease) in cash during the year		(1,499,028)	5,767,023
Cash, beginning of year		5,952,245	185,222
Cash, end of year		\$ 4,453,217	\$ 5,952,245

Supplemental disclosure with respect to cash flows – Note 17

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)

Consolidated statements of shareholders' equity

(Expressed in Canadian dollars)

	Notes	Number of Shares	Share Capital	Stock-Based Reserves	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		52,795,645	7,800,926	-	2,408,000	-	-	-	10,208,926
Common shares issued for acquisition of mineral properties		25,350,000	3,258,500	-	-	-	-	-	3,258,500
Common shares issued for finders' fees		1,832,143	301,000	-	107,892	-	-	-	408,892
Common shares returned to treasury		(1,204,583)	(123,257)	-	(124,547)	-	247,804	-	-
Share subscriptions receivable		-	-	-	-	-	15,000	-	15,000
Share issue costs		-	(630,729)	-	-	-	(581)	-	(631,310)
Stock-based compensation		-	-	618,813	-	-	-	-	618,813
Transfer of fair value of warrants exercised		-	442,230	-	(442,230)	-	-	-	-
Transfer of fair value of options exercised		-	29,710	(29,710)	-	-	-	-	-
Foreign currency translation adjustment		-	-	-	-	112,669	-	-	112,669
Loss for the year		-	-	-	-	-	-	(5,025,226)	(5,025,226)
Balance, August 31, 2020		107,798,133	\$ 44,702,834	\$ 7,596,002	\$ 9,292,227	\$ (46)	\$ -	\$ (51,169,108)	\$ 10,421,909
Common shares issued		24,350,820	7,828,866	-	1,829,645	-	-	-	9,658,511
Warrants issued for finders' fees		-	(253,830)	-	253,830	-	-	-	-
Share issue costs		-	(908,386)	-	-	-	-	-	(908,386)
Stock-based compensation		-	-	2,421,722	-	-	-	-	2,421,722
Transfer of fair value of warrants exercised		-	58,416	-	(58,416)	-	-	-	-
Transfer of fair value of options exercised		-	177,427	(177,427)	-	-	-	-	-
Foreign currency translation adjustment		-	-	-	-	(2,331)	-	-	(2,331)
Loss for the year		-	-	-	-	-	-	(12,846,505)	(12,846,505)
Balance, August 31, 2021		132,148,953	\$ 51,605,327	\$ 9,840,297	\$ 11,317,286	\$ (2,377)	\$ -	\$ (64,015,613)	\$ 8,744,920

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Outcrop Gold & Silver Corporation (formerly 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 Company’s corporate registered and records office is located at #905 – 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3. The Company is engaged in the identification, acquisition, exploration, and development of mineral properties in Colombia. The Company has not placed any of its mineral properties into production and is therefore considered to be in the exploration stage. These consolidated financial statements of the Company for the year ended August 31, 2021 are comprised of the results of the Company and its subsidiaries.

The Company is in the process of exploring its mineral properties and has not yet determined whether any of its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties.

The operations of the Company will require various licenses and permits from various government authorities that are, or may be, granted subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain, or retain, all necessary licenses and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated 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 beyond the next twelve months 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 on terms acceptable to the Company. These material uncertainties raise significant doubt regarding the Company’s ability to continue as a going concern. These consolidated 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 consolidated 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

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as at August 31, 2021.

Basis of measurement

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

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; that of the Company’s US subsidiary, Miranda Gold USA, Inc. is the United States dollar. The functional currency of all the Company’s Canadian subsidiaries is the Canadian dollar, and that of all the Colombian branch operations and Colombian simplified share companies is also the Canadian dollar.

Use of estimates and judgments

The preparation of the consolidated 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

a) Critical Accounting Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Stock-based compensation and valuation of warrants

The fair value pricing of stock options and warrants issued are subject to the limitations of the Black-Scholes Option-Pricing Model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes Option-Pricing Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

2. BASIS OF PRESENTATION *(continued)*

b) Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Going concern presentation

Management has determined that the going concern presentation of the consolidated financial statements, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due as discussed in Note 1, is appropriate.

Asset acquisition

The determination of whether a set of assets acquired and liabilities assumed constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits. The acquisition of Malew Overseas S.A. was determined to constitute an acquisition of assets (Note 10).

Carrying value and the recoverability of mineral properties

Management has determined that mineral property costs that have been capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and other technical information, scoping and feasibility studies, accessibility of facilities, and existing permits. Further, management exercises judgment in determining whether or not impairment indicators exist for its mineral properties. The capitalized mineral property costs for the Lyra and Kuntur projects were written off during the year ended August 31, 2021 due to an inability to meet the criteria in its assessment (Note 10).

Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management has determined that the functional currency of the Company, its Canadian subsidiaries, and its Colombian branch operations and subsidiaries is the Canadian dollar, while the functional currency of its US subsidiary is the US dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company, and its subsidiaries and branch operations from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee, and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)**Notes to the Consolidated Financial Statements****For the years ended August 31, 2021 and 2020***(Expressed in Canadian dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Name of Subsidiary	Place of Incorporation	Ownership Interest	Principal Activity
Miranda Gold USA, Inc. ("MAD USA")	State of Nevada	100%	Mineral exploration
Miranda Gold Colombia I Ltd. ("MAD I")	Province of British Columbia	100%	Holding company
Miranda Gold Colombia II Ltd. ("MAD II")	Province of British Columbia, with branch office in Colombia	100%	Mineral exploration
Rovira Mining Ltd. ("Rovira")	Province of British Columbia	100%	Holding company
Rovira Mining Ltd. Colombia S.A.S. ("Rovira SAS")	Republic of Colombia	100%	Holding company
Miranda Gold Colombia III S.A.S. ("MAD III SAS")	Republic of Colombia	100%	Holding company
Miranda Gold Colombia IV Ltd. ("MAD IV")	Province of British Columbia	100%	Holding company
Miranda Gold Colombia IV S.A.S. ("MAD IV SAS")	Republic of Colombia	100%	Holding company
Miranda Gold Colombia V Ltd. ("MAD V")	Province of British Columbia	100%	Holding company
Minerales Mallama S.A.S. ("Mallama SAS")	Republic of Colombia	100%	Mineral exploration
Malew Overseas S.A. ("Malew")	Republic of Panama	100%	Holding company
Minerales Santa Ana S.A.S. ("Santa Ana SAS") <i>Formerly Lost City S.A.S. ("Lost City")</i>	Republic of Colombia	100%	Mineral exploration

Determination of control by one entity over another

Subsidiaries include entities which are controlled by the Company and are accounted for through consolidation. Investments in associates and joint ventures include entities in which the Company has significant influence, but not control or joint control, and are accounted for using the equity method.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency of the entity by applying exchange rates at the dates of the transactions in the financial statements of each entity in the Company.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the reporting date exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate as at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in operations.

On consolidation, for subsidiaries with functional currencies other than the Canadian dollar, assets and liabilities are translated into Canadian dollars using the period-end rate and operating expenses are translated using the average rates of exchange. Exchange adjustments arising when the opening net assets and profit or loss are translated into Canadian dollars are taken into a separate component of equity and reported in other comprehensive income or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment

Equipment is recorded at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized in operations on a declining balance basis (using rates ranging from 20% to 100%) or a straight-line basis over the estimated useful lives of each asset or component part of an item or equipment, depending on which method (and rate) most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Mineral properties and exploration expenses

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized. Exploration expenses incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. The Company will perform an impairment test on transition from the exploration stage to the development stage.

Expenditures incurred subsequent to a development decision, and to increase or extend the life of existing production, are capitalized and will be transferred to property, plant and equipment and amortized using the unit-of-production method based upon proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property will be assessed for impairment.

The Company assesses mineral properties for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset at the start of each project, along with a corresponding liability recorded as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

A liability is recorded for legal obligations relating to the restoration, rehabilitation, and retirement of property, plant or equipment obligations arising from the acquisition, development, or normal operation of those assets. Such decommissioning liabilities are recognized at fair value in the period in which the liability is incurred when a reasonable estimate of fair value can be made. A corresponding increase to the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to a re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations, the extent of environmental remediation required or completed, the means of reclamation, or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period in which the estimate is revised.

The Company currently has no material restoration, rehabilitation, and environmental obligation because all environmental disturbances to date have been minimal.

Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in operations.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in operations.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Company has not recorded any provisions for any of the financial years presented.

Financial instruments

Financial assets

Financial assets are classified at initial recognition as: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit and loss or other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- Amortized cost – A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.
- FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.
- FVOCI – Investments in equity instruments at FVOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of the fair value gains and losses to profit or loss following derecognition of the investment.
- Derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment

An “expected credit loss” impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to the estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account, and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, or the Company has opted to measure at FVTPL.

Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Warrants

The Company accounts for warrants issued as part of a unit offering financing using the relative fair value method. Under this method, the value of warrants issued is measured at fair value at the issue date using the Black-Scholes Option-Pricing Model and recorded as share capital if and when the warrants are exercised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loss per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company’s case, diluted loss per share is the same as basic loss per share as the effect of outstanding share options and warrants on loss per share would be anti-dilutive.

Stock-based compensation

The Company’s stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a stock-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from stock-based reserve to share capital.

The Company also has a restricted share unit (“RSU”) and deferred share unit (“DSU”) compensation plan whereby RSUs and DSUs may be granted to its directors, employees, and contractors. RSUs and DSUs are classified as equity settled share-based payments with their fair value calculated in the same manner as stock options and recognized as stock-based compensation expense over the vesting period with a corresponding amount recognized as equity.

The fair value of options, RSUs, and DSUs is measured at the grant date and each tranche is recognized over the period during which the options vest. The fair value of the options, RSUs, and DSUs granted is measured using the Black-Scholes Option-Pricing Model, taking into consideration the terms and conditions upon which the options, RSUs, and DSUs were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options, RSUs, and DSUs that are expected to vest. In the event that options, RSUs, or DSUs are cancelled or forfeited prior to full vesting, the fair value of the portion of the cancelled or forfeited options, RSUs, or DSUs that have not yet vested is excluded from stock-based compensation expense.

Stock-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled stock-based payment transactions.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities who intend to settle current tax assets and liabilities on a net basis or where net tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New standards, interpretations and amendments adopted during the year

A number of new standards, amendments to standards and interpretations are not yet effective as of August 31, 2021 and have therefore not been applied in preparing these consolidated financial statements. None are expected to have a material effect on the financial statements of the Company.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: amortized cost; fair value through profit or loss ("FVTPL"); 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	August 31, 2021		August 31, 2020	
Cash and cash equivalents	Amortized cost	\$	4,453,217	\$	5,952,245
Receivables	Amortized cost	\$	23,739	\$	25,238
Marketable securities	FVTPL	\$	-	\$	5,730
Accounts payable and accrued liabilities	Amortized cost	\$	675,574	\$	532,079

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended August 31, 2021 and 2020

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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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 with inputs for the asset or liability that are not based on observable market data. The recorded amounts for receivables 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 marketable securities as at August 31, 2021 and 2020:

Financial instrument	Quoted prices in active markets for identical assets <i>Level 1</i>	Significant other observable inputs <i>Level 2</i>	Significant unobservable inputs <i>Level 3</i>	Total as at
August 31, 2021				
Marketable securities	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
August 31, 2020				
Marketable securities	5,730	-	-	5,730
Total	\$ 5,730	\$ -	\$ -	5,730

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and amounts receivable. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, in guaranteed investment certificates, and in government treasury bills which are available on demand by the Company for its programs.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuation may be significant.

- a) Interest Rate Risk – The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)**Notes to the Consolidated Financial Statements**

For the years ended August 31, 2021 and 2020

*(Expressed in Canadian dollars)***4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

- b) Foreign Currency Risk – The Company has identified its functional currencies as the Canadian dollar and the US dollar. Business is transacted in Canadian dollars, US dollars, and Colombian pesos (“COP”). The Company maintains US dollar bank accounts in Canada and the United States and maintains COP bank accounts in Colombia to support the cash needs of its foreign operations. Management does not hedge its foreign exchange risk. As at August 31, 2021, one Canadian dollar was equal to \$0.79 US dollars and \$3,033.77 COP.

Balances are as follows as at August 31, 2021:

	US Dollars	Colombian Pesos	Canadian Dollar Equivalent
Cash and cash equivalents	\$ 66,943	\$ 814,531,623	\$ 352,943
Receivables	-	72,014,026	23,738
Advances and deposits	3,010	122,570,532	44,201
	69,953	1,009,116,181	420,883
Accounts payable and accruals	(15)	(1,842,514,584)	(607,354)
Net monetary assets (liabilities)	\$ 69,938	\$ (833,398,403)	\$ (186,471)

Based on the above net exposures and assuming that all other variables remain constant, a 10% increase or decrease in the Canadian dollar against the US dollar and the Colombian peso would result in a decrease or increase in the reported loss of approximately \$18,600 in the year.

Balances are as follows at August 31, 2020:

	US Dollars	Colombian Pesos	Canadian Dollar Equivalent
Cash and cash equivalents	\$ 19,054	\$ 459,676,322	\$ 184,138
Receivables	-	267,138,789	93,020
Advances and deposits	-	42,852,230	14,847
	19,054	769,667,341	292,005
Accounts payable and accruals	(1,666)	(1,185,496,786)	(413,081)
Net monetary assets (liabilities)	\$ 17,388	\$ (415,829,445)	\$ (121,076)

Based on the above net exposures and assuming that all other variables remain constant, a 10% increase or decrease in the Canadian dollar against the US dollar and the Colombian peso would result in a decrease or increase in the reported loss of approximately \$12,000 in the year.

- c) Commodity Price Risk – While the value of the Company’s mineral properties is related to the price of gold and silver and the outlook for these minerals, the Company does not currently have any operating mines and therefore does not have any hedging or other commodity-based risks with respect to its operating activities.

Historically, the price of gold and silver has fluctuated significantly and is affected by numerous factors outside of the Company’s control including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold and silver.

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)

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(Expressed in Canadian dollars)

5. CASH AND CASH EQUIVALENTS

		August 31, 2021		August 31, 2020
Canadian dollar denominated deposits	\$	4,100,274	\$	5,768,107
US dollar denominated deposits		84,455		25,227
Colombian peso denominated deposits		268,488		158,911
Total	\$	4,453,217	\$	5,952,245

6. RECEIVABLES

		August 31, 2021		August 31, 2020
Amounts receivable	\$	23,739	\$	25,238
Sales taxes receivable (Canada)		15,278		19,114
Total current receivables		39,017		44,352
Value added taxes receivable (Colombia)		-		68,150
Total long-term receivables		-		68,150
Total receivables	\$	39,017	\$	112,502

7. INVESTMENTS AND MARKETABLE SECURITIES

Marketable Securities	Number of Shares	Cost	Accumulated unrealized gains/(losses)	Fair Value
Publicly Traded Companies:				
<i>Prism Resources Inc. ("Prism")</i>				
Balance, August 31, 2019	191,000	\$ 17,572	\$ (11,842)	\$ 5,730
Unrealized gains/(losses) in the year	-	-	-	-
Balance August 31, 2020	191,000	17,572	(11,842)	5,730
Sale of securities during the year	(191,000)	(17,572)	11,842	(5,730)
Balance August 31, 2021	-	\$ -	\$ -	\$ -

During the year ended August 31, 2021, the Company sold its interests in Prism Resources Inc. for proceeds of \$8,785, resulting in a realized gain on sale of securities of \$3,055.

8. ADVANCES AND PREPAID EXPENSES

		August 31, 2021		August 31, 2020
Prepaid expenses (Canada)	\$	189,628	\$	269,821
Prepaid expenses (United States)		3,798		-
Prepaid expenses (Colombia)		36,921		7,546
Advances to employees and suppliers (Colombia)		3,482		7,301
Prepaid to related parties (Note 14)		-		45,000
Total	\$	233,829	\$	329,668

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9. EQUIPMENT

	CANADA		UNITED STATES			COLOMBIA			TOTAL
	Computer Equipment	Computer Equipment	Furniture & Fixtures	Field Equipment	Computer Equipment	Furniture & Fixtures	Field Equipment		
COST:									
Balance at August 31, 2019	\$ -	\$ 80,771	\$ 10,608	\$ 56,672	\$ 94,171	\$ -	\$ 93,192	\$ 335,414	
Assets acquired	2,448	-	-	-	5,019	2,016	19,706	29,189	
Foreign exchange adjustments	-	(1,610)	(212)	(1,130)	-	-	-	(2,651)	
Balance at August 31, 2020	2,448	79,161	10,396	55,542	99,190	2,016	112,898	361,651	
Assets acquired	-	-	-	-	18,734	2,008	31,260	52,002	
Assets retired	-	-	-	-	(42,098)	(4,024)	(52,033)	(98,155)	
Foreign exchange adjustments	-	(2,580)	(339)	(1,810)	-	-	-	(4,729)	
Balance at August 31, 2021	\$ 2,448	\$ 76,581	\$ 10,057	\$ 53,732	\$ 75,826	\$ -	\$ 92,125	\$ 310,769	
ACCUMULATED AMORTIZATION:									
Balance at August 31, 2019	\$ -	\$ 78,129	\$ 9,461	\$ 50,152	\$ 85,931	\$ -	\$ 54,795	\$ 278,468	
Amortization	561	2,686	1,163	6,618	2,849	151	12,998	27,026	
Foreign exchange adjustments	-	(1,654)	(228)	(1,228)	-	-	-	(3,110)	
Balance at August 31, 2020	561	79,161	10,396	55,442	88,780	151	67,793	302,384	
Amortization	1,347	-	-	-	9,880	1,164	15,877	28,268	
Assets retired	-	-	-	-	(27,811)	(1,315)	(48,939)	(78,065)	
Foreign exchange adjustments	-	(2,580)	(339)	(1,810)	-	-	-	(4,729)	
Balance at August 31, 2021	\$ 1,908	\$ 76,581	\$ 10,057	\$ 53,732	\$ 70,849	\$ -	\$ 34,731	\$ 247,858	
CARRYING AMOUNTS:									
August 31, 2020	\$ 1,887	\$ -	\$ -	\$ -	\$ 10,410	\$ 1,865	\$ 45,105	\$ 59,267	
August 31, 2021	\$ 540	\$ -	\$ -	\$ -	\$ 4,977	\$ -	\$ 57,394	\$ 62,911	

10. 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 interests 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, the Company’s rights to such mineral rights may not materialize and the exact boundaries of Outcrop’s properties may be subject to adjustment.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

10. MINERAL PROPERTIES *(continued)*

Mineral Properties as at August 31, 2021

	August 31, 2020	Additions	Recoveries	Impairment/ Write off project	Effect of movement in exchange rates	August 31, 2021
Alaska:						
Renshaw Royalty	\$ 1	\$ -	\$ -	\$ (1)	\$ -	\$ -
Colombia:						
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
	4,494,575	-	-	(41,114)	-	4,453,461
TOTAL	\$ 4,494,576	\$ -	\$ -	\$ (41,115)	\$ -	\$ 4,453,461

Mineral Properties as at August 31, 2020

	August 31, 2019	Additions	Recoveries	Impairment/ Write off project	Effect of movement in exchange rates	August 31, 2020
Alaska:						
Renshaw Royalty	\$ 425,635	\$ 61,107	\$ -	\$ (491,591)	\$ 4,850	\$ 1
Colombia:						
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
TOTAL	\$ 1,279,792	\$ 3,796,557	\$ -	\$ (586,623)	\$ 4,850	\$ 4,494,576

OUTCROP SILVER & GOLD CORPORATION (formerly Outcrop Gold Corp.)**Notes to the Consolidated Financial Statements**

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*(Expressed in Canadian dollars)***10. MINERAL PROPERTIES** *(continued)***Exploration Expenditures**

	For the year ended August 31,	
	2021	2020
Antares	\$ 75,190	\$ 22,316
Argelia	18,037	22,410
Cauca	-	9,945
Kuntur	-	22,410
Lyra	-	22,410
Mallama	134,094	57,746
Oribella	62,608	34,410
Santa Ana	7,400,995	1,386,607
General exploration	51,611	532,746
TOTAL	\$ 7,742,535	\$ 2,111,000

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 payment schedule to maintain the option:

- US\$60,000 on October 9, 2015 *(paid)*;
- US\$60,000 on October 9, 2016 *(paid)*;
- US\$70,000 within 30 days of the Registration Date of the Mining Concession Contract (“Registration Date”);
- US\$80,000 and 150,000 common shares on the first anniversary of the Registration Date;
- US\$90,000 on the 2nd anniversary of the Registration Date;
- US\$100,000 on the 3rd anniversary of the Registration Date;
- US\$120,000 on the 4th anniversary of the Registration Date;
- US\$120,000 on the 5th anniversary of the Registration Date;
- US\$150,000 on the 6th anniversary of the Registration Date and for each successive anniversary.

Furthermore, the Company must adhere to a schedule of minimum exploration expenditures as follows:

- US\$200,000 within the first two years following the Registration Date;
- US\$200,000 during the 3rd year following the Registration Date (cumulative spend US\$400,000);
- US\$300,000 during each of the 4th and 5th years following the Registration Date (cumulative spend US\$700,000 and \$1,000,000, respectively);
- US\$500,000 during each of the 6th and 7th years following the Registration Date (cumulative spend US\$1,500,000 and US\$2,000,000, respectively).

The 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. As at August 31, 2021 the Company has not yet registered the project.

10. MINERAL PROPERTIES *(continued)*

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

- US\$100,000 by June 22, 2017 *(paid)*;
- 162,427 common shares upon TSX-V approval of issuance *(issued)*;
- US\$100,000 upon conversion of applications to titles;
- US\$100,000 upon receipt of approval for forestry subtraction or upon the Company commencing drill applications for any of the titles;
- US\$100,000 upon receipt of drill permits;
- US\$250,000 upon announcement of an NI 43-101 resource of >500,000 oz/au total in all categories (M+I+I) (“Announcement Date”);
- US\$250,000 one year following the Announcement Date.

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.

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. During the year ended August 31, 2021 the mining title conversion was denied and the Company has written off the carrying value of the applications totalling \$20,438.

Lyra Project

The Company has applied to the ANM for several separate titles comprising the Lyra Project, located in the Department of Antioquia, Colombia. During the year ended August 31, 2021 the mining title conversion was denied and the Company has written off the carrying value of the applications totalling \$20,676.

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.

There are no minimum work commitments or any other milestones on Mallama, and no acquisition restrictions imposed on Outcrop for any adjacent property.

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(Expressed in Canadian dollars)

10. MINERAL PROPERTIES *(continued)*

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.

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”). Consideration of 24,000,000 common shares of Outcrop with a value of \$2,640,000 were issued for all of the issued and outstanding shares of Malew. Malew’s wholly owned subsidiary, Minerales Santa Ana (formerly 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 at a cost of \$333,433 (US\$250,000) and 1,000,000 shares of the Company valued at \$580,000.

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.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	August 31, 2021	August 31, 2020
Accounts payable and accrued liabilities – Canada	\$ 68,220	\$ 77,979
Accounts payable and accrued liabilities – United States	19	2,173
Accounts payable and accrued liabilities – Colombia	574,266	339,178
Amounts payable to related parties – Canada <i>(Note 14)</i>	-	41,018
Amounts payable to related parties – Colombia <i>(Note 14)</i>	33,069	71,731
TOTAL	\$ 675,574	\$ 532,079

12. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Share Issuance

At August 31, 2021, the Company had 132,148,953 common shares issued and outstanding (August 31, 2020 – 107,798,133).

During the year ended August 31, 2021, the Company:

- Issued 1,024,320 common shares following the exercise of share purchase warrants at a price of \$0.20 - \$0.40 per common share for gross proceeds of \$259,866;
- Issued 1,925,000 common shares following the exercise of stock options at a price of \$0.10 - \$0.17 per common share for gross proceeds of \$196,000;
- 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 a 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. The proceeds of the financing were allocated on a relative fair value basis as \$7,373,000 to common shares and \$1,829,645 to warrants.

The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were an expected life of 2 years, an expected dividend of \$nil, a risk-free interest rate of 0.23%, and an expected volatility of 119.20%.

Cash share issuance costs of \$908,386 were paid in relation to the bought deal, in addition to an issuance of 1,246,429 finders' warrants with an exercise price of \$0.43 per share, valued at \$253,830 using the Black-Scholes Option-Pricing Model assumptions above.

- Established an at-the-market equity program (the "ATM Program"), which allows the Company to issue and sell, at its discretion, up to \$5,000,000 of common shares in the capital of the Company to the public from time to time at the prevailing market price when the common shares are issued. Cash costs associated with the establishment of the ATM Program have been recorded as deferred financing costs.

During the year ended August 31, 2020, the Company:

- Closed a non-brokered private placement consisting of 25,600,000 units at a price of \$0.10 per unit for gross proceeds of \$2,560,000. Each unit consists of one common share and one share purchase warrant, each warrant exercisable into a common share at a price of \$0.20 per share for a period of five years. The proceeds of the financing were allocated on a relative fair value basis as \$1,507,000 to common shares and \$1,053,000 to warrants.

The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were an expected life of five years, an expected dividend of \$nil, and:

	Nov 7, 2019	Nov 29, 2019	Jan 6, 2020	Feb 6, 2020	Feb 26, 2020
Risk-free interest rate	1.59%	1.49%	1.58%	1.39%	1.21%
Expected volatility	101.69%	104.35%	99.17%	94.59%	109.91%

12. SHARE CAPITAL *(continued)*

Cash share issuance costs of \$41,099 were paid in relation to the private placement, in addition to an issuance of 600,000 units, each unit consisting of one common share and one share purchase warrant (valued at \$34,000 and \$26,000, respectively using the Black-Scholes Option-Pricing Model assumptions above), and 48,300 share purchase warrants (valued at \$3,892 using the Black-Scholes Option-Pricing Model assumptions above).

- Closed a non-brokered private placement consisting of 20,535,715 units at a price of \$0.28 per unit for gross proceeds of \$5,750,000. 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 \$0.42 per share for a period of two years. The proceeds of the financing were allocated on a relative fair value basis as \$4,395,000 to common shares and \$1,355,000 to warrants.

The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were an expected life of two years, an expected dividend of \$nil, a risk-free interest rate of 0.29%, and an expected volatility of 130.27%.

Cash share issuance costs of \$181,319 were paid in relation to the private placement, in addition to an issuance of 1,232,143 units, each unit consisting of one common share and one-half share purchase warrant (valued at \$267,000 and \$78,000, respectively, using the Black-Scholes Option-Pricing Model assumptions above).

- Issued 24,000,000 common shares at a fair value of \$0.11 per share on January 24, 2020 as consideration for the acquisition of Malew Overseas S.A. and the Santa Ana Project, and 350,000 common shares at the same fair value as a finders' fee related to the transaction.
- Issued 1,000,000 common shares at a fair value of \$0.58 per share on August 25, 2020 as consideration for the acquisition of additional adjacent claims related to the Santa Ana Project.
- Issued a total of 6,659,930 common shares during the year following the exercise of share purchase warrants and stock options, for gross proceeds of \$1,898,926.
- Received \$15,000 cash towards its share subscriptions receivable and returned 1,204,583 common shares to treasury related to the previous private placements, reducing the receivable to \$nil.

c) Stock Options Outstanding

The Company has a shareholder-approved stock option plan that provides for the reservation for issuance of 10% of the Company'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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12. SHARE CAPITAL (continued)

The stock option continuity for the year ended August 31, 2021 is as follows:

Number Outstanding August 31, 2020	Granted	Exercised	Expired/Cancelled	Number Outstanding August 31, 2021	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
107,500	-	-	(107,500)	-	\$ 1.20	Jan 28, 2021	-
30,000	-	-	(30,000)	-	\$ 1.20	Apr 25, 2021	-
202,500	-	-	(92,500)	110,000	\$ 0.90	Jan 25, 2022	0.40
6,150,000	-	(1,875,000)	(500,000)	3,775,000	\$ 0.10	Feb 7, 2025	3.44
225,000	-	(50,000)	-	175,000	\$ 0.17	May 13, 2025	3.70
200,000	-	-	-	200,000	\$ 0.56	Jul 24, 2025	3.90
-	3,500,000	-	(1,300,000)	2,200,000	\$ 0.40	Oct 20, 2025	4.14
-	1,000,000	-	-	1,000,000	\$ 0.63	Oct 20, 2025	4.14
-	3,900,000	-	-	3,900,000	\$ 0.30	Apr 19, 2026	4.64
-	1,250,000	-	-	1,250,000	\$ 0.24	Aug 5, 2026	4.93
6,915,000	9,650,000	(1,925,000)	(2,030,000)	12,610,000	\$ 0.28	(weighted average)	4.12
			Exercisable	8,922,500	\$ 0.26	(weighted average)	3.92

The stock option continuity for the year ended August 31, 2020 is as follows:

Number Outstanding August 31, 2019	Granted	Exercised	Expired/Cancelled	Number Outstanding August 31, 2020	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
66,000	-	-	(66,000)	-	\$ 1.45	Sep 3, 2019	-
10,000	-	-	(10,000)	-	\$ 1.45	Feb 16, 2020	-
107,500	-	-	-	107,500	\$ 1.20	Jan 28, 2021	0.41
30,000	-	-	-	30,000	\$ 1.20	Apr 25, 2021	0.65
202,500	-	-	-	202,500	\$ 0.90	Jan 25, 2022	1.40
-	6,350,000	(200,000)	-	6,150,000	\$ 0.10	Feb 7, 2025	4.44
-	300,000	(75,000)	-	225,000	\$ 0.17	May 13, 2025	4.70
-	200,000	-	-	200,000	\$ 0.56	Jul 24, 2025	4.90
416,000	6,850,000	(275,000)	(76,000)	6,915,000	\$ 0.16	(weighted average)	4.29
			Exercisable	5,027,500	\$ 0.17	(weighted average)	4.22

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 year ended August 31, 2021, 9,650,000 stock options were granted (August 31, 2020 – 6,850,000). Options granted during the year vest 25% on the grant date and 25% each three months thereafter. The Company recorded \$2,421,722 in stock-based compensation expense (August 31, 2020 - \$618,813) for options vested during the year. 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:

	Aug 16, 2021	Aug 5, 2021	Apr 19, 2021	Jan 5, 2021	Oct 20, 2020	Jul 24, 2020	May 13, 2020	Feb 7, 2020
Risk-free interest rate	0.81%	0.83%	0.95%	0.39%	0.36%	0.34%	0.37%	1.34%
Expected volatility	147.83%	147.76%	149.83%	152.59%	153.16%	153.08%	151.45%	147.76%
Fair value	\$ 0.21	\$ 0.22	\$ 0.25	\$ 0.58	\$ 0.32	\$ 0.54	\$ 0.15	\$ 0.09

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12. SHARE CAPITAL *(continued)*

d) Share Purchase Warrants

The share purchase warrant continuity for the year ended August 31, 2021 is as follows:

Number Outstanding August 31, 2020	Granted	Exercised	Expired/Cancelled	Number Outstanding August 31, 2021	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
2,914,056	-	-	(2,914,056)	-	\$ 1.20	Jun 23, 2021	-
2,751,250	-	-	-	2,751,250	\$ 1.20	Mar 9, 2022	0.52
10,088,760	-	(275,000)	-	9,813,760	\$ 0.40	Feb 22, 2024	2.48
1,590,721	-	-	-	1,590,721	\$ 0.40	Apr 17, 2024	2.63
22,809,320	-	(749,320)	-	22,060,000	\$ 0.20	Nov 7, 2024	3.19
10,883,928	-	-	-	10,883,928	\$ 0.42	Jun 17, 2022	0.79
-	10,700,750	-	-	10,700,750	\$ 0.60	Mar 26, 2023	1.57
-	1,246,429	-	-	1,246,429	\$ 0.43	Mar 26, 2023	1.57
51,038,035	11,947,179	(1,024,320)	(2,914,056)	59,046,838	\$ 0.40	<i>(weighted average)</i>	2.16

The share purchase warrant continuity for the year ended August 31, 2020 is as follows:

Number Outstanding August 31, 2019	Granted	Exercised	Expired/Cancelled	Number Outstanding August 31, 2020	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
2,914,056	-	-	-	2,914,056	\$ 1.20	Jun 23, 2021	0.81
2,751,250	-	-	-	2,751,250	\$ 1.20	Mar 9, 2022	1.52
13,599,260	-	(2,535,500)	(975,000)	10,088,760	\$ 0.40	Feb 22, 2024	3.48
2,230,754	-	(410,450)	(229,583)	1,590,721	\$ 0.40	Apr 17, 2024	3.63
-	26,248,300	(3,438,980)	-	22,809,320	\$ 0.20	Nov 7, 2024	4.19
-	10,883,928	-	-	10,883,928	\$ 0.42	Jun 17, 2022	1.79
21,495,320	37,132,228	(6,384,930)	(1,204,583)	51,038,035	\$ 0.40	<i>(weighted average)</i>	3.18

13. GENERAL AND ADMINISTRATIVE EXPENSES

	August 31, 2021	August 31, 2020
Administrative and Consulting fees	\$ 279,793	\$ 185,474
Depreciation	28,268	27,026
Donations	26,647	-
Insurance	27,874	23,508
Office, telephone, sundry	298,949	131,071
Travel	14,879	17,883
Transfer agent, filing and regulatory	103,572	87,521
Total	\$ 779,982	\$ 472,483

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14. 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:

Related Party Name	Nature of Transactions
Calibre Capital Corp. (" Calibre ") & Northhouse Capital Corp. (" Northhouse "), companies related to Alexander Tong	Consulting as CFO (<i>terminated in August 2021</i>)
DKT Geosolutions Inc. (" DKT "), a company related to David Thomas	Consulting as VP Exploration (<i>terminated in January 2021</i>)
Farris LLP (" Farris "), a company in which Jay Sujir is a partner	Legal services
RIP Services Inc. (" RIP "), a company related to Rakesh Patel	Consulting as CFO (<i>terminated in December 2019</i>)
Slater Corporate Services Corporation (" SCSC "), a company related to Ian Slater	Cost reimbursement, Corporate Secretary, CFO, corporate compliance services, accounting, and financial reporting

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.

	Year ended August 31,	
	2021	2020
Consulting fees – Calibre	\$ -	\$ 34,125
Consulting fees – DKT	41,875	51,750
Consulting fees – Northhouse	81,900	34,125
Consulting fees – RIP	-	15,600
Cost reimbursement – SCSC	310,833	177,500
Legal fees – Farris	5,913	71,699
TOTAL	\$ 440,521	\$ 384,799

- b) Amounts owing to related parties are disclosed in Note 11. All amounts are unsecured, with no specific terms of repayment.
- c) Prepaid amounts to related parties are disclosed in Note 8. These amounts represent expense payments to related parties.
- d) Compensation of directors and members of key management personnel, including amounts disclosed in Note 13(a), (b), and (c) were as follows:

	Year ended August 31,	
	2021	2020
Exploration	\$ 68,503	\$ 51,750
Legal fees ⁽¹⁾	5,913	71,699
Reimbursement of expenses ⁽²⁾	202,281	140,000
Stock-based compensation	737,582	445,404
Wages and benefits	493,403	383,627
TOTAL	\$ 1,507,682	\$ 1,092,480

⁽¹⁾ Amount is included in professional fees.

⁽²⁾ Amount is included in general and administrative expenses.

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15. SEGMENTED DISCLOSURE

The Company operates in the mineral exploration sector within Colombia.

Notes 9 and 10 provide disclosure as to the geographic location of the Company's equipment, mineral properties and exploration expenditures. The majority of the Company's equipment is located in Colombia.

16. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and warrants as capital (Note 12). 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.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended	August 31, 2021		August 31, 2020	
Non-cash investing and financing activities:				
Fair value of shares issued for mineral properties	\$	-	\$	3,258,500
Fair value of finders' shares		-		301,000
Fair value of finders' warrants		253,830		107,892
Interest received	\$	17,460	\$	5,712

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18. INCOME TAXES

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

	Year ended August 31,	
	2021	2020
Loss before income taxes	\$ (12,846,505)	\$ (5,025,226)
Expected income tax (recovery)	(3,469,000)	(1,357,000)
Changes in statutory, foreign tax, foreign exchange rates, and other	-	71,000
Permanent differences	(50,000)	167,000
Share issue costs	(314,000)	(60,000)
Adjustment to prior years' provisions versus statutory tax returns and expiry of losses	(327,000)	(314,000)
Changes in unrecognized deductible temporary differences	4,160,000	1,493,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	As at August 31,	
	2021	2020
Deferred tax assets (liabilities)		
Mineral properties	\$ 3,372,000	\$ 3,382,000
Property and equipment	165,000	59,000
Share issue costs	372,000	78,000
Marketable securities	-	2,000
Allowable capital losses	124,000	123,000
Non-capital losses available for future periods	10,496,000	6,675,000
	14,529,000	10,319,000
Unrecognized deferred tax assets	(14,529,000)	(10,319,000)
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits, and unused losses that have not been included on the consolidated statement of financial position are as follows:

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences				
Mineral properties	\$ 11,291,000	No expiry date	\$ 10,984,000	No expiry date
Property and equipment	693,000	No expiry date	185,000	No expiry date
Share issue costs	1,379,000	2042 to 2045	288,000	2041 to 2044
Marketable securities	-	No expiry date	12,000	No expiry date
Allowable capital losses	459,000	No expiry date	455,000	No expiry date
Non-capital losses available for future periods	41,997,000		29,050,000	2027 to 2040
Canada	14,245,000	2026 to 2041	9,689,000	2027 to 2040
United States	18,643,000	2025 to indefinite	18,912,000	2026 to 2040
Colombia	9,109,000	2030 to indefinite	449,000	2030 to 2032

Tax attributes are subject to review and potential adjustment by tax authorities.

19. SUBSEQUENT EVENTS

Subsequent to August 31, 2021, the Company:

- Issued a total of 600,000 common shares following the exercise of stock options at a price of \$0.10 to \$0.17 per common share for gross proceeds of \$61,750
- Granted 400,000 stock options to officers, employees, and consultants of the Company.