



**Consolidated Financial Statements
For the years ended December 31, 2020 and 2019**

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Max Resource Corp.

Opinion

We have audited the consolidated financial statements of Max Resource Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 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 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Rakesh Patel.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 30, 2021



An independent firm
associated with Moore
Global Network Limited

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Max Resource Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2020	December 31, 2019
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		4,697,156	685,025
Taxes recoverable		170,952	44,987
Prepays		235,412	8,924
		5,103,520	738,936
Equipment	3	124,198	47,061
Exploration and evaluation assets	4	742,531	-
		5,970,249	785,997
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade payables and accrued liabilities	6,8	734,841	678,254
Shareholders' equity			
Share capital	7	31,808,024	22,611,032
Reserves	7	3,876,054	2,738,416
Deficit		(30,448,670)	(25,241,705)
		5,235,408	107,743
		5,970,249	785,997

Nature of operations and going concern (Note 1)

Contingency (Note 11)

Subsequent events (Note 14)

APPROVED BY:

DIRECTOR	<u>“Paul John”</u>	DIRECTOR	<u>“Brett Matich”</u>
	Paul John		Brett Matich

Max Resource Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Year Ended December 31,	
	Note	2020	2019
		\$	\$
OPERATING EXPENSES			
Consulting	8	830,163	1,153,928
Depreciation	3	10,052	5,703
Exploration and evaluation expenditures	4	1,427,521	1,521,499
Foreign exchange (gain)		(44,358)	52,395
Interest expense		30,602	-
Management fees	8	410,179	391,248
Office and miscellaneous		119,966	147,914
Professional fees		229,253	490,266
Property investigation costs	5	181,640	397,938
Share-based compensation	7, 8	1,064,154	92,309
Transfer agent, filing fees, and shareholder relations		262,960	317,846
Travel		73,777	208,657
		(4,595,909)	(4,779,703)
Interest income		43	3,145
Gain on debt settlement	7	57,155	49,500
Loss on legal settlement	11(b)	-	(53,784)
Write-off of exploration asset and expenditures	4	(668,254)	-
		(611,056)	(1,139)
Loss and comprehensive loss for the year		(5,206,965)	(4,780,842)
Loss per share - basic and diluted		\$ (0.11)	\$ (0.40)
Weighted average number of common shares outstanding		47,202,440	12,012,227

Max Resource Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Note	Share capital		Reserves			Total
		Number of shares	Amount \$	Warrants \$	Share options \$	Deficit \$	
Balance at December 31, 2018		9,147,477	18,768,689	495,662	2,133,423	(20,460,863)	936,911
Shares issued for private placements	7	13,987,727	1,859,325	-	-	-	1,859,325
Shares issued for debt	7	2,925,000	243,000	-	-	-	243,000
Shares issued for services	7	16,667	36,000	-	-	-	36,000
Shares issued on exercise of warrants	7	1,829,283	1,865,878	(50,478)	-	-	1,815,400
Share issuance costs		-	(161,860)	67,500	-	-	(94,360)
Share-based compensation	7	-	-	-	92,309	-	92,309
Consolidation adjustment	7	1	-	-	-	-	-
Loss for the year		-	-	-	-	(4,780,842)	(4,780,842)
Balance at December 31, 2019		27,906,155	22,611,032	512,684	2,225,732	(25,241,705)	107,743
Units issued for private placements	7	41,054,333	7,847,825	-	-	-	7,847,825
Shares issued for debt	7	3,757,750	318,620	-	-	-	318,620
Shares issued for exploration assets	4,7	2,950,000	250,750	-	-	-	250,750
Shares issued on exercise of warrants	7	11,007,862	1,158,493	(46,383)	-	-	1,112,110
Shares issued on exercise of share options	7	900,000	212,433	-	(77,433)	-	135,000
Share issuance costs	7	-	(591,129)	197,300	-	-	(393,829)
Share-based compensation		-	-	-	1,064,154	-	1,064,154
Loss for the year		-	-	-	-	(5,206,965)	(5,056,447)
Balance at December 31, 2020		87,576,100	31,808,024	663,601	3,212,453	(30,448,670)	5,235,408

See accompanying notes to the consolidated financial statements

Max Resource Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2020	2019
	\$	\$
Cash flows used in operating activities		
Loss for the year	(5,206,965)	(4,780,842)
Items not affecting cash:		
Depreciation	10,052	5,703
Gain on debt settlement	(57,155)	(49,500)
Share-based compensation	1,064,154	92,309
Write-off of exploration assets	668,254	-
Changes in non-cash working capital items:		
Taxes recoverable	(108,070)	57,224
Prepays	(226,488)	344,315
Deferred tax asset	(17,895)	-
Trade payables and accrued liabilities	432,362	622,420
	(3,441,751)	(3,708,371)
Cash flows used in investing activities		
Exploration asset expenditures	(1,160,035)	-
Purchase of equipment	(87,189)	(27,375)
	(1,247,224)	(27,375)
Cash flows from financing activities		
Shares issued for cash, net of issue costs	7,453,996	1,764,965
Proceeds from exercise of options	135,000	-
Proceeds from exercise of warrants	1,112,110	1,815,400
	8,701,106	3,580,365
Change in cash during the year	4,012,131	(155,381)
Cash, beginning of year	685,025	840,406
Cash, end of year	4,697,156	685,025

Supplemental cash flow information (Note 10)

1. NATURE OF OPERATIONS AND GOING CONCERN

Max Resource Corp. (the “Company” or “Max Resource”) was incorporated on April 25, 1994, under the laws of the province of Alberta, Canada, and continued its jurisdiction of incorporation into British Columbia on February 5, 2019. The Company’s principal activity is the acquisition and exploration of mineral properties in Canada and South America. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “MXR”.

The Company’s head office is located at #1188 - 1095 West Pender Street, Vancouver, British Columbia, Canada, V6E 2M6 and its registered and records office is located at 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1B3.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2020, the Company had an accumulated deficit of \$30,448,670 and working capital of \$4,368,679 and, to date, the Company has not generated any revenues to meet its operating and administrative expenses or its other obligations. The Company’s continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately to attain profitable operations. These material uncertainties may cast significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with private placements of the Company’s common shares and loans from related parties.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including Max Resource. This outbreak could decrease spending, adversely affect the raising of capital and harm Max Resource’s business and results of operations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its effects on the business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These consolidated financial statements were authorized for issue on April 30, 2021 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company comply 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 preparation

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

Name	Jurisdiction
Gachala Colombia Corp.	British Columbia, Canada
Gachala Colombia Corp Sucursal Colombia ("Gachala")	Colombia
PGE Americas Metals Corp.	British Columbia, Canada
Valleduper Colombia Corp.	British Columbia, Canada
Valleduper Colombia SAS ("Valleduper")	Colombia
Baccancas Colombia Corp.	British Columbia, Canada
Baccancas Colombia SAS ("Baccancas")	Colombia
TUCO Resource Corp.	British Columbia, Canada
TUCO Resource Corp. S.A.C ("TUCO")	Peru

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, determination of functional currency, valuation of share-based compensation and other equity based payments, and the recoverability and measurement of deferred tax assets and liabilities.

Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Use of estimates (continued)

Economic recoverability and probability of future economic benefits of mineral exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral resources with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Functional currency

The functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar ("CAD"); however, determination of functional currency may involve certain judgments to determine the primary economic environment which is re-evaluated for each new entity or if conditions change.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of money market investments and certificates of deposit with maturity dates less than 90 days or with investment terms that allow for penalty free redemption after one month.

Foreign currency translation

Functional and presentation currency:

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company and its subsidiaries' functional and presentation currency.

Transactions and balances:

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of losses in the current year.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments under IFRS 9:

Financial assets/liabilities	Classification
Cash and cash equivalents	Amortized cost
Trade payables	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset 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 Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

As at December 31, 2020 and 2019, the Company did not have any derivative financial liabilities.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs directly related to a recognized asset are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of significant replaced parts are derecognized. All other repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss. Depreciation is calculated using the declining balance method or straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category is as follows:

Class	Depreciation rate
Equipment	20%
Vehicles	10 yrs

Exploration assets

The cost of acquiring mineral properties and related exploration and evaluation costs are deferred on an individual area of interest basis until the properties are placed into production, sold, or abandoned. Once a license to explore an area has been secured, directly attributable expenditures on exploration and evaluation activities are capitalized to mineral properties. Costs incurred to acquire an interest in a mineral property are capitalized as a mineral property acquisition cost. Costs incurred prior to obtaining the right to explore are expensed as exploration and evaluation expenditures. Management reviews the carrying value of capitalized exploration costs at least annually and when facts and circumstances suggest that the carrying amount may exceed its recoverable amount, considers if any evidence of impairment exists. In the case of undeveloped projects there may be no resources; or only inferred or indicated resources to form a basis for the impairment review. The impairment review is based on the exploration and evaluation results to-date and a status report regarding the Company's intentions for development of the mineral property. Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment. Subsequent recovery of the resulting carrying value depends on the successful development or sale of the undeveloped project. If a project does not prove viable, all unrecoverable costs associated with the project are written off.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Property investigation costs

Costs incurred during the evaluation process, which include geological evaluation, sampling, surveying, legal review, accounting analysis, deposits and standstill arrangements where the Company does not acquire the property or project subsequent to the evaluation process, are expensed as incurred in the statement of loss and comprehensive loss.

Asset retirement obligation (“ARO”)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

For the years presented, the Company did not have any significant asset retirement obligations.

Impairment of non-financial assets

The carrying amount of the Company's 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 whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of an asset 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.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Share capital

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 warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

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 more 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 private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. All of the Company's 5,325,000 (2019 – 31,140,594) and 31,140,594 (2019 – 16,592,346) outstanding options and warrants respectively were anti-dilutive and therefore excluded from the diluted loss per share calculation.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined at the grant date using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Income taxes (continued)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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 only 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.

Flow-through shares

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid, if any, for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss on a pro-rata basis at the same time the qualifying expenditures are made.

Future accounting standards, amendments and interpretations

There are no other pending IFRSs or IFRIC interpretations that are expected to have a material impact on the Company's financial statements.

3. EQUIPMENT

	Equipment	Vehicles	Total
	\$	\$	\$
Cost:			
At December 31, 2018	-	25,389	25,389
Additions	-	27,375	27,375
At December 31, 2019	-	52,764	52,764
Additions	39,869	47,320	87,189
At December 31, 2020	39,869	100,084	139,953
Depreciation:			
At December 31, 2018	-	-	-
Additions	-	5,703	5,703
At December 31, 2019	-	5,703	5,703
Additions	3,987	6,065	10,052
At December 31, 2020	3,987	11,768	15,755
Net book value:			
At December 31, 2019	-	47,061	47,061
At December 31, 2020	35,882	88,316	124,198

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

A continuity of exploration and evaluation assets is as follows:

	RT Gold Project	EBAY Project	Total
	\$	\$	\$
Balance, December 31, 2019 and 2018	-	-	-
Property acquisition/staking costs	451,614	275,750	675,050
Exploration costs			
Geological	290,917	392,504	735,735
	742,531	668,254	1,410,785
Write-off of exploration asset	-	(668,254)	(668,254)
Balance, December 31, 2020	742,531	-	742,531

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

RT Gold Project

On September 16, 2020, the Company optioned the RT Gold property which consists of two contiguous mineral concessions within the district of Tabaconas, Peru. To earn a 100% interest in the property, the Company must:

- pay US\$300,000 to the vendors on signing of the agreement (paid);
- pay US\$300,000 to the vendors on each of the first, second, third, and fourth anniversary of the signing date of the agreement; and
- pay US\$3,000,000 on or before September 16, 2025, the fifth anniversary of the signing date of the agreement.

Upon acquiring a 100% interest in the RT Gold property, the vendors will retain a 2.5% net smelter royalty on the commercial production of the RT Gold property.

EBAY Project

On May 11, 2020, the Company optioned the EBAY property located in Quebec, Canada. To earn a 100% interest in the property, the Company must:

- pay \$25,000 (paid) to the vendor on signing of the agreement;
- issue 2,950,000 common shares of the Company (issued at a value of \$250,750) to the vendor within seven days of TSX-V approval;
- pay a further \$25,000, issue additional common shares of the Company having a market value of \$75,000, and incur \$200,000 of expenditures on or before May 11, 2021;
- pay a further \$25,000, issue additional common shares of the Company having a market value of \$75,000, and incur a further \$200,000 of expenditures on or before May 11, 2022; and
- pay a further \$75,000, issue additional common shares of the Company having a market value of \$225,000, and incur a further \$500,000 of expenditures on or before May 11, 2023.

The number of common shares to be issued under the EBAY agreement shall be computed by dividing the common share issuance value by the share price defined as the volume weighted average price of the common shares on the TSX-V over the 30 day period prior to the share issuance.

Subsequent to the year end, management decided not to proceed with the EBAY Project; as such, the option agreement was terminated and the project was written off during the year ended December 31, 2020.

Other Projects

For the year ended December 31, 2020, the Company incurred exploration and evaluation expenditures on projects as follows:

	CESAR Project	Total
	\$	\$
Licensing/acquisition costs	97,720	97,720
Geological	1,329,801	1,329,801
Total	1,427,521	1,427,521

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

For the year ended December 31, 2019, the Company incurred exploration and evaluation expenditures on projects as follows:

	CESAR Project	Gachala Project	Choco Project	North Choco Project	Total
	\$	\$	\$	\$	\$
Licensing/acquisition costs	18,311	-	47,130	31,470	96,911
Geological	202,510	15,500	907,612	298,966	1,424,588
Total	220,821	15,500	954,742	330,436	1,521,499

These amounts have been expensed as they do not meet the criteria for capitalization under IFRS 6 as the Company does not yet have title to the licenses which are currently in the application phase with the ANM (the Colombian National Mining Agency). Applications made in the Choco area are in the final stage of approval but have been delayed due to the disruption caused by COVID-19. The expectation for the approval of all applications is now the end of 2021.

Novita Project

The Company has filed 5 (2019 - 0) initial mineral license applications covering a total area of 10,790 hectares, located near the proposed Novita acquisition area within the Choco Department, Colombia.

Choco Project

The Company holds 0 (2019 - 22) initial mineral license applications within the Choco Department, Colombia.

North Choco Project

The Company holds 0 (2019 - 45) initial mineral license applications within the Choco, Caldas, Antioquia and Risaralda Departments, Colombia.

CESAR Project

The Company has filed 52 (2019 - 1) initial mineral license applications within the northern Andean copper belt in northeastern Colombia.

In October 2020, the Company agreed to cancel an agreement between Gachala and a consultant in respect to locating prospective properties and data acquisition. Under the terms of the agreement, the Company is required to make annual payments of US\$50,000 to the former consultant for 10 years (paid \$66,175 in 2020).

5. PROPERTY INVESTIGATION COSTS

On June 14, 2018, the Company entered into a binding letter agreement dated June 14, 2018, with Noble Metals Ltd. ("Noble"), an Australian company for a proposed acquisition by Max Resource from Noble of all of the outstanding securities of GPS Metals Lab, Global Products Manufacture & Services and Condoto Platinum Ltd. (including Condoto Platinum's local branch in Colombia). After extensive due diligence by the Company, the June 14, 2018 letter agreement evolved into an asset purchase agreement with Noble which was entered into on February 8, 2019. On May 8, 2019 the Company entered into a letter of intent with Noble and Buena Fortuna Mining company Pty. Ltd. to acquire up to a 100% interest in Andagueda Mining Pty. Ltd., which holds an exploration and mining agreement with Tahimi Indigenous Reservation of Alto Andagueda. In connection with these transactions the Company issued non-refundable deposits totaling \$250,000 of which \$100,000 was paid in fiscal 2018. On October 15, 2019, the Company announced that both these agreements have been terminated due to challenges surrounding access and due diligence; the associated deposits were charged to operations.

During fiscal 2020 and 2019, the Company also considered several potential acquisition targets in Colombia where the Company did not proceed after the evaluation process. Accordingly, during the year ended December 31, 2020, \$181,640 (2019 - \$397,938) was charged to property investigation costs in the statement of loss and comprehensive loss.

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	2020	2019
	\$	\$
Trade payables (Note 8)	734,841	635,754
Accrued liabilities	40,000	42,500
	734,841	678,254

7. SHARE CAPITAL AND RESERVES

Authorized and issued share capital

Unlimited number of common shares without par value. At December 31, 2020, there were 87,576,100 (2019 – 27,906,155) issued and fully paid common shares outstanding.

Share consolidation

On November 22, 2019 the Company consolidated its shares on the basis of one new, post-consolidated share for every six old, pre-consolidated shares. All share and per share amounts in these financial statements are presented on a post-consolidation basis.

7. SHARE CAPITAL AND RESERVES (continued)

Shares issued

During the year ended December 31, 2020:

The Company issued 11,007,862 common shares for gross proceeds of \$1,112,110 from the exercise of warrants with an average exercise price was \$0.10. Upon exercise, \$46,383 was reallocated from reserves to share capital.

The Company issued 900,000 common shares for gross proceeds of \$135,000 from the exercise of stock options with an average exercise price was \$0.15. Upon exercise, \$77,433 was reallocated from reserves to share capital.

On October 22, 2020 the Company closed a non-brokered private placement financing by issuing 27,083,333 units at \$0.24 per unit for total gross proceeds of \$6,500,000. Each unit is comprised of one common share and one-half of one warrant with each whole warrant entitling the holder to purchase one additional common share for a period of one year at a price of \$0.40 per share, subject to accelerated expiry. In the event that the Company's common shares trade at a closing price at or greater than \$0.80 per share for a period of 10 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof, and in such case, the warrants will expire on the 30th day after the date on which such notice is given by the Company. In addition, the Company paid finders' fees totaling \$302,035 and issued 1,242,481 finders' warrants valued at \$150,700 and recognized \$27,422 as share issuance costs. Each finders' warrant is exercisable into one common share for a period of up to one year at a price of \$0.40 per share. The fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model and the following assumptions: Average exercise price \$0.40, Expected life – 1 year, Risk-free rate – bond equivalent yield – 0.17%, Annualized volatility – 141%, Dividend yield – 0%.

On August 19, 2020 the Company closed a non-brokered private placement financing by issuing 10,000,000 units at \$0.105 per unit for total gross proceeds of \$1,050,000. Each unit is comprised of one common share and one warrant with each warrant entitling the holder to purchase one additional common share for a period of one year at a price of \$0.14 per share. In addition, the Company paid finders' fees totaling \$20,301 and issued 193,340 finders' warrants valued at \$33,700 and recognized \$10,125 as share issuance costs. Each finders' warrant is exercisable into one common share for a period of up to one year at a price of \$0.14 per share. The fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model and the following assumptions: Average exercise price \$0.14, Expected life – 1 year, Risk-free rate – bond equivalent yield – 0.21%, Annualized volatility – 180.04%, Dividend yield – 0%.

On August 19, 2020, the Company issued 120,000 common shares to a consultant of the Company to extinguish \$12,000 in trade payables. The shares were issued with a fair value of \$27,600, resulting in a loss of \$15,600.

On May 25, 2020 the Company issued 2,950,000 with a fair value of \$250,750 in relation to an option agreement to acquire 100% of the EBAY project (Note 4).

On May 8, 2020, the Company issued a total of 3,637,750 common shares to consultants of the Company to extinguish a total of \$363,775 in trade payables. The shares were issued with a fair value of \$291,020, resulting in a gain of \$72,755.

7. SHARE CAPITAL AND RESERVES (continued)

Shares issued (continued)

On May 1, 2020, the Company issued 3,971,001 flow-through units (the "FT Units") at a price of \$0.075 per FT Unit for total proceeds of \$297,825. Each FT Unit is comprised of one flow-through common share and one-half of one warrant with each whole warrant entitling the holder to purchase one non-flow through common share for a period of two years at a price of \$0.10 per share. In addition, the Company has paid finder's fees of \$29,926 and issued 265,680 finder's warrants valued at \$12,900 and recognized \$4,021 as share issuance costs. Each finders warrant is exercisable into one common share for a period of up to two years at a price of \$0.10 per share. The fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model and the following assumptions: Average exercise price \$0.10, Expected life – 2 years, Risk-free rate – bond equivalent yield – 0.30%, Annualized volatility – 100%, Dividend yield – 0%.

During the year ended December 31, 2019:

On December 30, 2019, the Company issued 11,987,727 units for gross proceeds totaling \$659,325 pursuant to a non-brokered private placement. Each unit was comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at a price of \$0.10 for a two-year period. The Company paid aggregate finder's fees of \$14,280 and issued 261,091 finder warrants with the same terms as the above warrants and with a fair value of \$19,000. The fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model and the following assumptions: Average exercise price \$0.10, Expected life – 2 years, Risk-free rate – bond equivalent yield – 1.68%, Annualized volatility – 100%, Dividend yield – 0%.

On November 19, 2019, the Company settled an aggregate of \$292,500 in debt through the issuance of 2,925,000 common shares to various creditors (consultants, and directors and officers of the Company). The fair value of shares issued to consultants were \$243,000 to settle \$292,500 in debt, resulting in a gain of \$49,500. The remaining shares were issued to directors and officers of the Company, who are also shareholders. As these parties were acting in their capacity as shareholders, the Company chose to measure the common shares at the carrying value of the liability extinguished.

On July 9, 2019, the Company issued 2,000,000 units for gross proceeds totaling \$1,200,000 pursuant to a non-brokered private placement. Each unit was comprised of one common share and one half of one share purchase warrant. Each whole warrant enables the holder to acquire one common share at a price of \$0.90 for a two-year period. The Company paid aggregate finder's fees of \$80,080 and issued 133,467 finder warrants with the same terms as the above warrants and with a fair value of \$48,500. The fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model and the following assumptions: Average exercise price \$0.90, Expected life – 2 years, Risk-free rate – bond equivalent yield – 1.64%, Annualized volatility – 100%, Dividend yield – 0%.

The Company issued 1,829,283 common shares for gross proceeds of \$1,815,400 from the exercise of warrants. The average exercise price was \$0.99. Upon exercise, \$50,478 was reallocated from reserves to share capital.

On February 15, 2019, the Company issued 16,667 common shares with a fair value of \$36,000 in exchange for certain digital and hard-copy data, including historic and work completed and in the possession of Newrange Gold Corp. on the Cerro de Cobre mineral claims and the surrounding area, located in Colombia. This amount has been expensed as a property investigation cost.

7. SHARE CAPITAL AND RESERVES (continued)

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Options granted typically vest on the grant date.

During the year ended December 31, 2020, the Company granted 6,150,000 stock options to officers, directors, and consultants exercisable at an average price of \$0.21 for a period of five years. The fair value of the options was calculated to be \$1,064,154 using the Black-Scholes Option Pricing Model and the following weighted average assumptions: Expected life – 5 years, Risk-free rate – bond equivalent yield – 0.91%, Annualized volatility – 122%-146%, Dividend yield – 0%. During the year ended December 31, 2020, the Company recognized share-based compensation expense of \$1,058,818 in respect to these options.

During the year ended December 31, 2019, the Company granted 75,000 stock options to a consultant exercisable at \$3.60 for a period of five years. The fair value of the options was calculated to be \$97,645 using the Black-Scholes Option Pricing Model and the following assumptions: Expected life – 5 years, Risk-free rate – bond equivalent yield – 1.43%, Annualized volatility – 113%, Dividend yield – 0%. The options vest as to 25% on grant date, 25% on every 3 months thereafter. During the year ended December 31, 2020, the Company recognized share-based compensation expense of \$5,336 (2019 - \$92,309) in respect to these options.

The option continuity schedule is as follows:

	Number of options	Weighted average exercise price	Weighted average share price on exercise
		\$	\$
Balance, December 31, 2018	-	-	-
Granted	75,000	3.60	-
Balance, December 31, 2019	75,000	3.60	-
Granted	6,150,000	0.21	-
Exercised	(900,000)	0.15	0.41
Balance, December 31, 2020	5,325,000	0.27	0.41

Details of the stock options outstanding and exercisable as at December 31, 2020 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
75,000	75,000	3.60	March 20, 2024
1,800,000	1,800,000	0.15	January 3, 2025
2,450,000	2,450,000	0.21	August 24, 2025
1,000,000	1,000,000	0.40	November 9, 2025
5,325,000	5,325,000		

The weighted average life of stock options outstanding at December 31, 2020 was 4.46 years.

7. SHARE CAPITAL AND RESERVES (continued)

Warrants

The warrant continuity schedule is as follows:

	Number of warrants	Weighted average exercise price
		\$
Balance, December 31, 2018	5,072,678	0.88
Issued	13,382,285	0.17
Exercised	(1,829,283)	0.99
Expired	(33,333)	1.20
Balance, December 31, 2019	16,592,346	0.34
Issued	27,228,671	0.28
Exercised	(11,007,862)	0.10
Expired	(1,672,561)	1.49
Balance, December 31, 2020	31,140,594	0.31

Details of the warrants outstanding as at December 31, 2020 are as follows:

Number of warrants outstanding	Exercise price	Expiry date
	\$	
895,833	0.45	January 17, 2023
641,667	0.72	February 6, 2023
1,133,467	0.90	July 9, 2021
3,187,727	0.10	December 30, 2021
587,500	0.10	May 1, 2022
9,910,249	0.14	August 19, 2021
14,784,151	0.40	October 22, 2021
31,140,594		

The weighted average life of warrants outstanding at December 31, 2020 is 0.84 years.

8. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing, and controlling of the activities of the Company and include both executives and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

As at December 31, 2020, the Company owed \$13,132 (2019 - \$159,970) to directors and officers of the Company for reimbursement of expenses, and accrued fees which are included in trade payables and accrued liabilities.

8. RELATED PARTY TRANSACTIONS (continued)

A summary of key management personnel compensation is as follows:

	For the years ended December 31,	
	2020	2019
	\$	\$
Consulting	30,000	89,500
Management fees	410,179	391,248
Share-based compensation	15,293	-
	455,472	480,748

9. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company's cash is deposited with a major bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements and the advance of loans. The Company's access to equity financing is dependent upon market conditions and market risks. There can be no assurance of continued access to equity funding.

As at December 31, 2020, the Company had a cash balance of \$4,697,156 to settle current liabilities of \$734,841.

Currency risk

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 is exposed to currency risk as it incurs expenditures that are denominated in United States dollars, Colombian Pesos, and the Peruvian Sol while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The majority of cash is held in Canadian dollars.

9. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

The following is a summary of Canadian dollar equivalent financial assets and liabilities that are denominated in United States dollars, Colombian Pesos, or Peruvian Sol:

	2020	2019
	\$	\$
Cash	144,481	922
Trade payables	(3,415)	(90,092)
Net assets (liabilities)	141,066	(89,170)

Based on the above net exposures, there would be a nominal impact on the Company's net loss should there be a significant change in the Canadian dollar exchange rate compared to with the United States dollars, Colombian Pesos, or Peruvian Sol.

Interest rate risk

Interest rate risk is the risk due to variability of interest rates. The Company is exposed to interest rate risk on its bank account and related party loans. The income earned on the bank account is subject to the movements in interest rates. The Company has cash balances and fixed interest-bearing debt, therefore, interest rate risk is nominal.

Capital management

The Company's policy is to maintain a capital base sufficient to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of working capital and share capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company's financial instruments consist of cash and cash equivalents, and trade payables and accrued liabilities. The fair value of trade payables and accrued liabilities approximates their carrying values. Cash and cash equivalents is measured at fair value using level 1 inputs.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the years ended December 31,	
	2020	2019
	\$	\$
Supplemental non-cash disclosures		
Reallocation of value of options upon exercise	77,433	-
Reallocation of value of warrants upon exercise	46,383	50,478
Warrants issued for finders' fees pursuant to share issuances	197,300	67,500
Shares issued for exploration and evaluation assets	250,750	-
Shares issued for debt settlements	318,620	243,000
Shares issued for property investigation costs	-	36,000

11. CONTINGENCY

- a) During the year ended December 31, 2019, certain employees of Noble in Colombia were registered under the Company's name with the Colombian tax authorities, without the consent of the Company (Note 5). The Company has hired a Colombian law firm to unwind this unauthorized registration; however, the Company may face potential claims from these employees with respect to taxes, salaries and social security. The Company intends to vigorously defend against any potential claims, which cannot be reasonably estimated at this time.
- b) During the year ended December 31, 2019, the Company paid \$53,784 (US\$40,000) to settle all amounts owing under a previous mining lease, which had been fully written off in prior years.

12. SEGMENTED INFORMATION

The Company and its subsidiaries are considered to be operating in one operating segment that being the exploration of resource properties. The Company's corporate offices are located in Canada and its mineral exploration activities are conducted in Colombia and Peru. Assets by geographical region are:

As at December 31, 2020				
	Canada	Colombia	Peru	Total
	\$	\$	\$	\$
Equipment	35,882	88,316	-	124,198
Exploration assets	-	-	742,531	742,531
Current assets	4,953,599	-	149,921	5,103,520
	4,989,481	88,316	892,452	5,970,249

As at December 31, 2019				
	Canada	Colombia	Peru	Total
	\$	\$	\$	\$
Equipment	-	47,061	-	47,061
Current assets	738,312	624	-	738,936
	738,312	47,685	-	785,997

13. DEFERRED TAX ASSETS AND LIABILITIES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2020	2019
	\$	\$
Loss for the year	5,206,965	(4,780,842)
Expected income tax recovery at the statutory tax rate	(1,402,512)	(1,290,827)
Non-deductible items and other	144,459	(175,131)
Effect of foreign exchange rates	(2,037)	(5,602)
Temporary differences not recognized	1,260,090	1,471,561
Income tax recovery	-	-

The Company has the following tax effected deductible temporary differences for which no deferred tax asset has been recognized:

	2020	2019
	\$	\$
Non-capital loss carry-forwards	6,889,061	6,333,689
Exploration and evaluation assets	1,564,440	971,590
Equipment	5,713	3,212
Other	171,930	62,562
	8,631,144	7,371,054

The significant components of temporary differences, unused tax losses and unused tax credits that have not been recognized on the consolidated statements of financial position are approximately as follows:

	2020 Expiry dates	2019 Expiry dates
	\$	\$
Share issue costs	169,000 2024	-
Non-capital losses – Canada	12,002,000 2026 to 2040	10,045,00 2026 to 2039
Non-capital losses – United States	7,798,000 2025 to 2040	7,798,000 2025 to 2039

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

14. SUBSEQUENT EVENTS

- Subsequent to December 31, 2020, the Company issued 3,146,131 common shares for gross proceeds of \$428,458 from the exercise of warrants with an average exercise price was \$0.14.
- Subsequent to December 31, 2020, the Company issued 250,000 common shares for gross proceeds of \$37,500 from the exercise of stock options with an average exercise price was \$0.15.

14. SUBSEQUENT EVENTS (continued)

- c) In January 2021, the Company signed a consulting agreement with a consultant to help identify and acquire additional mineral claims around the Company's CESAR Project. Under the agreement, the consultant will be paid \$320,000 upon signing of the agreement and will be granted a 3% net smelter royalty ("NSR") on all mineral claims currently registered to Valleduper and Baccancas and any claims registered to these companies during 2021. The Company has the right to purchase 100% of the NSR for US\$4,000,000 any time prior to production.
- d) In March 2021, the Company incorporated Bocono Colombia Corp. in British Columbia, Canada, a wholly owned subsidiary of Max Resource and Bocono Colombia Corp. S.A.S. in Colombia, a wholly owned subsidiary of Bocono Colombia Corp.