



RANCHERO GOLD CORP.  
(FORMERLY MELIOR RESOURCES INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2022

(EXPRESSED IN CANADIAN DOLLARS)  
(Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of Ranchero Gold Corp. (formerly Melior Resources Inc.) have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review or audit of these interim financial statements.

# Ranchero Gold Corp. (Formerly Melior Resources Inc.)

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

As at	March 31, 2022	December 31, 2021
<b>ASSETS</b>		Note 3
Current		
Cash	\$ 782,157	\$ 1,666,645
Accounts receivable	87,431	66,583
Prepaid expenses (Note 5)	106,580	663,924
<b>Total current assets</b>	<b>976,168</b>	<b>2,397,152</b>
Non-current assets		
Exploration and evaluation assets (Note 5)	4,138,154	3,033,839
<b>Total non-current assets</b>	<b>4,138,154</b>	<b>3,033,839</b>
<b>Total assets</b>	<b>\$ 5,114,322</b>	<b>\$ 5,430,991</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Notes 6 and 7)	\$ 1,950,505	\$ 1,902,070
<b>Total liabilities</b>	<b>1,950,505</b>	<b>1,902,070</b>
<b>EQUITY</b>		
Share capital (Note 8)	10,303,305	10,303,305
Reserves (Note 8)	783,750	102,800
Commitment to issue shares (Note 7)	-	63,501
Other comprehensive income	80,637	80,637
Deficit	(8,003,875)	(7,021,322)
<b>Total shareholders' equity</b>	<b>3,163,817</b>	<b>3,528,921</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 5,114,322</b>	<b>\$ 5,430,991</b>

### Nature of Operations and Going Concern (Note 1)

These financial statements were authorized for issuance by the Board of Directors on May 30, 2022

Approved on behalf of the Board:

"William Pincus"  
Director

"Martyn Buttenshaw"  
Director

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

**Ranchero Gold Corp.** (Formerly Melior Resources Inc.)  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)  
(Unaudited)

<b>For the three months ended March 31,</b>	<b>2022</b>	<b>2021</b>
		Note 3
<b>Expenses</b>		
Consulting fees (Notes 6 and 7)	\$ 112,562	\$ -
Financing fees	1,256	2,366
Foreign exchange loss (gain)	(24,512)	5,686
Management fees (Note 7)	159,061	72,513
Office costs	10,987	-
Professional fees	32,970	7,090
Share-based compensation	680,950	-
Transfer agent and filing fees	5,005	-
Travel	4,274	-
<b>Total loss from operations</b>	<b>\$ (982,553)</b>	<b>\$ (87,655)</b>
Reverse takeover expense (Note 4)	-	(69,034)
<b>Net loss for the period</b>	<b>\$ (982,553)</b>	<b>\$ (156,689)</b>
<b>Total loss and comprehensive loss for the period</b>	<b>\$ (982,553)</b>	<b>\$ (156,689)</b>
<b>Loss per common share, basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>	<b>65,737,322</b>	<b>47,428,221</b>

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

**Ranchero Gold Corp.** (Formerly Melior Resources Inc.)  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Number of shares	Share capital	Share subscription receivable	Commitment to issues shares	Other comprehensive income	Deficit	Total
<b>Balance as at December 31, 2020</b>	<b>47,329,553</b>	<b>\$ 881,750</b>	<b>\$ -</b>	<b>\$ 63,715</b>	<b>\$ 80,637</b>	<b>\$ (490,675)</b>	<b>\$ 535,427</b>
Shares issued for management fees	115,545	63,715	-	(63,715)	-	-	-
Subscriptions received	-	-	1,843,646	-	-	-	1,843,646
Commitment to issue shares for management fees	-	-	-	31,858	-	-	31,858
Loss for the period	-	-	-	-	-	(156,689)	(156,689)
<b>Balance as at March 31, 2021</b>	<b>47,445,098</b>	<b>\$ 945,465</b>	<b>\$ 1,843,646</b>	<b>\$ 31,858</b>	<b>\$ 80,637</b>	<b>\$ (647,364)</b>	<b>\$2,254,241</b>

	Number of shares	Share capital	Reserves	Commitment to issues shares	Other comprehensive income	Deficit	Total
<b>Balance as at December 31, 2021</b>	<b>65,737,322</b>	<b>\$ 10,303,305</b>	<b>\$ 102,800</b>	<b>\$ 63,501</b>	<b>\$ 80,637</b>	<b>\$ (7,021,322)</b>	<b>\$ 3,528,921</b>
Share-based compensation	-	-	680,950	-	-	-	680,950
Commitment to issue shares for management fees	-	-	-	(63,501)	-	-	(63,501)
Loss for the period	-	-	-	-	-	(982,553)	(982,553)
<b>Balance as at March 31, 2022</b>	<b>65,737,322</b>	<b>\$ 10,303,305</b>	<b>\$ 783,750</b>	<b>\$ -</b>	<b>\$ 80,637</b>	<b>\$ (8,003,875)</b>	<b>\$ 3,163,817</b>

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

# Ranchero Gold Corp. (Formerly Melior Resources Inc.)

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended March 31, 2022	Three months ended March 31, 2021 Note 3
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (982,553)	\$ (156,689)
<b>Items not affecting cash:</b>		
Commitment to issue shares	-	31,482
Share-based compensation (Note 8)	680,950	-
Unrealized foreign exchange	-	(3,538)
<b>Changes in non-cash working capital items:</b>		
Receivables	(20,848)	(3,024)
Prepays	557,344	(620)
Restricted cash	-	(1,821,922)
Accounts payable and accrued liabilities	71,653	153,177
<b>Net cash used in (provided by) operating activities</b>	<b>306,546</b>	<b>(1,801,134)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(1,191,034)	(86,687)
<b>Net cash used in investing activities</b>	<b>(1,191,034)</b>	<b>(86,687)</b>
<b>FINANCING ACTIVITIES</b>		
Subscriptions received	-	1,821,922
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,821,922</b>
<b>Net change in cash during the period</b>	<b>(884,488)</b>	<b>(65,899)</b>
<b>Cash beginning of period</b>	<b>1,666,645</b>	<b>71,120</b>
<b>Cash end of period</b>	<b>\$ 782,157</b>	<b>\$ 5,221</b>
<b>Supplemental cash flow disclosure</b>		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -
Exploration and evaluation asset additions in accounts payable	\$ 1,638,289	\$ 972,065

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

# **Ranchero Gold Corp.** (Formerly Melior Resources Inc.)

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the Three months Ended March 31, 2022 and 2021**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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

Ranchero Gold Corp. (“Ranchero” or the “Company”) (previously Melior Resources Inc.), was incorporated under the laws of the province of British Columbia, Canada. The Company’s registered office is located at 910-800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6. The Company is engaged in the acquisition and exploration of resource properties in Mexico.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development, confirmation of the Company’s interest in the underlying claims and leases, ability to obtain the necessary permits to mine, and future profitable production or proceeds from the disposition of these assets.

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company’s continuing operations and the ability of the Company to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing. The Company has not achieved profitable operations and has accumulated losses since inception, and during the three month period ended March 31, 2022 incurred a net loss of \$982,553 (2021 - \$160,892). The Company will need to raise additional capital resources to fund its exploration programs and administrative expenses beyond the next twelve months. The above conditions may cast significant doubt about the Company’s ability to continue as a going concern.

#### **Reverse Takeover**

The Company completed the acquisition of all the issued and outstanding shares of a private company, Ranchero BC Holding Corp. through a reverse takeover (“RTO”). Upon completion of the RTO, the shareholders of Ranchero BC Holding Corp. obtained control of the consolidated entity. Accordingly, Ranchero BC Holding Corp. was identified as the acquirer for accounting purposes, and the consolidated entity is considered to be a continuation of Ranchero BC Holding Corp., with the net assets of Melior Resources Inc. (“Melior”) at the date of the RTO deemed to have been acquired by Ranchero BC Holding Corp. (Note 4). The consolidated financial statements for the year ended December 31, 2021 include the results of operations of Ranchero BC Holding Corp. from January 1, 2021, and of Melior from October 7, 2021, the date of the RTO. The comparative figures are those of Ranchero BC Holding Corp.

On October 7, 2021, the Company completed a name change from Melior Resources Inc. to Ranchero Gold Corp. in conjunction with the closing of the transaction.

### **2. BASIS OF PREPARATION**

#### **Statement of Compliance and Basis of Presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

# **Ranchero Gold Corp.** (Formerly Melior Resources Inc.)

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the Three months Ended March 31, 2022 and 2021**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **2. BASIS OF PREPARATION** (Continued)

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 30, 2022.

#### **Basis of Measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value and have been prepared using the accrual basis of accounting except for cash flow information. They are presented in Canadian dollars (“CAD”), which is also the functional currency of the Company and its subsidiaries (see below).

#### **Basis of Consolidation**

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries:

	<b>Jurisdiction</b>	<b>Percentage Owned</b>
Melior Resources Corp.	Canada	100%
Minera Y Metalurgia Paika SA de CV	Mexico	99.99%

All material intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

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

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company’s significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company’s audited financial statements for the year ended December 31, 2021.

### **4. REVERSE TAKEOVER TRANSACTION**

#### **Ranchero Acquisition**

On June 5, 2020, Ranchero and Minera Y Metalurgia Paika SA de CV (“Paika”) completed an agreement whereby Ranchero acquired all the issued and outstanding shares of Paika, in exchange for shares of the resulting entity.

For accounting purposes, the transaction has been accounted for as a reverse takeover transaction (“RTO”) with Paika deemed to be the accounting acquirer and Ranchero, the legal acquiror, deemed to be the accounting acquiree. At the date of acquisition, Ranchero did not meet the definition of a business as there were no substantive processes in place and as a result the acquisition is treated as an issuance of shares by Paika for the net liabilities of Ranchero.



# Ranchero Gold Corp. (Formerly Melior Resources Inc.)

## Notes to Condensed Consolidated Interim Financial Statements

For the Three months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

### 4. REVERSE TAKEOVER TRANSACTION (Continued)

The net liabilities acquired were as follows:

<b>Consideration paid:</b>		
Deemed issuance of 2,699 common shares	\$	2,699
Transaction costs		71,438
		<u>74,137</u>
<b>Identifiable net liabilities acquired:</b>		
Accounts receivable		629
Accounts payable and accrued liabilities		(122,392)
		<u>(121,763)</u>
<b>Reverse takeover expense</b>	<b>\$</b>	<b>195,900</b>

#### Melior Acquisition

On October 7, 2021, Melior, Ranchero and Melior's wholly owned subsidiary 1274169 B.C. Ltd. ("Newco") completed an amalgamation agreement whereby Ranchero amalgamated with Newco to form Amalco and Melior issued Melior post-consolidation shares to the Ranchero shareholders on the basis of one Melior post-consolidation share for every Ranchero share held. For accounting purposes, the transaction has been accounted for as an RTO with Ranchero deemed to be the accounting acquirer and Melior, the legal acquiror, deemed to be the accounting acquiree. At the date of acquisition, Melior did not meet the definition of a business as there were no substantive processes in place and as a result the acquisition is treated as an issuance of shares by Ranchero for the net liabilities of Melior.

The net liabilities acquired were as follows:

<b>Consideration paid:</b>		
Deemed issuance of 7,875,000 common shares	\$	4,331,250
Transaction costs		487,777
		<u>4,819,027</u>
<b>Identifiable net liabilities acquired:</b>		
Cash		1,907
Accounts receivable		31,101
Accounts payable and accrued liabilities		(596,208)
		<u>(563,200)</u>
<b>Reverse takeover expense</b>	<b>\$</b>	<b>5,382,227</b>

#### Debt Settlement and Success Fee

On September 9, 2019, Melior's wholly owned subsidiaries, GRPL and its holding company, Melior Australia Pty Ltd. ("MAPL"), appointed a voluntary administrator pursuant to Section 436A of the Corporations Act 2001 (Australia).

# Ranchero Gold Corp. (Formerly Melior Resources Inc.)

## Notes to Condensed Consolidated Interim Financial Statements

For the Three months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

### 4. REVERSE TAKEOVER TRANSACTION (Continued)

On September 13, 2019, Melior announced that as a consequence of the appointment of the voluntary administrators to GRPL, Melior and its subsidiaries received a notice of default and demand from their senior lender under the loan agreement dated August 9, 2018, as amended. Under the Default Notice, Pala Investments Limited ("Pala") demanded that Melior and its subsidiaries make payment to it in the amount of US\$22,714,700, representing the amount outstanding under the loan payable together with related interest, costs and charges, on or before September 13, 2019.

Melior entered into a standstill agreement with Pala pursuant to which Pala has agreed (on certain terms and conditions) not to proceed with enforcement actions against Melior (excluding the subsidiaries) for a period until October 31, 2021. On October 7, 2021, concurrent to the amalgamation agreement between Melior Resources and Ranchero Gold Corp., Melior settled its loans owing to Pala through the conversion of approximately \$32.0 million of the outstanding loan for common shares in Melior, with the remainder being forgiven by Pala.

As a condition to closing of the amalgamation, Melior settled its debt of approximately C\$35.5 million owing to Pala through the conversion of approximately C\$32.0 million of the outstanding indebtedness into an aggregate of 6,449,759 common shares of the Company, on a post-consolidation basis, and Pala forgave the remaining indebtedness of approximately C\$3.5 million pursuant to the terms of a debt settlement agreement between Pala and the Company.

Prior to the debt settlement and amalgamation, Pala owned 47.3% of the issued and outstanding shares of the Company, and following the debt settlement and amalgamation, Pala owns approximately 11.6% of the issued and outstanding shares of the Company. The Company also issued an aggregate of 510,154 common shares of the Company, on a post-consolidation basis, to LACG Capital Inc. ("LACG") in consideration for LACG's assistance in introducing Ranchero to the Company.

### 5. EXPLORATION AND EVALUATION ASSETS

<b>Santa Daniela Property, Mexico</b>			
	<b>Balance at December 31, 2021</b>	<b>Additions</b>	<b>Balance at March 31, 2022</b>
Acquisition costs	\$ 71,407	\$ -	\$ 71,407
Camp costs	228,956	74,558	303,514
Geological consultants	567,942	22,995	590,937
Samples	87,279	81,679	168,958
Land fees	1,276,500	-	1,276,500
Logistics	165,356	786,665	952,021
Vehicles and fuel	89,404	15,449	104,853
Legal	175,647	17,540	193,187
Administration	291,141	105,429	396,570
Exchange on translation	80,207	-	80,207
<b>Total expenditures</b>	<b>\$ 3,033,839</b>	<b>\$ 1,104,315</b>	<b>\$ 4,138,154</b>

As at March 31, 2022, \$23,111 (December 31, 2021 - \$510,453) of prepaid expenses relate to fees paid in advance for geological consultants.

# Ranchero Gold Corp. (Formerly Melior Resources Inc.)

## Notes to Condensed Consolidated Interim Financial Statements

For the Three months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

### 5. EXPLORATION AND EVALUATION ASSETS (Continued)

#### Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to its mineral property and, to the best of its knowledge, title to its property is in good standing.

#### Santa Daniela mineral concessions

Prior to the acquisition of Ranchero (Note 4), Paika acquired 100% of the Santa Daniela mineral concessions located in the state of Sonora, Mexico for US\$56,036 (\$71,407). The claims are subject to a 2% gross value royalty of all commercial production from the claims.

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	December 31, 2021
Accounts payable	\$ 657,574	\$ 603,150
Accrued liabilities	1,292,931	1,298,920
	\$ 1,950,505	\$ 1,902,070

As at March 31, 2022, accrued liabilities include \$1,197,399 (December 31, 2021 - \$1,274,867) of land fee payments and accrued interest due on the Santa Daniela mineral concession (Note 5).

During the year ended December 31, 2021, the Company entered into an unsecured line of credit agreement with Golden Calf Mining S.A. de C.V. ("Golden Calf"). Golden Calf will provide a line of credit of up to US\$350,000, excluding interest. Simple interest will accrue at a rate of 15% per year on any funds drawn. The line of credit must be repaid, including any interest, by October 15, 2021. As at March 31, 2022 all principal and interest on the line of credit was paid in full.

### 7. RELATED PARTY TRANSACTIONS

Officers and directors are key management personnel. The aggregate value of transactions and outstanding balances relating to key management personnel are as follows:

	March 31, 2022	March 31, 2021
Management fees	\$ 159,061	\$ 72,513
Share-based payments	680,950	-
	\$ 840,011	\$ 72,513

# Ranchero Gold Corp. (Formerly Melior Resources Inc.)

## Notes to Condensed Consolidated Interim Financial Statements

For the Three months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

### 7. RELATED PARTY TRANSACTIONS (Continued)

Amounts due to related parties are included in accounts payable and accrued liabilities as at March 31, 2022 and December 31, 2021, and were as follows:

Related party liabilities	Service or items		March 31, 2022	December 31, 2021
<b>Amounts due to:</b>				
Companies controlled by a director	Exploration and Evaluation Assets	\$	370,098	\$ 428,542
Chief Executive Officer	Fees		137,873	-

As at March 31, 2022, Ranchero has amended the consulting agreement with the Chief Executive Officer (“CEO”) whereas the CEO’s annual fee is US\$180,000 of which US\$132,000 is paid in cash and US\$48,000,000 is paid in common shares. The cash payments are to be made monthly and the common share payments are to be made quarterly.

As at March 31, 2021, the Company had a commitment to issue common shares to the CEO in the amount of US\$75,000 (\$102,300) (December 31, 2021 - US\$50,000 (\$63,501)) (Note 8). During the three month period ended March 31, 2022, the Company entered into a consulting agreement with the CEO whereby the \$102,300 commitment to issue shares recognized as at March 31, 2022 would be settled by cash payments. These funds are required to be used to purchase shares of the Company in the open market.

During the three -month period ended March 31, 2022, the Company paid \$24,000 (2021 - \$nil) in management fees to the Chief Financial Officer; paid \$nil (2021-\$10,842) to the ex-Chief Financial Officer; paid \$65,000 (2021 -\$nil) in management fees to the President of the Company; paid \$70,061 (2021 - \$61,671) to the Chief Executive Officer of the Company; and \$680,950 (2021 - \$nil) to Directors and consultants of the Company. As at March 31, 2022, \$137,873 (December 31, 2021 - \$nil) due to the Chief Executive Officer is included in accounts payable and accrued liabilities.

Certain companies controlled by a director paid expenses incurred by Paika and these balances are included in accounts payable and accrued liabilities.

### 8. SHARE CAPITAL

#### Authorized

As at March 31, 2022, the authorized share capital of the Company was an unlimited number of common shares.

#### Escrowed Shares

As at March 31, 2022, the Company had 47,227,520 shares in escrow, of which:

- 2,485,658 will be released on the six-month anniversary from the commencement of trading on the TSX-V (the “Anniversary Date”, being October 18, 2021);
- 4,971,317 will be released on the date that is 12-months and 18-months from the Anniversary Date;
- 7,456,976 will be released on the date that is 24-months and 30-months from the Anniversary Date; and
- 19,885,276 will be released on the date that is 36-months from the Anniversary Date.

These escrow shares may not be transferred, assigned or otherwise dealt without the consent of regulator authorities.

# Ranchero Gold Corp. (Formerly Melior Resources Inc.)

## Notes to Condensed Consolidated Interim Financial Statements

For the Three months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

### 8. SHARE CAPITAL (Continued)

#### Share Capital

##### Year Ended December 31, 2021

During the year ended December 31, 2021, the Company was gifted 100 of its own common shares. These common shares related to the incorporation of the Company and were originally issued to a director for nominal value.

On October 7, 2021, the Company completed the acquisition of Melior as described in Note 4 above, pursuant to which the Company acquired all of the issued and outstanding shares of Melior for the deemed issuance of 7,875,000 common shares of the Company in the reverse takeover transaction.

On October 7, 2021, the Company completed a private placement for proceeds of \$5,258,887, issuing 9,561,613 common shares at \$0.55 per share. In consideration for the services performed by Haywood Securities Inc. (the "Agent") and certain finders in connection with this private placement, finder's fees of \$192,087 cash, 741,611 finders shares and 10,400 broker warrants and 308,693 finders warrants valued at \$0.32 per warrant using the Black-Scholes option pricing model. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of \$0.55 per common share for a period of 24 months.

The following assumptions were used to measure the warrants: risk-free interest rate – 0.45%; expected volatility 115%; dividend yield – nil; expected life – 2 years; and share price – \$0.55. During the year ended December 31, 2021, the Company also issued 229,645 common shares at \$0.55 per share for a total fair value of \$126,305 to the Chief Executive Officer, for payment of his management fees.

During the year ended December 31, 2021, the Company incurred consulting fees of \$100,000 with an arm's length party who also participated in the private placement completed during the year, providing total proceeds of \$100,000.

##### Three Months Ended March 31, 2022

During the three month period ended March 31, 2022, the Company entered into a consulting agreement with the CEO whereby the \$102,300 (US\$75,000) commitment to issue shares recognized as at March 31, 2022 would be settled by a cash payments. These funds are required to be used to purchase shares of the Company in the open market.

#### Options

The following is a summary of the Company's stock options:

	Options Outstanding		Weighted Average Exercise Price
Outstanding at December 31, 2021	-	\$	-
Granted	3,700,000		0.29
Outstanding at March 31, 2022	3,700,000	\$	0.29

# Ranchero Gold Corp. (Formerly Melior Resources Inc.)

## Notes to Condensed Consolidated Interim Financial Statements

For the Three months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

### 8. SHARE CAPITAL (Continued)

As at March 31, 2022, the weighted average remaining life of the stock options outstanding is 4.85 (December 31, 2021 – nil) years, with vesting periods ranging from 0 to 30 months. The Company's outstanding stock options as at March 31, 2022 are as follows:

Exercise Price	Expiration Date	Outstanding	Exercisable
\$0.29	February 1, 2027	3,400,000	2,800,000
\$0.29	March 10, 2027	300,000	300,000
		3,700,000	3,100,000

#### Share-based Payments

Pursuant to the Company's Equity Incentive Plan (the "Plan") approved by the Board of Directors, the Company grants stock options to employees, directors, officers and advisors. Under the Plan, options can be granted for a maximum term of ten years. Further, the exercise price shall not be less than the price of the Company's common shares on the date of the stock option grant.

During the three month period ended March 31, 2022, the Company granted 3,700,000 stock options to directors, employees, consultants and officers of the Company. 2,700,000 of these options vest immediately. Of the 1,000,000 options granted to officers of the Company, 40% vest immediately, 30% vest on the 12-month anniversary of the date of grant, 20% on the 24-month anniversary of the date of grant and 10% on the 30-month anniversary of the date of grant. The stock options are exercisable at a price of \$0.29 for a period of five years.

The options were valued using the Black-Scholes option pricing model with the following assumptions: a grant date fair value of \$0.27; a risk-free interest rate of 1.65%; an expected life of 5 years; an expected volatility of 115.0% and a dividend yield of 0%.

In accordance with the vesting terms of stock options granted, the Company recorded a charge to share-based payments expense of \$680,950 (2021 - \$nil) with an offsetting credit, to the share-based payments reserve, respectively, during the three months ended March 31, 2022.

As at December 31, 2021 the Company has no stock options outstanding.

#### Warrants

The following is a summary of the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at March 31, 2022 and December 31, 2021	319,093	\$ 0.55

The warrants outstanding as at March 31, 2022 are as follows:

Exercise Price	Expiration Date	Number of Warrants
\$0.55	October 7, 2023	319,093

# **Ranchero Gold Corp.** (Formerly Melior Resources Inc.)

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the Three months Ended March 31, 2022 and 2021**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **9. FINANCIAL AND CAPITAL RISK MANAGEMENT**

#### **Financial Risk Management**

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, currency risk, and interest rate risk.

#### **Credit Risk**

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits and receivables. The Company's cash deposits are primarily held with Canadian and Mexican banks and receivables are usually nominal and are for expense advances.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financings. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year. The Company manages liquidity risk as part of its overall "Management of Capital" as described below.

#### **Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a significant portion of the Company's expenses are incurred in Canadian dollars ("CAD"), United States dollars ("USD") and Mexican pesos. A 5% change in the currency exchange rates between the Canadian dollar and the Mexican peso relative to the CAD dollar could increase or decrease the loss from operations by \$15,700.

#### **Interest Rate Risk**

When the Company has sufficient cash, it is invested in term deposits which can be reinvested without penalty after thirty days should interest rates rise. Accordingly, the Company does not have significant interest rate risk.

#### **Management of Capital**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern to pursue the development of its exploration and evaluation assets. The Company relies mainly on equity issuances to raise new capital.

In the management of capital, the Company includes the components of shareholders' equity. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without penalty. The Company is not subject to any externally imposed capital requirements. The Company did not change its capital management policy during the three months ended March 31, 2022.

# **Ranchero Gold Corp.** (Formerly Melior Resources Inc.)

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the Three months Ended March 31, 2022 and 2021**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **9. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)**

#### **Fair Values**

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments and are classified according to the following hierarchy levels:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2022, all of the Company's financial instruments were classified at amortized cost.

The carrying values of cash, accounts receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

### **10. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the exploration and evaluation of exploration and evaluation assets. The Company's exploration and evaluation assets are located in Mexico.