

PRISMO METALS INC.
(An exploration-stage company)

Condensed Interim Financial statements

Three and six months ended June 30, 2021 and 2020

(Unaudited - expressed in Canadian dollars – unless otherwise indicated)

NOTICE TO READER

THE ISSUER'S AUDITORS HAVE NOT REVIEWED OR BEEN INVOLVED IN THE PREPARATION OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Prismo Metals Inc.

(an exploration-stage company)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

| As at | | June 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|--|--------|------------------------------|--------------------------------|
| | Note | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash | | 24,862 | 101,643 |
| Receivables | | 1,910 | 9,510 |
| Prepaid expenses and deposits | | 803 | 803 |
| | | 27,575 | 111,956 |
| Exploration and evaluation assets | 7 | 961,366 | 874,539 |
| | | 988,941 | 986,495 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 4 | 198,367 | 123,485 |
| Short-term loans | 10 | 10,000 | - |
| Due to related parties | 6 | 5,685 | 32,091 |
| | | 214,052 | 155,576 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 5 | 1,047,125 | 1,020,745 |
| Contributed surplus | 5(c,d) | 271,950 | 280,994 |
| Deficit | | (544,186) | (470,820) |
| | | 774,889 | 830,919 |
| | | 988,941 | 986,495 |
| Nature of operations and going concern uncertainty | 1 | | |
| Subsequent event | 11 | | |

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

Approved by the board of directors and authorized for issue on August 17, 2021

"Peter Craig Gibson" (Signed)

Director

"Jean François Meilleur" (Signed)

Director

Prismo Metals Inc.

(an exploration-stage company)

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

| | Note | Three months ended June 30 | | Six months ended June 30 | |
|--|------|----------------------------|-------------------|--------------------------|-------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | \$ | \$ | \$ | \$ |
| EXPENSES | | | | | |
| Administration and accounting | 6 | 5,652 | 2,640 | 10,656 | 8,400 |
| Audit and legal | | 6,974 | - | 9,474 | 6,661 |
| Filing and transfer agent fees | | 4,346 | 19,798 | 8,169 | 19,798 |
| Office and sundry | | 1,617 | 397 | 2,378 | 835 |
| Investor relations | | 7,013 | - | 41,984 | - |
| Foreign exchange (gain) loss | | 114 | 295 | 705 | (759) |
| Loss and comprehensive loss for the period | | (25,716) | (23,130) | (73,366) | (34,935) |
| Loss per share (basic and diluted) | | (0.00) | (0.00) | (0.00) | (0.00) |
| Weighted average number of shares outstanding (basic and diluted) | | 17,723,367 | 12,610,867 | 17,862,057 | 12,610,867 |

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

Prismo Metals Inc.

(an exploration-stage company)

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

| | Note | Six months ended June 30 | |
|--|---------|--------------------------|------------------|
| | | 2021 \$ | 2020 \$ |
| Operating activities | | | |
| Loss for the period | | (73,366) | (34,935) |
| Changes in non-cash working capital items: | | | |
| - Receivables | | 7,600 | 1,113 |
| - Prepaid expenses and deposits | | - | (12,653) |
| - Accounts payable and accrued liabilities | 4 | 8,897 | (44,526) |
| - Due to related parties | 6 | (26,406) | (5,111) |
| Cash used in operating activities | | (83,275) | (96,112) |
| Cash flows used in investing activities | | | |
| Investment in exploration and evaluation assets | 7 | (20,842) | (10,650) |
| Cash used in investment activities | | (20,842) | (10,650) |
| Cash flows from financing activities | | | |
| Shares issued on exercise of agent's options | 5 (b,d) | 17,336 | - |
| Share issuance costs | 5 (b,d) | - | (1,511) |
| Short-term loans | 10 | 10,000 | - |
| Cash generated from financing activities | | 27,336 | (1,511) |
| Net change in cash | | (76,781) | (108,273) |
| Cash, beginning of the period | | 101,643 | 175,581 |
| Cash, end of the period | | 24,862 | 67,308 |
| Supplementary information with respect to cash flows | | | |
| Non-cash financing activities: | | | |
| Fair value of agent's options exercised | 5 (b,d) | 9,044 | - |
| Non-cash investing activities: | | | |
| Exploration and evaluation assets acquired through accounts payable and accrued liabilities | 7 | (65,985) | - |

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Prismo Metals Inc.

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CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

| | Note | Share capital | | Contributed surplus | Deficit | Total |
|---|--------|-------------------|------------------|---------------------|------------------|----------------|
| | | Amount | Value | | | |
| | | # | \$ | | | |
| Balance, December 31, 2019 | | 12,610,867 | 533,949 | 122,732 | (89,460) | 567,221 |
| Loss for the period | | - | - | - | (34,935) | (34,935) |
| Balance, June 30, 2020 | | 12,610,867 | 533,949 | 122,732 | (124,395) | 532,286 |
| Shares issued for cash | 5(b) | 4,600,000 | 575,000 | - | - | 575,000 |
| Shares issued as corporate finance fee | 5(b,c) | 40,000 | 5,000 | - | - | 5,000 |
| Shares issued in settlement of debt | 5(b) | 300,000 | 37,500 | - | - | 37,500 |
| Warrants issued for exploration and evaluation assets | 5(c) | - | - | 13,103 | - | 13,103 |
| Granting of agent's option | 5(b) | - | - | 22,498 | - | 22,498 |
| Share issuance costs | 5(b) | - | (163,516) | - | - | (163,516) |
| Exercise of agent's options | 5(b,d) | 172,500 | 32,812 | (11,249) | - | 21,563 |
| Share-based payments | 5(d) | - | - | 133,910 | - | 133,910 |
| Loss for the period | | - | - | - | (346,425) | (346,425) |
| Balance, December 31, 2020 | | 17,723,367 | 1,020,745 | 280,994 | (470,820) | 830,919 |
| Exercise of agent's options | 5(b,d) | 138,690 | 26,380 | (9,044) | - | 17,336 |
| Loss for the period | | - | - | - | (73,366) | (73,366) |
| Balance, June 30, 2021 | | 17,862,057 | 1,047,125 | 271,950 | (544,186) | 774,889 |

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

PRISMO METALS INC.

(An exploration-stage company)

NOTES TO THE FINANCIAL STATEMENTS

Three and six months ended June 30, 2021 and 2020
(Unaudited – expressed in Canadian dollars except where indicated)

1. Nature of operations and going concern uncertainty

Prismo Metals Inc. (the “Company”) was incorporated under the provisions of the Canada Business Corporations Act (“CBCA”) on October 17, 2018, as 11047612 Canada Inc., renamed as Prismo Metals Inc. on November 1, 2018, and registered as an extra-provincial corporation under the laws of British Columbia on November 6, 2018. The addresses of the Company’s offices are:

- Administration: Suite 1100 – 1111 Melville St., Vancouver, BC V6E 3V6, Canada.
- Registry and Records: 800 Victoria Square, Suite 3700, Montreal, Quebec, H4Z 1E9.

The Company is in the business of acquisition and exploration of mineral properties, and is in one operating segment, namely mineral exploration in Mexico.

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

On September 30, 2020, the Company closed its initial public offering (the “IPO”) by way of a long-form prospectus through an engagement with Haywood Securities Inc. (“Haywood”) and filed on SEDAR on September 8, 2020 (the “Prospectus”).

The closing of the IPO provided the Company gross proceeds of \$575,000. Please refer to Note 5 for a detailed disclosure of the IPO.

On October 1, 2020, the Company’s shares started trading on the Canadian Securities Exchange (the “CSE”) under the trading symbol PRIZ.

In March 2020, the World Health Organization declared the coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, as well as financial markets globally, potentially leading to an economic downturn. Efforts to contain the virus has severely limited the mobility of people and businesses, which in turn impacted the Company’s abilities to continue with any exploration program or raise the necessary funds. However, it is not possible for the Company at this time to predict the duration or magnitude of the impact towards the Company’s business or results from its operations.

The Company has incurred losses since inception and had a working capital deficiency of \$186,477 as at June 30, 2021 (December 31, 2020 – \$43,620). Continued operations of the Company are dependent on the Company’s ability to obtain private and/or public equity financing or to receive continued financial support from its controlling shareholders and other investors. There can be no assurance the Company will be successful in achieving these goals and, accordingly, there is a material uncertainty casting significant doubt about the Company’s ability to continue as a going concern.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and these adjustments could be material.

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NOTES TO THE FINANCIAL STATEMENTS

Three and six months ended June 30, 2021 and 2020
(Unaudited – expressed in Canadian dollars except where indicated)

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2020.

These condensed interim financial statements were approved by the Board of Directors for issue on August 17, 2021.

(b) Critical accounting estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2020.

3. Significant accounting policies

The accounting policies followed for the preparation of these condensed interim financial statements are consistent with those described in the December 31, 2020, annual financial statements.

4. Accounts payable and accrued liabilities

The Company’s accounts payable and accrued liabilities are as follows:

| | June 30, 2021 | December 31, 2020 |
|------------------------------------|----------------------|-------------------|
| | \$ | \$ |
| Trade payables | 128,649 | 104,585 |
| Accrued liabilities and provisions | 69,718 | 18,900 |
| Short-term loans | 10,000 | - |
| Total | 208,367 | 123,485 |

PRISMO METALS INC.
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NOTES TO THE FINANCIAL STATEMENTS

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(Unaudited – expressed in Canadian dollars except where indicated)

5. Share capital

a) Authorized:

the Company is authorized to issue an unlimited number of common shares without par value. There are no restrictions on transfers.

b) Issued and outstanding:

As indicated in Note 1, on September 30, 2020, the Company closed an IPO through Haywood, after having filed a long-form Prospectus on September 8, 2020. The Company raised gross proceeds of \$575,000 through the issuance of 4,600,000 common shares at a price per share of \$0.125. Pursuant to the engagement with Haywood, the Company paid Haywood an agent's commission of 7.5% in cash (\$43,125) and 7.5% through an agent's option consisting of 345,000 options with an exercise price of \$0.125 for a period of two years. The fair value of the agent's options was calculated at \$22,498 using the Black-Scholes option pricing model with the following parameters: expected volatility of 100%, risk-free interest rate of 0.36%, dividend rate of 0% and expected life of 2 years, and was charged to share issuance costs. On October 15, 2020, 172,500 (50%) of these agent's options were exercised, providing the Company with an additional \$21,563 in cash.

In addition, the Company paid Haywood a corporate finance fee of \$25,000 of which \$20,000 was paid in cash and the remaining \$5,000 through the issuance of 40,000 common shares at the IPO price. In addition, the Company reimbursed Haywood expenses for \$30,978.

Other share issuance cost totalled \$41,915.

The following table details the share capital activity of the Company from December 31, 2019 to June 30, 2021:

| Issuance | Date of issuance | Number of shares # | Price per share \$ | Cash proceeds \$ | Non-cash value \$ |
|---|---------------------|--------------------------|--------------------------|------------------------|-------------------------|
| Balance, December 31, 2019 and June 30, 2020 | | 12,610,867 | | 310,459 | 223,490 |
| Initial public offering (i) | Sep 30, 2020 | 4,600,000 | 0.125 | 575,000 | - |
| Agent's Corporate Finance Fee (ii) | Sep 30, 2020 | 40,000 | 0.125 | - | 5,000 |
| Shares issued in settlement of debt (iii) | Sep 30, 2020 | 300,000 | 0.125 | - | 37,500 |
| Exercise of agent's options (iv) | Oct 15, 2020 | 172,500 | 0.125 | 21,563 | 11,249 |
| Other share issue costs | to date | - | - | (95,785) | (67,731) |
| Balance, December 31, 2020 | | 17,723,367 | | 811,237 | 209,508 |
| Exercise of agent's options (v) | Jan 18, 2021 | 26,970 | 0.125 | 3,371 | 1,759 |
| Exercise of agent's options (v) | Feb 11, 2021 | 111,720 | 0.125 | 13,965 | 7,285 |
| Balance, June 30, 2021 | | 17,862,057 | | 828,573 | 218,552 |

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(Unaudited – expressed in Canadian dollars except where indicated)

5. Share capital (cont'd...)

b) Issued and outstanding (cont'd):

- (i) Issuance of 4,600,000 common shares at a price of \$0.125 per share pursuant to the IPO as described at the beginning of this Note 5(b).
- (ii) Additionally, 40,000 common shares at the same price per share were issued to Haywood in payment of \$5,000 of its corporate finance fee.
- (iii) 300,000 common shares issued at a fair value of \$0.125 per share were issued to a consultant in settlement of consulting fees of \$37,500 incurred in connection to the IPO and charged as share issuance costs.
- (iv) On October 15, Haywood exercised 172,500 of its options for cash proceeds of \$21,563. In addition to the cash proceeds, \$11,249 of the options fair value was allocated to share capital.
- (v) During the six months ended June 30, 2021, the Company issued Haywood an aggregate of 138,690 common shares on exercise of part of their agent's options for cash proceeds to the Company of \$17,336.

As at June 30, 2021, an aggregate of 5,174,001 common shares and 4,450,000 share purchase warrants remain in escrow.

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NOTES TO THE FINANCIAL STATEMENTS

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(Unaudited – expressed in Canadian dollars except where indicated)

5. Share capital (cont'd...)

c) Warrants:

The following warrants have been issued:

| | June 30, 2021 | | December 31, 2020 | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | Number of Warrants | Exercise Price | Number of Warrants | Exercise Price |
| | # | \$ | # | \$ |
| Balance, beginning of year | 7,700,000 | 0.10 | - | - |
| Issued for cash | - | - | 3,600,000 | 0.10 |
| Issued for exploration and evaluation assets | - | - | 4,000,000 | 0.10 |
| Issued for exploration and evaluation assets | - | - | 100,000 | 0.35 |
| Balance, end of the period | 7,700,000 | 0.10 | 7,700,000 | 0.10 |

As at June 30, 2021, the following share purchase warrants are outstanding:

| Issue date | Warrants issued for | Expiry date | Exercise price | Warrants outstanding |
|-------------------|---------------------------------|------------------|----------------|----------------------|
| | | | \$ | # |
| February 15, 2019 | Cash | October 17, 2023 | 0.10 | 3,600,000 |
| August 12, 2019 | Exploration & evaluation assets | August 12, 2024 | 0.10 | 2,000,000 |
| October 11, 2019 | Exploration & evaluation assets | October 11, 2024 | 0.10 | 2,000,000 |
| December 3, 2020 | Exploration & evaluation assets | December 3, 2022 | 0.35 | 100,000 |
| | | | 0.10 | 7,700,000 |

The fair value of the 3,600,000 warrants issued as part of the founders' units was \$nil.

The fair value of the 2,000,000 warrants issued on August 12, 2019 was \$61,249, and \$61,483 for the 2,000,000 warrants issued on October 11, 2019. These fair values were calculated using the Black-Scholes option pricing model and charged as Exploration and Evaluation assets. The parameters used were as follows: risk-free interest rate: 1.26% and 1.58%, respectively; expected share price volatility: 100%; expected life of the warrants in years: 4.5; and expected dividend yield: 0% for both sets of warrants. An aggregate of 4,450,000 warrants remain in escrow.

On December 3, 2020, the Company issued 100,000 warrants in connection with the option agreement for the acquisition of the remaining 25% of the Palos Verdes mineral property (note 7(b)). Each warrant will entitle its holder to purchase a common share of the Company at an exercise price of \$0.35 per share for a period of two years from the date of issuance. The fair value of the warrants was calculated at \$13,103 using the Black-Scholes option pricing model with the following parameters: expected volatility of 100%, risk-free rate of 0.27%, dividend yield of 0% and expected life of two years. The amount was charged to exploration and evaluation assets as part of the project acquisition cost.

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NOTES TO THE FINANCIAL STATEMENTS

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5. Share capital (cont'd...)

d) Stock options:

On September 8, 2020, the Company adopted its stock option plan (the “Plan”) Stock option plan whereby the directors of the Company can grant stock options to directors, officers and certain consultants. The aggregate number of options granted cannot exceed 10% of the issued and outstanding shares of the Company, and options granted within a one-year period cannot exceed 10% of the number of common shares issued and outstanding, and 5% to a single optionee, without first asking for disinterested shareholder approval, pursuant to policies of the Canadian Securities Exchange.

On September 30, 2020, the Company granted an aggregate of 1,450,000 stock options to its directors, officers and some consultant. Each option is exercisable into one common share of the Company at a price of \$0.125 per share for a period of five years. The fair value of these options, charged as share-based compensation, was calculated at \$133,910 using the Black-Scholes option pricing model with the following parameters: expected volatility of 100%, risk-free interest rate of 0.36%, dividend rate of 0% and expected life of 5 years.

The following stock options transactions have taken place:

| | Three months ended June 30, 2021 | | Year ended December 31, 2020 | |
|--|-------------------------------------|-------------------|---------------------------------|-------------------|
| | Number of Options | Exercise Price | Number of Options | Exercise Price |
| | # | \$ | # | \$ |
| Balance, beginning of year | 1,622,500 | 0.125 | - | , |
| Granted to agent | - | - | 345,000 | 0.125 |
| Granted to directors, officers and consultants | - | - | 1,450,000 | 0.125 |
| Agent's options exercised | (138,690) | 0.125 | (172,500) | 0.125 |
| Outstanding and exercisable, end of period | 1,483,810 | 0.125 | 1,622,500 | 0.125 |

As at June 30, 2021, the following stock options were outstanding:

| Issue date | Expiry date | Exercise Price | Outstanding and exercisable |
|--------------------|--------------------|-------------------|--------------------------------|
| | | \$ | # |
| September 30, 2020 | September 30, 2022 | 0.125 | 33,810 |
| September 30, 2020 | September 30, 2025 | 0.125 | 1,450,000 |
| | | 0.125 | 1,483,810 |

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6. Transactions with related parties and key management personnel

Key management personnel comprise the Chief Executive Officer, the Chief Financial Officer & Corporate Secretary and the Directors of the Company.

The following transactions took place with key management personnel and other related parties of the Company:

| Six months ended June 30: | 2021 | 2020 |
|---|---------------|--------|
| | \$ | \$ |
| Management fees paid to a company controlled by the Chief Financial Officer of the Company: | 10,656 | 10,650 |

In addition to the above transactions, both the ProDeMin Option (note 7(a)) and the Cascabel Option (note 7(c)) are related party transactions, as ProDeMin is controlled by a director of the Company, and two directors of the Company have an interest in the project related to the Cascabel option.

As at June 30, 2021, an amount of \$5,685 (December 31, 2020 - \$32,091) remained payable to related parties for administration and accounting services and/or for reimbursable expenses, and paid subsequently.

7. Exploration and evaluation assets

a) ProDeMin Option

On May 7, 2019, the Company entered into an Option Agreement with ProDeMin, a company incorporated under the laws of Mexico and carrying mineral exploration contracting activities and controlled by a director of the Company) (the "ProDeMin Option"). Pursuant to the terms of the ProDeMin Option, ProDeMin granted the Company an option to earn up to 75% interest in the Palos Verdes property, located in the state of Sinaloa, Mexico, over a period of five years, as follows:

- on May 10, 2019, the Company paid ProDeMin US \$25,000 in cash (paid);
- on August 12, 2019, the Company issued ProDeMin 2,000,000 units with a fair value of \$0.05 per unit; each unit consisted of one common share and one share purchase warrant of the Company; each warrant being exercisable at a price of \$0.10 per share, expiring of the fifth anniversary of the date of issuance of these units (issued);
- on August 12, 2019, the Company reimbursed ProDeMin for expenditures already incurred in the amount of \$25,000 by the issuance of 500,000 common shares with a fair value of \$0.05 per share (issued) these units and shares are held in escrow; and
- the Company is required to incur US \$1,500,000 in exploration expenses over the five-year period of the ProDeMin Option, pay an additional US \$46,823 and issue ProDeMin an additional 2,000,000 common shares, as follows:
 - pay ProDeMin an amount of US \$21,823 on the date of the Company's closing of its first financing following the listing of its common shares on a recognized Canadian stock exchange;
 - incur a minimum of \$100,000 in exploration expenditures within the first two years of the date of the ProDeMin Option, and by paying all fees and duties required to maintain the mineral concessions in good standing;

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7. Exploration and evaluation assets (cont'd...)

a) ProDeMin Option (cont'd...)

- o pay US \$25,000 to ProDeMin and incurring a minimum of US \$100,000 in exploration expenditures on the property for each of the third and fourth year following the date of the ProDeMin Option, and also paying during such period all fees and duties required to maintain the mineral concession in good standing;
- o Issue to ProDeMin, or as directed by ProDeMin, 2,000,000 common shares and incurring a minimum of US \$500,000 in expenditures on the Property in the fifth year following the date of the ProDeMin Option, and also paying during such period all fees and duties required to maintain the mineral concession in good standing; and
- o the following payments are to be made:

| | USD \$ |
|--------------------------------------|----------------|
| On or before May 20, 2019 (paid) | 15,000 |
| 6 months from the above date (paid) | 25,000 |
| 12 months from the above date (paid) | 25,000 |
| 18 months from the above date (paid) | 25,000 |
| 24 months from the above date | 25,000 |
| 30 months from the above date | 25,000 |
| 36 months from the above date | 50,000 |
| 42 months from the above date | 50,000 |
| Total payments | 240,000 |

b) Option for remaining 25% stake in Palos Verdes

On November 30, 2020, the Company entered into an option agreement with the underlying owner of the remaining 25% of the Palos Verdes property (the "Palos Verdes 25% Agreement"), thus securing the possibility of earning up to 100% interest in the property. Under the terms of the Palos Verdes 25% Agreement, the Company will make aggregate payments of US \$250,000 over a period of four years (US \$45,000 paid) and issued 100,000 share purchase warrants with an exercise price of \$0.35 and valid for two years (Note 5(c)). The schedule of cash payments is as follows:

| | USD \$ |
|---------------------------------------|----------------|
| On or before November 30, 2020 (paid) | 30,000 |
| 6 months from the above date (paid) | 15,000 |
| 12 months from the above date | 15,000 |
| 18 months from the above date | 15,000 |
| 24 months from the above date | 15,000 |
| 30 months from the above date | 25,000 |
| 36 months from the above date | 25,000 |
| 42 months from the above date | 50,000 |
| 48 months from the above date | 60,000 |
| Total payments | 250,000 |

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7. Exploration and evaluation assets (cont'd...)

c) Cascabel Option

On October 11, 2019, the Company entered into an Option Agreement with Cascabel (the “Cascabel Option”). Pursuant to the terms of the Cascabel Option, Cascabel grants the Company an option to earn up to 100% in the Los Pavitos concession, located in the state of Sonora, Mexico, over a period of five years, as follows:

- on October 11, 2019, the Company issued Cascabel 2,000,000 units with a fair value of \$0.05 per unit; each unit consisting of one common share and one share purchase warrant of the Company; each warrant being exercisable at a price of \$0.10 per share, expiring of the fifth anniversary of the date of issuance of these units (issued); these units are held in escrow;
- the Company is required to maintain the Los Pavitos concession in good standing. During the year ended December 31, 2020, the Company reimbursed Cascabel for \$137,796 for concession dues that were due for 2019 and 2020. The Company is temporarily delinquent for payment of mineral concession dues corresponding to the first semester of 2021 of approximately \$35,000 for working capital preservation, but has set up an accrual for this amount;
- for the exercise of the option, the Company will be required to incur US \$1,500,000 in exploration expenses over the five-year period of the Cascabel Option, pay an additional US \$500,000 and issue Cascabel an additional 2,000,000 common shares. The yearly minimum expenditures, payments and issuance of shares to Cascabel are as follows:

| Period | Work Commitment | Cash Payment | Shares issued | Other requirements |
|-----------------------------------|--------------------|-----------------|---------------------|---|
| First two years, cumulative | \$75,000 | Nil | Nil | Deliver technical report to NI 43-101 standards |
| Each of third and fourth years | \$100,000 | US \$100,000 | Nil | Nil |
| Fifth year | \$500,000 | US \$300,000 | 2,000,000 shares | Drilling program of at least 2,500 metres |

- Prismo will perform sufficient assessment work to satisfy the applicable government work commitment costs on the Property through the end of each tax period; and
- Prismo will maintain the mineral concessions in good standing.

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7. Exploration and evaluation assets (cont'd...)

d) Summary of exploration and evaluation asset expenditures

The Company has incurred the following exploration and evaluation investments:

| | CAD | (USD) |
|--|----------------|--------|
| | \$ | \$ |
| Balance, December 31, 2019 | 453,041 | |
| Concession payments under the ProDeMin Option * | 6,974 | 5,000 |
| Other | 3,676 | |
| Balance, June 30 2020 | 463,691 | |
| ProDeMin Option - cash | 68,939 | 50,000 |
| Palos verdes remaining 25% option - cash | 40,545 | 30,000 |
| Palos verdes remaining 25% option - warrants | 13,103 | |
| Concession payments under the ProDeMin Option - cash | 604 | |
| Concession payments under the Cascabel Option - cash | 130,822 | |
| Drilling | 132,008 | |
| Assays and laboratory | 3,137 | |
| Technical reports | 9,901 | |
| Other | 11,789 | |
| Balance, December 31, 2020 | 874,539 | |
| Concesion payments under the Cascabel Option (payable) | 35,000 | |
| Payments under the ProDeMin Option (paid - cash) | 19,136 | 15,000 |
| Payments under the ProDeMin Option (payable) | 30,985 | 25,000 |
| Other | 1,706 | |
| Balance, June 30, 2021 | 961,366 | |

8. Financial instruments

The Company classifies cash, receivables, accounts payable and accrued liabilities, and due to related parties at amortized cost. At present, the Company does not have any FVTPL or FVTOCI financial assets.

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

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

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

PRISMO METALS INC.
(An exploration-stage company)

NOTES TO THE FINANCIAL STATEMENTS

Three and six months ended June 30, 2021 and 2020
(Unaudited – expressed in Canadian dollars except where indicated)

8. Financial instruments (cont'd...)

Currency Risk

As at June 30, 2021, all of the Company's cash was held either in Canadian dollars or US dollars. The Company incurs expenditures in Canada and Mexico, and as such is exposed to currency risk associated with these costs. However, at this stage, the Company believes that the currency risks are immaterial.

Interest rate and credit risk

The Company has no loans and is therefore not subject to interest rate or credit risk.

Liquidity risk

The Company will depend on the advances provided by public and/or private investors. The liquidity risk relates to the low cash position and the dependence on these investments. See Note 1 for further discussion regarding liquidity risks.

9. Capital disclosures

The Company's objective when managing capital is to maintain a flexible capital structure for its projects for the benefit of its stakeholders. Capital is comprised of the Company's shareholders' equity. The Company's main source of funds is from the funds received from private and or public investors (Notes 1 and 5).

The Company manages the capital structure and makes appropriate adjustments to it based upon 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 new debt, acquire or dispose of assets.

The Company's investment policy is to invest its available cash in Canadian chartered banks and from time to time in guaranteed term deposits at fixed interest rates established at the time of investment. All its funds are available for project and corporate objectives.

The Company considers cash to include amounts held in banks. The Company will place its cash with institutions of high credit worthiness. On June 30, 2021, the Company had cash of \$24,862 (December 31, 2020 – \$101,643)

The Company is not subject to any externally imposed capital requirements.

10. Short-term loan

During the six months ended June 30, 2021, the Company entered into a short-term promissory note for the amount of \$10,000, to assist the Company in meeting its most pressing obligations.

11. Subsequent event

Subsequent to June 30, 2021, the Company received an additional \$10,000 as a short-term shareholder loan from a company controlled by a director of the Company.

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