



MADORO METALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

EXPRESSED IN CANADIAN DOLLARS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Madoro Metals Corp. (Formerly Megastar Development Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Madoro Metals Corp. (Formerly Megastar Development Corp.) (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2021 and February 29, 2020, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows 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 February 28, 2021 and February 29, 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 has an accumulated deficit of \$5,606,366 at February 28, 2021 and, as of that date, the Company had a working capital of \$667,179. 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.

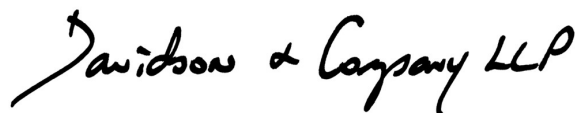
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Glenn Parchomchuk.



Vancouver, Canada

Chartered Professional Accountants

June 25, 2021

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	Notes	February 28, 2021	February 29, 2020
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 468,804	\$ 52,384
Amounts receivable	5	11,192	46,812
Marketable securities	6	264,376	34,275
Prepaid expenses and deposits		10,964	5,779
Total current assets		755,336	139,250
Non-current assets			
Equipment	7	62	89
Exploration and evaluation assets	8, 13	1,614,075	1,031,941
Total non-current assets		1,614,137	1,032,030
TOTAL ASSETS		\$ 2,369,473	\$ 1,171,280
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 48,387	\$ 60,979
Due to related parties	13	39,770	78,032
Total current liabilities		88,157	139,011
Total liabilities		88,157	139,011
Shareholders' equity			
Share capital	10	7,623,899	6,187,930
Reserves	10	263,783	207,861
Deficit		(5,606,366)	(5,363,522)
Total shareholders' equity		2,281,316	1,032,269
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 2,369,473	\$ 1,171,280

Subsequent events (Note 17)

Approved and authorised for issue on behalf of the Board on June 25, 2021

"Mary Ellen Thorburn" Director

Mary Ellen Thorburn

"Paul Smith" Director

Paul Smith

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
CONSOLIDATED STATEMENTS OF OPERATIONS & COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	Notes	Year Ended	
		February 28, 2021	February 29, 2020
Expenses			
Accounting and audit fees	13	\$ 49,495	\$ 50,429
Consulting fees	13	162,132	68,227
Depreciation	7	27	38
Insurance		9,408	8,721
Investor relations and promotion		2,899	6,909
Legal fees		2,024	10,310
Management fees	13	108,000	92,000
Office, telephone and miscellaneous		2,631	6,209
Property investigation		15,266	-
Rent		12,000	11,000
Salaries and benefits		-	845
Share-based payments	10, 13	55,922	140,406
Shareholder information		10,415	9,450
Transfer agent and filing fees		24,606	27,795
Loss before other income (expenses)		(454,825)	(432,339)
Unrealized gain (loss) on marketable securities	6	218,251	(55,050)
Realized gain on marketable securities	6	47,427	-
Loss on write-off of taxes receivable	5	(42,625)	-
Loss on foreign exchange		(11,093)	(14,603)
Interest income	4	21	125
Net loss for the year		\$ (242,844)	\$ (501,867)
Weighted average number of common shares			
Outstanding (basic and diluted)		55,329,476	41,039,127
Basic and diluted loss per share		\$ (0.004)	\$ (0.012)

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

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Share Capital (Note 10)		Reserves (Note 10)				Total
	Number of shares issued	Amount	Warrants reserve	Share-based payments reserve	Deficit (Note 10)		
Balance, February 28, 2019	30,496,716	\$ 5,238,678	\$ 52,573	\$ 29,885	\$ (4,861,655)	\$ 459,481	
Private placements	11,210,000	672,600	-	-	-	672,600	
Share issuance costs	-	(48,483)	14,882	-	-	(33,601)	
Options exercised	825,000	71,135	-	(29,885)	-	41,250	
Warrants exercised	50,000	5,000	-	-	-	5,000	
Shares issued for exploration and evaluation assets	1,600,000	249,000	-	-	-	249,000	
Share based compensation	-	-	-	140,406	-	140,406	
Net loss for the year	-	-	-	-	(501,867)	(501,867)	
Balance, February 29, 2020	44,181,716	\$ 6,187,930	\$ 67,455	\$ 140,406	\$ (5,363,522)	\$ 1,032,269	
Private placements	11,585,000	926,800	-	-	-	926,800	
Share issuance cost	-	(5,581)	-	-	-	(5,581)	
Warrants exercised	1,952,500	195,250	-	-	-	195,250	
Shares issued for exploration and evaluation assets	3,150,000	319,500	-	-	-	319,500	
Share based compensation	-	-	-	55,922	-	55,922	
Net loss for the year	-	-	-	-	(242,844)	(242,844)	
Balance, February 28, 2021	60,869,216	\$ 7,623,899	\$ 67,455	\$ 196,328	\$ (5,606,366)	\$ 2,281,316	

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

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	Year ended	
	February 28, 2021	February 29, 2020
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	\$ (242,844)	\$ (501,867)
Adjustments to reconcile loss to net cash used in operating activities		
Depreciation	27	38
Share-based payments	55,922	140,406
Interest income	(21)	(125)
Unrealized (gain) loss on marketable securities	(218,251)	55,050
Realized gain on marketable securities	(47,427)	-
Loss on foreign exchange	11,903	14,603
Loss on write off of tax receivable	42,625	-
Net changes in non-cash working capital accounts		
Increase in amounts receivable	(7,005)	(39,993)
Increase in prepaid expenses and deposits	(5,185)	(729)
Decrease in amounts payable and accrued liabilities	(37,330)	(110,320)
Increase (Decrease) in due to related parties	(13,524)	36,601
Cash used in operating activities	(461,110)	(406,336)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	21	125
Exploration and evaluation expenditures	(286,537)	(413,760)
Proceeds received for disposition of exploration and evaluation assets	-	10,000
Proceeds received from sale of marketable securities	47,577	-
Cash used in investing activities	(238,939)	(403,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares, net of share issuance costs	921,219	638,999
Options exercised	-	41,250
Warrants exercised	195,250	5,000
Cash provided by financing activities	1,116,469	685,249
Net change in cash and cash equivalents	416,420	(124,722)
Cash and cash equivalents, beginning balance	52,384	187,106
	\$ 468,804	\$ 62,384

Supplemental cash flow information (Note 14)

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

1. NATURE OF OPERATIONS

Madoro Metals Corp. (formerly known as Megastar Development Corp.) (the ‘Company’) incorporated in British Columbia on September 24, 1984, is an exploration stage public company listed on the TSX Venture Exchange and the Frankfurt Stock Exchange. On January 21, 2021, Megastar Development Corp. changed its name to Madoro Metals Corp. The Company is assessing its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and confirmation of the Company’s interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under mineral property agreements and to complete the development of the properties, and upon future profitable production or the sale thereof.

On August 24, 2018, the Company incorporated a subsidiary, Minera Mazateca, S.A. de C.V. (“Minera Mazateca” or “Subsidiary”), under the laws of the United Mexican States.

The Company is listed as a Tier 2 mining exploration issuer. These consolidated financial statements (the “Financial Statements”) present the consolidated operations of the Company and its Subsidiary. The Company is primarily engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada and in the state of Oaxaca, Mexico (via its Subsidiary). At February 28, 2021, the Company had no revenue producing operations and has an accumulated deficit of \$5,606,366 (February 29, 2020 - \$5,363,522) since its inception. The Company has cash exploration and evaluation obligations for approximately \$115,000 during twelve months from the end of the reporting year with a working capital of \$667,179. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

During and subsequent to the year ended February 28, 2021, the COVID-19 pandemic has caused significant and negative impact to the global financial markets. The Company continues to monitor and assess the impact on its business activities. The potential impact is uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results.

These Financial Statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were exclusively funded by the issuance of share capital. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. The Company’s future capital requirements will depend on many factors, including operating costs, the current capital market environment and global market conditions.

The head office, and principal address of the Company is Suite 1450, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company’s registered and records address is at the corporate solicitor’s office, Fasken Martineau DuMoulin LLP, 2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3.

2. BASIS OF PRESENTATION

Basis of consolidation and preparation

These Financial Statements include the accounts of the Company and its Subsidiary. Details of the controlled entity are as follows:

	Country of incorporation	Percentage owned
Minera Mazateca, S.A. de C.V.	Mexico	100%

2. BASIS OF PRESENTATION (continued)

Basis of consolidation and preparation (continued)

Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of operations and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Statement of compliance

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These Financial Statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments measured at fair value through profit or loss. Additionally, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

Unless otherwise noted, these Financial Statements are presented in Canadian dollars, which is also the functional currency of the Company and its Subsidiary.

Approval of the audited consolidated financial statements

The Financial Statements of the Company for the year ended February 28, 2021, were authorized for issue on June 25, 2021 by the Board of Directors of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The loss effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Significant accounting judgements

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the Financial Statements within the next financial year are discussed below:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements (continued)

i) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

ii) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income taxes

The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

iv) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and term deposits with maturities of three months or less.

Property and equipment

Recognition and measurement

On initial recognition, property and equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

Depreciation

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance basis at 30% per annum for office equipment. Half of the normal depreciation is taken in the year of acquisition.

Depreciation is recognized in profit or loss. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income 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 tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options, and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Foreign currencies

The functional currency of the Company and its Subsidiary is measured using the currency of the primary economic environment in which it operates. Management has determined that the functional currency of the Company and its Subsidiary is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Gains and losses are included in net earnings.

Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

The financial results and position of foreign operations whose functional currency is different from the reporting currency are translated as follows:

- i. assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- ii. income and expenses are translated at average exchange rates for the period.

Exchange gains and losses arising on translation are recognized in accumulated other comprehensive loss.

Earnings/Loss per share

Basic (loss) earnings per share is computed by dividing the net loss or income applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The stock option plan (Note 10) allows Company employees and consultants to acquire shares of the Company. Share-based payments to employees are measured using the fair value method at the date of grant of stock options. An individual is classified as an employee when the individual is considered an employee for legal or tax purposes or provides similar services to those performed by an employee. Share-based payments to non-employees are measured at the fair value of goods and services received or, if it is determined that the fair value of the goods or services received cannot be reliably measured, the fair value method will be used to determine the value at the date the options are granted.

The fair value of options is determined using the Black-Scholes option pricing model and is expensed to earnings over the vesting period on a graded basis with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant. When options expire, the fair value of the options is transferred from share-based payment reserve with an offset to deficit.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital.

If the warrants are issued as share issuance costs, the fair value will be recorded as warrant reserve using the Black-Scholes option pricing model. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Exploration and evaluation Assets

Pre-exploration costs are expensed in the period in which they are incurred.

Costs incurred to acquire the legal right to explore a property are capitalized. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property-by-property basis. These direct expenditures include such costs as surveying costs, drilling costs, labour and contractor costs, materials used and licensing and permit fees.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

Once commercial production has commenced all capitalized costs related to the property are transferred to producing properties and the costs of acquisition, exploration and development will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in other income for the period. If a property is abandoned, the acquisition, deferred exploration and development costs will be written off to other expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation Assets (continued)

Currently, all mineral properties of the Company are exploration stage.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Management reviews capitalized costs on its mineral properties when facts and circumstances suggest that the carrying amount of an asset may be impaired. If the recorded amount is higher than the asset's fair value less cost to sell, management will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or sale of the property.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded as incurred.

Mining tax credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect of exploration costs incurred in Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures.

Impairment of non-financial assets

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized in the statement of operations and comprehensive loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interests.

Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVOCI”) and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as FVTPL.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of operations and comprehensive loss in the period in which they arise. The Company’s marketable securities being in equity securities of other listed entities, are classified as FVTPL.

Financial assets at 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 loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company’s financial assets are classified as FVOCI.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company’s financial assets at amortized cost comprise cash and cash equivalents and amounts receivable.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (cont'd...)

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of operations and comprehensive loss. Gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

(ii) Financial liabilities

The Company classified its financial liabilities as subsequently measured at amortized cost which include amounts payable and accrued liabilities and due to related parties. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For amounts receivable the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decreases can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's amounts receivables, the Company has no material loss allowance as at February 28, 2021 and February 29, 2020.

New accounting pronouncements

During the year ended February 28, 2021, the Company adopted certain new accounting standards and pronouncements, none of which had a material impact on the Company's consolidated financial statements.

There are no other standards or IFRIC interpretations that are yet effective that would be expected to have a material impact on the Company.

4. CASH AND CASH EQUIVALENTS

	February 28, 2021	February 29, 2020
Cash in bank	\$ 457,800	\$ 41,267
Term deposit	11,004	11,117
Cash and cash equivalents	\$ 468,804	\$ 52,384

The term deposit of \$11,004 earns interest at an annual interest rate of 0.050%.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

5. AMOUNTS RECEIVABLE

As at February 28, 2021, the Company has following amounts as recoverable:

	February 28, 2021	February 29, 2020
Taxes recoverable	\$ 3,243	\$ 36,865
Amounts receivable	7,949	9,947
	\$ 11,192	\$ 46,812

During the year ended February 28, 2021, management ascertained that the process to apply for and collect on Mexican value added taxes recoverable, was cost prohibitive. As such, a provision was taken against the entire balance of Mexican taxes recoverable totalling \$42,625.

6. MARKETABLE SECURITIES

	February 28, 2021		February 29, 2020	
	Fair Value	Cost	Fair Value	Cost
Zincx Resources Corp.	\$ 15,300	\$ 104,975	\$ 7,650	\$ 104,975
Eloro Resources Ltd.	119,076	98,660	14,625	116,260
DeepRock Minerals Inc.	130,000	81,500	12,000	69,500
	\$ 264,376	\$ 285,135	\$ 34,275	\$ 290,735

On April 23, 2020, the Company received 800,000 DeepRock Minerals Inc.'s common shares valued at \$12,000 as per the option agreement for DeepRock Minerals Inc. to acquire a 50% interest in the Ralleau Project (Note 8).

On February 4, 2021, the Company sold 10,000 common shares of Eloro Resources Ltd. for gross proceeds of \$47,577 resulting in a realized gain on sale of \$47,427.

During the year ended February 28, 2021, the Company recorded \$218,251 as an unrealized gain (February 29, 2020 – unrealized loss of \$55,050) and \$47,427 as realized gain (February 29, 2020 - \$Nil) on its marketable securities.

7. EQUIPMENT

	Equipment		Equipment
Cost:		Cost:	
At February 29, 2020	\$ 3,439	At February 28, 2019	\$ 3,439
At February 28, 2021	\$ 3,439	At February 29, 2020	\$ 3,439
Depreciation:		Depreciation:	
At February 29, 2020	3,350	At February 28, 2019	3,312
Charges for the year	27	Charges for the year	38
At February 28, 2021	\$ 3,377	At February 29, 2020	\$ 3,350
Net book value:		Net book value:	
At February 29, 2020	\$ 89	At February 28, 2019	\$ 127
At February 28, 2021	\$ 62	At February 29, 2020	\$ 89

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition and exploration costs on its mineral properties.

	Ralleau Project Quebec, Canada	Rama de Oro Project Oaxaca, Mexico	Magdalena Project Oaxaca, Mexico	Yauteppec Project Oaxaca, Mexico	Total
Opening Balance, February 28, 2019	\$ 126,357	\$ 179,257	\$ 28,247	\$ 70,084	\$ 403,945
Acquisition costs:	-	96,000	72,000	81,000	249,000
Shares	-	-	-	-	-
Total acquisition costs	-	96,000	72,000	81,000	249,000
Exploration costs:					
Assays and testing	-	-	18,576	21,413	39,989
Consulting fees	-	10,672	140,924	102,016	253,612
License and taxes	-	-	-	21,660	21,660
Staking fees	-	58	16,675	-	16,733
Geology and exploration costs	-	-	-	33,965	33,965
Supplies and miscellaneous	-	126	11,596	5,885	17,607
Rent	-	-	5,075	7,077	12,153
Travel	-	816	2,497	9,964	13,278
Deferred exploration costs	-	11,672	195,344	201,980	408,996
Proceeds received from optionees	(10,000)	-	-	-	(10,000)
Shares received from optionees	(20,000)	-	-	-	(20,000)
Impairment charge	-	-	-	-	-
Balance of costs:					
Total acquisition costs	96,543	213,203	91,529	100,529	501,804
Total proceeds received from optionees	(25,000)	-	-	-	(25,000)
Total shares received from optionees	(69,500)	-	-	-	(69,500)
Total cost recovery	(129,507)	-	-	-	(129,507)
Total deferred exploration costs	660,765	73,726	204,062	252,535	1,191,088
Total cumulative impairment charge	(436,944)	-	-	-	(436,944)
Ending Balance, February 29, 2020	\$ 96,357	\$ 286,929	\$ 295,591	\$ 353,064	\$ 1,031,941

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Railleau Project Quebec, Canada	Rama de Oro Project Oaxaca, Mexico	Magdalena Project Oaxaca, Mexico	Yautepec Project Oaxaca, Mexico	Total
Ending Balance, February 29, 2020	\$ 96,357	\$ 286,929	\$ 295,591	\$ 353,064	\$ 1,031,941
Acquisition costs:					
Cash	-	10,116	3,372	29,974	43,462
Shares	-	102,000	99,000	118,500	319,500
Total acquisition costs	-	112,116	102,372	148,474	362,962
Exploration costs:					
Assays and testing	-	-	1,014	7,743	8,757
Consulting fees	-	2,998	16,042	110,760	129,800
Staking fees	-	50,787	8,963	10,043	69,793
Supplies and miscellaneous	-	-	1,421	14,347	15,768
Rent	-	-	960	3,473	4,433
Travel	-	262	787	1,573	2,622
Deferred exploration costs	-	54,047	29,187	147,939	231,173
Shares received from optionees	(12,000)	-	-	-	(12,000)
Balance of costs:					
Total acquisition costs	96,357	325,319	193,901	249,003	864,766
Total proceeds received from optionees	(25,000)	-	-	-	(25,000)
Total shares received from optionees	(81,500)	-	-	-	(81,500)
Total cost recovery	(129,507)	-	-	-	(129,507)
Total deferred exploration costs	660,765	127,773	233,249	400,474	1,422,260
Total cumulative impairment charge	(436,944)	-	-	-	(436,944)
Ending Balance, February 28, 2021	\$ 84,357	\$ 453,092	\$ 427,150	\$ 649,477	\$ 1,614,075

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

8. EXPLORATION AND EVALUATION ASSETS (continued)

1) Rama de Oro Project, Oaxaca, Mexico

On May 9, 2018, and as amended on August 10, 2020, the Company entered into an option agreement to acquire a 100% interest in the Rama de Oro Project, located in the state of Oaxaca, Mexico.

To earn the 100% interest, the Company is required to make total cash payments of US\$35,000, issue a total of 2,900,000 common shares of the Company, and incur total work expenditures of US\$350,000 over a two-year period as follows:

- i. Pay US\$35,000 (paid) and issue 1,100,000 common shares (issued) to the optionor within 15 days following the execution of the agreement, approved by the TSX-V Exchange.
- ii. Issue 600,000 common shares (issued) to the optionor and incur US\$150,000 in work expenditures (incurred \$127,773 (US\$98,464) as of February 28, 2021) on or before the first anniversary of the agreement (May 9, 2019).
- iii. Issue 1,200,000 common shares (issued on May 15, 2020 with a fair value of \$108,000) to the optionor and incur US\$200,000 in work expenditures on or before May 9, 2022 (as amended on August 10, 2020 for a cash consideration of US\$7,500 (\$10,116) which was paid on August 12, 2020).

A 2% net smelter return royalty is payable to the optionor, of which the Company will have the right to purchase 1% of the royalty at any time for US\$1,650,000.

All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance. As of the date of the report, parties to the option agreement were negotiating amended terms of work expenditures.

2) Yautepec Project, Oaxaca, Mexico

On June 1, 2018, and as amended on August 10, 2020, the Company entered into an option agreement to acquire a 100% interest in the Yautepec Project, located in the state of Oaxaca, Mexico.

To earn the 100% interest, the Company is required to make total cash payments of US\$5,000, issue a total of 1,550,000 common shares of the Company, and incur total work expenditures of US\$310,000 over a three-year period as follows:

- i. Pay US\$5,000 (paid) and issue 200,000 common shares (issued) to the optionor within 15 days following the execution of the agreement, approved by the TSX-V.
- ii. Issue 450,000 common shares (issued) to the optionor and incur US\$40,000 in work expenditures (incurred) on or before the first anniversary of the agreement (June 1, 2019).
- iii. Issue 900,000 common shares (issued on June 1, 2020 with a fair value of \$45,000) to the optionor and incur US\$80,000 in work expenditures (incurred) on or before the second anniversary of the agreement (June 1, 2020).
- iv. Incur US\$190,000 in work expenditures on or before December 1, 2021 (as amended on August 10, 2020 for cash consideration of US\$2,500 (\$3,372) which was paid on August 12, 2020). As of February 28, 2021, the Company had incurred \$247,710 (US\$184,469) in work expenditures.

A 2% net smelter return royalty is payable to the optionor, of which the Company will have the right to purchase 1% of the royalty at any time for US\$1,650,000. All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

8. EXPLORATION AND EVALUATION ASSETS (continued)

2) Yautepec Project, Oaxaca, Mexico (continued)

Cerro Minas

On October 16, 2019, the Company entered into an Option Agreement with Gunpoint Exploration Ltd. (“Gunpoint”) and Gunpoint’s subsidiary, Minera CJ Gold S.A. de C.V. (“CJ Gold”), whereas the Company, through its Subsidiary, may acquire a 100% interest in the Cerro Minas mineral concession (title # 234333) having a surface area of 899 hectares, located in the state of Oaxaca, Mexico (the “Property”). Under the terms of the Agreement, the Company may earn the said interest in the Property by paying Gunpoint US\$100,000 and issuing 800,000 common shares (the “Shares”) as follows:

- i. US\$10,000 (paid) and 100,000 Shares (issued with a fair value of \$9,000) on the Effective Date (October 23, 2019);
- ii. US\$20,000 (paid October 22, 2020) and 150,000 Shares (issued on October 19, 2020 with a fair value of \$19,500) on the first anniversary of the Effective Date (October 23, 2020);
- iii. US\$30,000 and 250,000 Shares on the second anniversary of the Effective Date (October 23, 2021); and
- iv. US\$40,000 and 300,000 Shares on the third anniversary of the Effective Date (October 23, 2022).

Gunpoint shall retain a 1.5% Net Smelter Returns Royalty on the Property, of which the Company may purchase, at any time, 0.5% for US\$1,000,000.

All shares issued pursuant to the Agreement are subject to a hold period of four months and one day following issuance.

3) Magdalena Project, Oaxaca, Mexico

On June 1, 2018, and as amended on August 10, 2020, the Company entered into an option agreement to acquire a 100% interest in the Magdalena Project, located in the state of Oaxaca, Mexico.

To earn the 100% interest, the Company is required to make total cash payments of US\$5,000, issue a total of 1,550,000 common shares of the Company, and incur total work expenditures of US\$230,000 over a three-year period as follows:

- i. Pay US\$5,000 (paid) and issued 200,000 common shares on August 8, 2018 (issued).
- ii. Issue 450,000 common shares (issued) to the optionor and incur US\$40,000 (incurred) in work expenditures on or before the first anniversary of the agreement (June 1, 2019)
- iii. Issue 900,000 common shares (issued on June 1, 2020 with a fair value of \$45,000) to the optionor and incur US\$70,000 in work expenditures (incurred) or before the second anniversary of the agreement (June 1, 2020).
- iv. Incur US\$120,000 in work expenditures on or before December 1, 2021 (as amended on August 10, 2020 for cash consideration of US\$2,500 (\$3,372) which was paid on August 12, 2020). The Company has incurred \$82,534 (US\$65,126) of work expenditures as of February 28, 2021.

The Company shall also pay, for and on behalf of Minera Zalamera, all cash payments to be made to the Concession holder for a total amount of \$50,000 (paid) over an 18-month period and the granting of a 1% net smelter returns royalty.

A 2% net smelter returns royalty is payable to the optionor, of which the Company will have the right to purchase 1% of the royalty at any time for US\$1,650,000.

All securities to be issued in connection with the transactions are subject to a hold period of 4 months and one day from their date of issuance.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

8. EXPLORATION AND EVALUATION ASSETS (continued)

4) Ralleau Project, Quebec, Canada

On April 5, 2017, the Company entered into an option agreement with DeepRock Minerals Inc. (“optionee”) on the Company’s wholly owned Ralleau Property. Under the terms of the option agreement and as amended on March 15, 2018 (1st Amending Agreement), on June 30, 2018 (2nd Amending Agreement) and on April 20, 2020 (3rd Amending Agreement), the optionee will be deemed to have exercised its option to acquire a 50% interest in the property by fulfilling the following terms:

- (a) Cash payment of \$100,000 and issuance of 1,700,000 common shares as follows:
- i. \$5,000 on or before the execution of this agreement (paid);
 - ii. \$5,000 (paid) and 600,000 common shares (issued) on or before the exchange listing date (November 16, 2018);
 - iii. \$5,000 (paid) and 200,000 common shares (issued) on or before the first anniversary date of this agreement (April 5, 2018);
 - iv. \$10,000 (paid) and 400,000 common shares (issued) on or before the second anniversary date of this agreement (April 5, 2019);
 - v. \$75,000 on or before December 31, 2020 (subsequently amended on March 12, 2021 – Note 17) and 800,000 common shares on or before April 23, 2020 (as amended; issued on April 23, 2020 at a fair value of \$12,000 – Note 6).
- (b) Exploration expenditures of \$250,000 on the Property as follows:
- i. \$40,000 on or before May 30, 2017 (incurred);
 - ii. \$15,000 on or before July 31, 2017 (incurred);
 - iii. \$25,000 on or before October 31, 2018 (incurred);
 - iv. \$50,000 on or before the second anniversary date of this agreement (April 5, 2019) (incurred);
 - v. \$120,000 on or before the third anniversary date of this agreement (April 5, 2020) (incurred).

By fulfilling the above terms, the optionee has exercised its option to acquire a 50% interest in the Ralleau Property.

9. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

As at February 28, 2021 and February 29, 2020, the Company has following amounts payable:

		February 28, 2021		February 29, 2020
Accounts payable	\$	10,151	\$	21,513
Accrued liabilities		38,236		39,466
	\$	48,387	\$	60,979

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issuance of share capital

During the year ended February 28, 2021

On May 15, 2020, pursuant to the option agreement with respect to the Rama de Oro property, the Company issued 1,200,000 common shares valued at \$102,000.

On June 1, 2020, pursuant to the option agreement with respect to the Yautepec and Magdalena property, the Company issued 1,800,000 common shares valued at \$198,000.

On June 17, 2020, the Company closed its non-brokered private placement financing for total gross proceeds of \$926,800. The Company issued 11,585,000 units (the "Units") at a price of \$0.08 per Unit. Each Unit consists of one common share and one-half of non-transferable warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company for a period of up to 24 months at a price of \$0.12.

On October 19, 2020, pursuant to the option agreement with respect to the Cerro Minas property, the Company issued 150,000 common shares valued at \$19,500.

During the year ended February 28, 2021, 1,952,500 of the outstanding share warrants were exercised for an aggregate value of \$195,250.

During the year ending February 29, 2020

On May 8, 2019, the Company closed its non-brokered private placement financing for total gross proceeds of \$672,600. The Company issued 11,210,000 units (the "Units") at a price of \$0.06 per Unit. Each Unit consists of one common share and one non-transferable warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to 24 months at a price of \$0.10.

On July 24, 2019, pursuant to the agreements with respect to its Mexican properties, the Company issued an aggregate of 1,500,000 common shares valued at \$240,000, which comprises 450,000 common shares valued at \$72,000 towards the Magdalena property, 450,000 common shares valued at \$72,000 towards the Yautepec property, and 600,000 common shares valued at \$96,000 towards the Rama de Oro property.

In addition, the Company paid \$33,601 in finders' fees and issued 560,000 finders' warrants (the "Finders Warrants"). Each Finders Warrant is exercisable into one common share for a period of up to 24 months at a price of \$0.06.

The 560,000 Finders Warrants with an estimated fair value of \$14,882, were included in warrant reserve. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 2 years, volatility 110.36%, risk-free rate 1.53%, dividend yield 0%.

On October 23, 2019, pursuant to the option agreement with respect to the Cerro Minas property, the Company issued 100,000 common shares valued at \$9,000.

During the year ended February 29, 2020, 825,000 stock options were exercised at \$0.05 by officers for gross proceeds of \$41,250, a current director and a former director with a fair value adjustment of \$29,885 against stock option reserves. An aggregate of 50,000 warrants were exercised at \$0.10 by brokers for proceeds of \$5,000.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

10. SHARE CAPITAL (continued)

Share Options

The Company adopted a share option plan (the “Share Option Plan”) under which it may grant options to employees, officers, directors, or consultants for up to 10% of the issued and outstanding common shares. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee in a twelve-month period is limited to 5% of the issued shares of the Company. Under the plan, the exercise price of an option may not be less than the discounted market price. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

For share options granted to employees, directors, and consultants, the Company recognizes as an expense, the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

A summary of share options outstanding as at February 28, 2021, and February 29, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Number of Years to Expiry
Balance, February 28, 2019	825,000	\$0.00	0.49
Granted	2,225,000	\$0.11	1.93
Exercised	(825,000)	\$0.05	
Balance, February 29, 2020	2,225,000	\$0.11	2.27
Granted	668,000	0.11	2.02
Balance, February 28, 2021	2,893,000	0.11	1.44

During the year ended February 28, 2021

Total share-based payments expenses as a result of options granted and vested during the year ended February 28, 2021 was \$55,922 (February 29, 2020 - \$140,406). As at February 28, 2021, there was \$Nil (February 29, 2020 - \$5,020) of unrecognized share-based payments expenses related to unvested stock options.

On July 6, 2020, the Company granted 444,000 stock options to consultants with an exercise price of \$0.11, expiring on July 6, 2023. The 444,000 stock options have a fair value of \$33,520 which was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: expected life 3 years, volatility 115.99%, risk-free rate 0.31%, dividend yield 0%.

On July 6, 2020, the Company granted 224,000 stock options to consultants with an exercise price of \$0.11, expiring on July 6, 2022. The 224,000 stock options have a fair value of \$16,924 which was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: expected life 2 years, volatility 116.13%, risk-free rate 0.31%, dividend yield 0%.

During the year ended February 29, 2020

On June 26, 2019 the Company granted 1,850,000 stock options to directors and officers with an exercise price of \$0.11, expiring on June 27, 2022 (Note 13). The 1,850,000 stock options have an estimated fair value of \$123,689 and were included in share-based payment reserve. The fair value of the stock options was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 101.97%, risk-free rate 1.42%, dividend yield 0%.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

10. SHARE CAPITAL (continued)

Share Options (continued)

On November 8, 2019, the Company granted 250,000 stock options to consultants with an exercise price of \$0.09, expiring on May 7, 2022. The 250,000 stock options have a fair value of \$14,177 which was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: expected life 2.5 years, volatility 116.35%, risk-free rate 1.58%, dividend yield 0%.

On November 12, 2019, the Company granted 125,000 stock options to consultants with an exercise price of \$0.09, expiring on November 12, 2021. The 125,000 stock options have a fair value of \$8,016 which was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: expected life 2 years, volatility 110.38%, risk-free rate 1.60%, dividend yield 0%.

As at February 28, 2021, the following incentive share options were outstanding and exercisable:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
1,850,000	1,850,000	\$ 0.11	June 26, 2022
250,000	250,000	\$ 0.09	May 7, 2022
125,000	125,000	\$ 0.09	November 12, 2021
444,000	444,000	\$ 0.11	July 6, 2023
224,000	224,000	\$ 0.11	July 6, 2022
2,893,000	2,893,000		

Warrants

A summary of changes in warrants outstanding as at February 28, 2021 and February 29, 2020 is as follows:

	Warrants Outstanding	Weighted average Exercise price	Weighted Average number of years to expiry
Balance, February 28, 2019	-	\$ -	-
Warrants issued	11,770,000	0.10	1.19
Warrants expired	(50,000)	0.10	
Balance, February 29, 2020	11,720,000	\$ 0.10	1.19
Warrants issued	5,792,500	0.12	1.30
Warrants exercised	(1,952,500)	0.10	0.19
Balance, February 28, 2021	15,560,000	\$ 0.11	0.60

During the year ended February 28, 2021

During the year ended February 28, 2021, 1,952,500 of the broker's warrants were exercised at \$0.10 each for proceeds of \$195,250.

On June 17, 2020, pursuant to the non-brokered private placement financing, the Company issued 11,585,000 units (the "Units"). Each Unit comprises one common share and one-half of non-transferable warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company for a period of up to 24 months at a price of \$0.12.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

10. SHARE CAPITAL (continued)

Warrants (continued)

During the year ended February 29, 2020

On May 8, 2019, pursuant to the non-brokered private placement financing, the Company issued 11,210,000 units (the "Units"). Each Unit comprises one common share and one non-transferable warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to 24 months at a price of \$0.10.

Pursuant to the May 8, 2019 private placement, the Company granted 560,000 Finders Warrants, expiring on May 7, 2021 with an exercise price of \$0.06, and an estimated fair value of \$14,882, which was included in warrant reserve. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 2 years, volatility 110.36%, risk-free rate 1.53%, dividend yield 0%.

As at February 28, 2021, the following warrants were outstanding and exercisable:

Issued for	Number of Warrants	Exercise Price	Expiry Date
Private placement	9,207,500 ⁽¹⁾	\$ 0.10	May 7, 2021
Broker's fee	560,000	\$ 0.06	May 7, 2021
Private placement	5,792,500	\$ 0.12	February 28, 2023
	15,560,000		

⁽¹⁾Subsequent to the year ended February 28, 2021, 8,752,500 of the outstanding warrants were exercised (Note 17).

As at February 29, 2020, the following warrants were outstanding and exercisable:

Issued for	Number of Warrants	Exercise Price	Expiry Date
Private placement	11,160,000	\$ 0.10	May 8, 2021
Broker's fee	560,000	\$ 0.06	May 8, 2021
	11,720,000		

11. CAPITAL DISCLOSURE

The Company considers its capital structure to include the net residual equity of all assets, less liabilities. Capital comprises the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue as a going concern; (ii) maintain a capital structure to allow the Company to raise equity funding to finance its capital expenditures and acquisition activities; (iii) maintain creditworthiness and maximize returns for shareholders over the long term.

The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital was mostly from proceeds from the issuance of common shares.

The Company is not subject to externally imposed capital restrictions nor were there any changes to the Company's capital management provisions during the period.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

12. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Per IFRS 7, a three-level hierarchy that reflects the significance of inputs used in making fair value measurements is required. The three levels of the fair value hierarchy are as follows:

- a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 – Inputs for assets or liabilities that are not based on observable market data.

Financial Instrument Risks

The following table outlines the Company’s financial assets and liabilities measured at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair value measurement.

Assets	As at February 28, 2021	As at February 29, 2020
Cash and cash equivalents	\$ 468,804	\$ 52,384
Amounts receivable	11,192	46,812
Marketable securities	264,376	34,275
Accounts payables and accrued liabilities	(48,387)	(60,979)
Due to related parties	(39,770)	(78,032)
Total	\$ 656,215	\$ (5,540)

The Company’s cash and cash equivalents, and marketable securities are valued using quoted market prices in active markets for identical assets, and therefore are classified as Level 1.

The fair value of amounts receivable, accounts payable and accrued liabilities and due to related parties approximates their carrying values due to their short term to maturity.

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

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company’s exposure to credit risk includes cash, cash equivalents and amounts receivable. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company’s ability to continue as a going concern is dependent on management’s ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at February 28, 2021, the Company had working capital of \$667,179 (February 29, 2020 - \$239). The payment terms for accounts payable and accrued liabilities from vendors are generally 30 days or due on receipt.

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

12. FINANCIAL INSTRUMENTS AND RISKS (continued)

Financial Instrument Risks (continued)

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. The Company's marketable securities bear market price risk. The maximum exposure to this risk is equal to the carrying value of the investment.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The Company has no significant interest rate risk. As of February 28, 2021, the Company had a cash and cash equivalents balance of \$468,804 of which \$11,004 was in a term deposit, earning interest at a rate of 0.05% per annum. The Company had no interest-bearing debt.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company is exposed to foreign currency risk on fluctuations related to amounts payable and Mexican property expenditures that are denominated in US dollars and Mexican pesos. A 10% fluctuation in the Mexican peso against the Canadian dollar would affect comprehensive loss for the year by approximately \$3,232.

13. RELATED PARTY TRANSACTIONS

The amounts due to related parties are for amounts due to directors and officers. The balances are unsecured, non-interest bearing and have no specific terms for repayment.

As at February 28, 2021, \$39,770 (February 29, 2020 - \$78,032) was due to directors and officers of the Company.

	As at	
	February 28, 2021	February 29, 2020
Company controlled by Chief Executive Officer	\$ 5,250	\$ 13,000
Company controlled by Chief Financial Officer	10,200	18,600
Company controlled by Corporate Secretary	2,625	-
Company controlled by a Director	21,695	46,432
	<u>\$ 39,770</u>	<u>\$ 78,032</u>

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

13. RELATED PARTY TRANSACTIONS (continued)

During the year ended February 28, 2021 and February 29, 2020, the Company entered into the following transactions with related parties:

	Year Ended	
	February 28, 2021	February 29, 2020
Expenses paid or accrued to directors of the Company, senior officers and companies with common directors:		
Management fees	\$ 108,000	\$ 92,000
Consulting fees	51,497	35,755
Professional fees	18,951	21,613
Mineral exploration consulting	68,355	144,978
Share based payments	-	123,689
	\$ 246,803	\$ 418,035

Management fees consisted of the following:

	Year Ended	
	February 28, 2021	February 29, 2020
Company controlled by CEO	\$ 60,000	\$ 50,000
Company controlled by CFO	48,000	42,000
	\$ 108,000	\$ 92,000

Consulting fees consisted of the following:

	Year Ended	
	February 28, 2021	February 29, 2020
Company controlled by the Corporate Secretary	\$ 30,000	\$ 30,000
Company controlled by a Director	13,247	5,755
Director	8,250	-
	\$ 51,497	\$ 35,755

Professional fees consisted of the following:

	Year Ended	
	February 28, 2021	February 29, 2020
Company controlled by CFO	\$ 18,951	\$ 21,613
	\$ 18,951	\$ 21,613

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

13. RELATED PARTY TRANSACTIONS (continued)

Mineral exploration consulting consisted of the following:

	Year Ended	
	February 28, 2021	February 29, 2020
Company controlled by a Director	\$ 68,355	\$ 144,978
	\$ 68,355	\$ 144,978

During the year ended February 29, 2020, 1,850,000 stock options, which are exercisable at \$0.05 and have an estimated fair value of \$123,689 (Note 10), were granted to officers (800,000 options) and directors (1,050,000 options).

During the year ended February 29, 2020, 825,000 stock options were exercised at \$0.05 by officers (425,000 options), a director (200,000 options) and a former director (200,000 options) for proceeds of \$41,250, with a fair value adjustment of \$29,885 posted against stock option reserves.

During the year ended February 28, 2021, the Company paid \$16,590 to a company controlled by one of the directors to amend the option agreement with respect of Yautepec, Magdalena, and Rama de Oro property (Note 8).

Share-based compensation made to directors and officers of the company for the period in the form of stock options are broken down as follows:

	Year Ended	
	February 28, 2021	February 29, 2020
CEO	\$ -	\$ 30,086
CFO	-	13,372
Corporate Secretary	-	10,029
Directors	-	70,202
	\$ -	\$ 123,689

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 28, 2021 and February 29, 2020, the Company incurred non-cash financing and investing activities as follows:

	Year ended	
	February 28, 2021	February 29, 2020
	\$	\$
Non-cash operating activities		
Fair value of options granted	55,922	140,406
Non-cash financing activities:		
Fair value of options exercised	-	29,885
Share issuance costs	-	14,882
Non-cash investing activities:		
Shares issued for exploration and evaluations assets	319,500	249,000
Marketable securities received on disposal of exploration and evaluation assets (Note 6)	12,000	-

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

15. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and development of mineral properties. Geographical information is as follows:

	Canada	Mexico	Total
Balance, as at February 28, 2021			
Exploration and evaluation assets	\$ 871,660	\$ 742,415	\$ 1,614,075
Balance, as at February 29, 2020			
Exploration and evaluation assets	\$ 501,219	\$ 530,722	\$ 1,031,941

16. INCOME TAX

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	February 28, 2021	February 29, 2020
Loss for the year	\$ (242,844)	\$ (501,867)
Expected income tax (recovery)	(66,000)	(136,000)
Change in statutory, foreign tax, foreign exchange rates and other	(8,000)	105,000
Permanent differences	(10,000)	31,000
Share issue cost	(2,000)	(9,000)
Changes in unrecognized deductible temporary differences	86,000	9,000
Total income tax expense / (recovery)	\$ -	\$ -

Deferred Tax Assets and Liabilities

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets and liabilities are summarized as follows:

	February 28, 2021	February 29, 2020
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 212,000	\$ 204,000
Property and equipment		-
Share issue cost	7,000	7,000
Marketable securities	7,000	35,000
Allowable capital losses	6,000	13,000
Non-capital losses available for future periods	494,000	381,000
	726,000	640,000
Unrecognized deferred tax assets	(726,000)	(640,000)
Net deferred tax assets	\$ -	\$ -

MADORO METALS CORP. (formerly known as MEGASTAR DEVELOPMENT CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2021

16. INCOME TAX (continued)

Tax Losses

As at February 28, 2021 the Company had a non-capital losses that may be carried forward of \$1,818,000 (February 29, 2020 – \$1,407,000) expiring from 2031 and 2041.

17. SUBSEQUENT EVENTS

On March 12, 2021, the Company amended the option agreement dated April 5, 2017 with DeepRock Minerals Inc., pursuant to which the last cash payment owed by DeepRock was reduced from \$75,000 to \$50,000 and the due date for the payment has been extended from December 31, 2020 to March 31, 2021. The cash payment of \$50,000 was received on March 24, 2021.

Subsequent to the year ended February 28, 2021, 6,807,500 of the outstanding share warrants were exercised for aggregate proceeds of \$680,750 at \$0.10 per share.