

**PERUVIAN METALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**(Expressed in Canadian dollars)**

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*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Peruvian Metals Corp.

### **Opinion**

We have audited the consolidated financial statements of Peruvian Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **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 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. 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 2 in the consolidated financial statements, which indicates that the Company had a cumulative deficit and its current liabilities exceeded its current assets as at December 31, 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that 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 comprises 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 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 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 judgement 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 risks 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.

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 of the audit resulting in this independent auditor's report is Koko Yamamoto.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 30, 2021

PERUVIAN METALS CORP.  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)  
AS AT

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	December 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	169,957	48,848
Prepaid expenses and advances	2,279	13,294
Amounts receivable	107,822	136,676
Inventory	25,185	45,910
<b>TOTAL CURRENT ASSETS</b>	<b>305,243</b>	<b>244,728</b>
<b>INVESTMENT</b> (Note 6)	<b>861,903</b>	-
<b>PROPERTY, PLANT AND EQUIPMENT</b> (Note 7)	<b>1,750,305</b>	1,915,802
<b>TOTAL ASSETS</b>	<b>2,917,451</b>	<b>2,160,530</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	807,496	894,861
Promissory notes and interest payable (Note 10)	139,314	133,036
Due to related parties (Note 11)	272,092	411,752
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,218,902</b>	1,439,649
<b>ASSET RETIREMENT AND RECLAMATION OBLIGATIONS</b> (Note 12)	<b>247,425</b>	235,645
<b>TOTAL LIABILITIES</b>	<b>1,466,327</b>	1,675,294
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 13(a))	<b>52,808,986</b>	52,401,862
<b>WARRANT RESERVE</b> (Note 13(b))	<b>50,000</b>	174,533
<b>SHARE-BASED PAYMENT RESERVE</b> (Note 14)	<b>127,151</b>	127,959
<b>DEFICIT</b>	<b>(51,362,112)</b>	(52,002,478)
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>1,624,025</b>	701,876
<b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>	<b>(172,901)</b>	(216,640)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,451,124</b>	485,236
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,917,451</b>	<b>2,160,530</b>

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 8,21)

SUBSEQUENT EVENTS (Note 23)

APPROVED ON BEHALF OF THE BOARD:

Signed "Dan Hamilton", Director

Signed "Jeffrey Reeder", Director

See accompanying notes to the consolidated financial statements.

PERUVIAN METALS CORP.  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in Canadian dollars)  
FOR THE YEARS ENDED DECEMBER 31,

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	2020	2019
	\$	\$
<b>REVENUE</b>		
Mineral processing revenue	<u>1,072,613</u>	1,607,486
<b>EXPENSES</b>		
Plant operating expenses (Note 17)	<b>(891,746)</b>	(1,312,057)
Exploration and evaluation expenditures (Note 15)	<b>(205,523)</b>	(134,200)
General and administrative (Note 18)	<b>(454,187)</b>	(614,703)
Impairment of exploration and evaluation assets (Note 8)	<u>-</u>	(582,051)
Loss before the following:	<b>(478,843)</b>	(1,035,525)
Foreign exchange loss	<b>(131,534)</b>	(24,387)
Interest expense	<b>(15,542)</b>	(24,273)
Amortization	<b>(4,792)</b>	(9,438)
Accretion expense	<b>(11,780)</b>	(8,232)
Gain on disposal of subsidiary (Note 9)	<b>1,044,689</b>	-
Unrealized gain on investment (Note 6)	<b>85,994</b>	-
Realized loss on sale of marketable securities	<u>-</u>	(37,630)
<b>INCOME (LOSS) BEFORE INCOME TAXES FOR THE YEAR</b>	<b>488,192</b>	(1,139,485)
Current income taxes expense (Note 22)	<u>-</u>	(67,156)
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>488,192</b>	(1,206,641)
<b>ATTRIBUTABLE TO:</b>		
Non-controlling interest	<b>43,739</b>	74,552
Shareholders	<b>444,453</b>	(1,281,193)
	<u><b>488,192</b></u>	<u>(1,206,641)</u>
<b>Income (loss) per share - basic and diluted (Note 16)</b>	<u><b>0.01</b></u>	<u><b>(0.02)</b></u>
<b>Weighted average number of common shares</b>		
<b>Outstanding - basic and diluted</b>	<u><b>88,683,368</b></u>	<u>81,793,140</u>

See accompanying notes to the consolidated financial statements.

PERUVIAN METALS CORP  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
 (Expressed in Canadian dollars)  
 FOR THE YEARS ENDED DECEMBER 31,

	<b>2020</b>	2019
	<b>\$</b>	\$
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>488,192</b>	(1,206,641)
Unrealized (loss) gain on marketable securities	-	2,370
Reclassification of realized loss on marketable securities to net loss	-	37,630
<b>COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>488,192</b>	(1,166,641)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>		
Non-controlling interest	<b>43,739</b>	74,552
Shareholders	<b>444,453</b>	(1,241,193)
	<b>488,192</b>	(1,166,641)

PERUVIAN METALS CORP.  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars)

	Common Shares	Warrant Reserve	Share-based Payment Reserve	Accumulated Other Comp. Income (Loss)	Deficit	Total	Non-Controlling Interest	Total Shareholders' Equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2018	52,052,772	199,328	107,032	(40,000)	(50,753,497)	1,565,635	(262,223)	1,303,412
Shares issued for cash - exercise of options	114,942	-	(44,942)	-	-	70,000	-	70,000
Shares issued for debt settlement	235,691	-	-	-	-	235,691	-	235,691
Share issuance costs	(1,543)	-	-	-	-	(1,543)	-	(1,543)
Value of warrants expired	-	(24,795)	-	-	24,795	-	-	-
Value of options expired	-	-	(7,417)	-	7,417	-	-	-
Share based payments	-	-	73,286	-	-	73,286	-	73,286
Unrealized gain on marketable securities	-	-	-	2,370	-	2,370	-	2,370
Reclassification of realized loss on marketable securities	-	-	-	37,630	-	37,630	-	37,630
Dividends paid	-	-	-	-	-	-	(28,969)	(28,969)
Net (loss) income	-	-	-	-	(1,281,193)	(1,281,193)	74,552	(1,206,641)
Balance, December 31, 2019	52,401,862	174,533	127,959	-	(52,002,478)	701,876	(216,640)	485,236
Shares and warrants issued for cash	200,000	50,000	-	-	-	250,000	-	250,000
Shares issued for cash - exercise of options	210,404	-	(62,904)	-	-	147,500	-	147,500
Share issuance costs	(3,280)	-	-	-	-	(3,280)	-	(3,280)
Value of warrants expired	-	(174,533)	-	-	174,533	-	-	-
Value of options expired	-	-	(21,380)	-	21,380	-	-	-
Share based payments	-	-	83,476	-	-	83,476	-	83,476
Net income	-	-	-	-	444,453	444,453	43,739	488,192
Balance, December 31, 2020	52,808,986	50,000	127,151	-	(51,362,112)	1,624,025	(172,901)	1,451,124

See accompanying notes to the consolidated financial statements.

PERUVIAN METALS CORP  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)  
FOR THE YEARS ENDED DECEMBER 31,

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	2020 \$	2019 \$
<b>CASH FLOWS PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net Income (loss) for the period	488,192	(1,206,641)
Add items not requiring cash:		
Share based payments	83,475	73,286
Interest payable on promissory notes	16,278	24,273
Amortization	238,593	238,626
Accretion expense	11,780	8,232
Gain on disposal of subsidiary	(1,044,689)	-
Unrealized gain on investment	(85,994)	-
Realized loss on sale of marketable securities	-	37,630
Impairment of exploration and evaluation assets	-	582,051
Changes in non-cash operating working capital:		
Prepaid expenses and advances	11,015	3,587
Amounts receivable	28,854	(64,406)
Inventory	20,725	(9,555)
Accounts payable and accrued liabilities	(70,374)	140,016
Due to related parties	(139,660)	77,600
Cash flows from operating activities	<u>(441,805)</u>	<u>(95,301)</u>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(85,006)	(42,571)
Proceeds on sale of subsidiary (Note 9)	253,700	-
Proceeds on sale of marketable securities	-	27,370
Cash flows from investing activities	<u>168,694</u>	<u>(15,201)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of private placement units for cash	250,000	-
Share issue costs	(3,280)	(1,543)
Shares issued for cash - exercise of options	147,500	70,000
Promissory notes received	-	81,700
Repayment of promissory notes and interest	-	(42,000)
Dividends paid	-	(28,969)
Cash flows from financing activities	<u>394,220</u>	<u>79,188</u>
Increase (decrease) in cash	121,109	(31,314)
Cash, beginning of the period	48,848	80,162
Cash, end of the period	<u>169,957</u>	<u>48,848</u>
Supplemental information		
Investment received on sale of subsidiary (note 9)	779,989	-
Common shares issued for debt	-	235,691
Increase in asset retirement and reclamation obligation	-	62,813

See accompanying notes to the consolidated financial statements.

## 1. GENERAL INFORMATION

Peruvian Metals Corp. (“Peruvian Metals” or “the Company”) is a publicly listed company originally incorporated in British Columbia and subsequently continued in Ontario under the Canada Business Corporations Act. Effective September 5, 2018 the Company changed its name from Duran Ventures Inc. to Peruvian Metals Corp. The Company’s common shares have been listed on the TSX Venture Exchange (“TSXVE”) since July 4, 2007, and trade under the symbol “PER”. The Company is engaged in mineral processing and the exploration and development of mineral properties in Peru. The Company’s principal office is located at 250 Southridge NW, Suite 300, Edmonton, AB, Canada T6H 4M9 and substantially all of the Company’s corporate and administrative expenses are incurred in Canada.

## 2. GOING CONCERN

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and property, plant and equipment and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company’s assets are subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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 government licensing registration or regulations, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory, social and environmental requirements.

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company also had a cumulative deficit and working capital deficiency as at December 31, 2020. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. If the going concern assumption is not appropriate, material adjustments to the consolidated financial statements may be required.

On March 16, 2020 the Peruvian government mandated a lockdown of the country, including prohibiting movements within the country, in response to the COVID-19 pandemic. As a result, the Company suspended all operations until June 30, 2020, at which time the lockdown was lifted and the Company resumed mineral processing activities. It is not possible for the Company to predict the duration or magnitude of the adverse results of the COVID-19 outbreak and its effects on the Company’s business or ability to raise funds.

### **3. BASIS OF CONSOLIDATION**

These consolidated financial statements include the accounts of the Company, which is incorporated in Canada under the Canada Business Corporations Act, and its wholly owned subsidiaries, Corongo Exploraciones SAC (“Corongo”) to February 26, 2020, Empresa Querco SAC (“Querco”), Mamaniña Exploraciones SAC (“Mamaniña Exploraciones”), Hatum Minas SAC (“Hatun Minas”), Magellan Gold Peru SAC, and its 80% owned subsidiary companies Minera Aguila de Ora SAC (“Madosac”) and Insumos Y Minerales del Norte SRL (“Insumos”), all of which were incorporated in Peru. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

All inter-company balances and transactions have been eliminated. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interests” in the equity section of the consolidated statements of financial position.

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of Compliance**

These consolidated financial statements of the Company and its subsidiaries were 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”).

The Company has consistently applied the accounting policies used in preparation of these consolidated financial statements throughout all the periods presented. Significant accounting judgements and estimates used by management in the preparation of these consolidated financial statements are presented in Note 5.

The policies applied in these consolidated financial statements are based on the IFRS issued and effective as of December 31, 2020. These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2021.

#### **(b) Basis of preparation**

The consolidated financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis except for investments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### **(c) Standards, Amendments and Interpretations Implemented in 2020**

IFRS 3 – Business Combinations was amended to assist entities in determining whether an acquired set of activities and assets are considered a business. The amendments the minimum requirements to be a business, remove the assessment of a market participant’s ability to replace missing elements, narrow the definition of outputs, add guidance to assess whether an acquired process is substantive and introduce an optional concentration test to permit a simplified assessment.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The adoption of IAS1, IAS8 and IFRS 3 did not have a material impact on the consolidated financial statements.

##### **(d) Standards, Amendments and Interpretations Not Yet Effective**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not mandatory for accounting periods beginning on or after January 1, 2021 or later periods. Many are not applicable or do not have significant impact to the Company and have been excluded. They have not been early adopted in these consolidated financial statements, and management is evaluating these pronouncements to determine the impact on the consolidated financial statements. In all cases the Company intends to apply these standards from the application date as indicated below:

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

##### **(e) Share-based payments**

The share option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is estimated at the grant date and each tranche is recognized on a graded vesting basis over the period during which the options vest. The fair value of the options granted is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized in profit and loss is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payments to non-employees are measured at the fair value of the 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 offset to the recorded cost is to share-based payments reserve.

Upon expiry of share options, the recorded value is transferred to deficit from share-based payment reserve.

##### **(f) Income taxes**

Income tax for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred taxes

Deferred income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities.

Deferred income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. The effect on deferred income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

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

Current tax

This is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end adjusted for amendments to tax payable with regards to previous years.

**(g) Exploration and evaluation assets and expenditures**

Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**(h) Property, plant and equipment**

Property, plant and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate of the rehabilitation provisions, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Where an item of property, plant and equipment or mine properties comprises significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Amortization is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset.

The expected useful lives used to compute depreciation is as follows:

Computer equipment	4 years straight line basis
Field equipment	4 to 10 years straight line basis
Furniture and office equipment	4 years straight line basis
Plant	10 years declining-balance basis
Vehicles	10 years declining-balance basis

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(i) Impairment of non-financial assets**

At each reporting date the carrying amounts of the Company's property, plant and equipment and exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations for the period.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical or license basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

##### **(j) Foreign currencies**

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. The Company's foreign subsidiaries are considered extensions of the parent company. Monetary assets and liabilities are translated to Canadian dollars at the rate in effect at the reporting date. Non-monetary items are translated at historical rates. Revenue and expenses are translated at the average exchange rate for the period. The resulting gain or loss is included in the consolidated statement of operations.

##### **(k) Financial assets and liabilities**

###### **Financial assets**

###### **Initial recognition and measurement**

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and amounts receivable are measured at amortized cost.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Subsequent measurement – financial assets at amortized cost**

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

##### **Subsequent measurement – financial assets at FVPL**

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company measures its investment at FVPL.

##### **Subsequent measurement – financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

##### **Derecognition**

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

For disclosure purposes, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

##### **(l) Impairment of financial assets**

A financial asset not carried at FVPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimate future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The amount of expected credit losses (“ECL”) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognises lifetime ECLs for trade receivables. The expected credit losses on these financial assets are estimated based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

##### **(m) Decommissioning and restoration provisions**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged to 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 for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, 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. Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized costs. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

Other provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash flow and timing can be reliably estimated.

##### **(n) Revenue recognition**

Revenue is comprised of processing fees earned in operation of the mineral processing plant. Prior to revenue being recognized, the Company must have an enforceable sales contract, in accordance with customary business practices that clearly outline each party’s rights regarding the services to be provided, payment terms, etc; the contract must have economic substance; and it must be probable that the Company will ultimately receive payment. The Company determines the transaction price, which is the agreed upon contract price and allocates the transaction proceeds to the performance obligations stated in the contract.

Revenue is measured at the fair value of consideration received or receivable.

##### **(o) Income/Loss per share**

Basic income (loss) per common share is calculated by dividing the loss attributed to shareholders after adjusting for non-controlling interests, for the period by the weighted average number of common shares outstanding in the period. Diluted income (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. In the Company’s case, diluted loss per share is the same for the years ended December 31, 2020 and 2019 as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(p) Joint arrangements**

A portion of the Company's exploration activities may be conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Joint arrangement accounting is applied by the Company only when the parties have earned their respective interests and enter into formal comprehensive agreements for ownership and exploration participation.

The Company was not party to any joint ventures or joint operations during the years December 31, 2020 and 2019.

##### **(q) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues, incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company operates in one business segment, mineral processing and exploration and two geographical segments, Peru and Canada, during the years ended December 31, 2020 and 2019.

Revenues from two customers represented approximately \$677,248 (2019 – \$544,270) and \$155,529 (2019 – \$377,154) (total – \$832,777 (2019 - \$921,424) of the Company's mineral processing revenue received during the year ended December 31, 2020.

##### **(r) Inventory**

The cost of inventory, which consist of consumables and chemical reagents used in the milling process, is comprised of the cost to purchase and the costs incurred to transport the material to the Company's plant.

Provisions are recorded to reduce the carrying amount of inventory to net realizable value to reflect changes in grades, quantity or other economic factors and to reflect current intentions for the use of redundant or slow-moving items. Provisions for redundant and slow-moving items are made by reference to specific items of inventory. The Company reverses write-downs where there is subsequent increase in net realizable value and where the inventory is still on hand.

Spare parts, stand-by and servicing equipment held are generally classified as inventories. Major capital spare parts and stand-by equipment (insurance spares) are classified as a component of property, plant and equipment.

All of the inventory at December 31, 2020 and 2019 was carried at cost. Inventory in the amount of \$50,613 was recognized as an expense during the year ended December 31, 2020 (2019 - \$347,564).

#### **5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

## **5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)**

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Estimated useful lives, assets' carrying values and impairment charges  
Amortization of property, plant and equipment is dependent upon estimates of useful lives based on management's judgment. In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- Mineral reserve estimates  
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.
- Impairment of exploration and evaluation assets  
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future pre-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.
- Estimation of decommissioning and restoration costs and the timing of expenditure. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

### Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transaction and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)**

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Determination of functional currency

Functional currency is determined annually for each entity based on a set of primary and secondary factors that include; the currency that influences sales prices for goods and services; the currency of the country that determines the sales prices of goods and services; the currency that mainly influences the costs of providing goods and services; the currency in which funds from financing activities are generated; the currency in which receipts from operating activities are usually retained. When the factors do not provide clear indicators, management judgement must be applied in the determination of functional currency.

- Expected credit losses

Management must exercise judgment to estimate the expected credit losses related to various financial assets. The evaluation of the expected credit losses is established considering the specific credit risk to its counterparties, historical trends and economic conditions.

- Valuation of private investment

1. Securities in privately held companies are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3 as disclosed in Note 19.

With respect to valuation, the financial information of private companies in which the Company has an investment may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately held investment in its portfolio. In the absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates that, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
- receipt by the investee company of environmental, mining, or similar approvals, which allow the investee company to proceed with its project(s);
- filing by the investee company of a National Instrument 43-101 technical report in respect of a previously noncompliant resource;
- the investee company has positive operating results at its processing plant;
- release by the investee company of positive exploration results, which either proves or expands their resource prospects; and

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

- important positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates that increases the tax burden on companies, that prohibit mining where it was previously allowed, that increases the need for permitting or approvals, etc.;
  - denial of the investee company's application for environmental, mining, aboriginal or similar approvals that prohibit the investee company from proceeding with its projects;
  - the investee company releases negative exploration results;
  - changes to the management of the investee company take place that the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders;
  - the investee company has negative operating results at its processing plant;
  - the investee company is placed into receivership or bankruptcy; and
- based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

- Contingencies  
See Notes 2 and 21.

## 6. INVESTMENT

Pursuant to the sale of the Company's subsidiary Corongo to Mines & Metals Trading (Peru) PLC ("MMTP") (see Note9), the Company received 45,008 common shares of MMTP, representing a 3.4% interest in the private company, which it has classified as financial assets at FVPL, carried at a fair value, with an unrealized gain recognized in operations for the year ended December 31, 2020.

The Company initially valued the shares of at \$17.33 per common share in line with a financing offering of MMTP concurrent to the sale. As at December 31, 2020 the Company recognized an unrealized gain of \$1.82 per common share as MMTP completed a special warrant financing of \$19.15 per common share on December 29, 2020.

**7. PROPERTY, PLANT AND EQUIPMENT**

Cost	Office furniture and equipment	Computer equipment	Vehicles and field equipment	Plant	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2018	29,582	28,591	43,237	2,020,235	2,121,645
Additions	290	1,771	3,461	99,862	105,384
Balance at December 31, 2019	29,872	30,362	46,698	2,120,097	2,227,029
Additions	16,880	1,325	19,253	47,548	85,006
Disposals	-	-	(15,985)	(8,233)	(24,218)
Balance at December 31, 2020	46,752	31,687	49,966	2,159,412	2,287,817

Amortization and impairment	Office furniture and equipment	Computer equipment	Vehicles and field equipment	Plant	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2018	29,582	28,269	14,750	-	72,601
Additions	25	360	9,053	229,188	238,626
Balance at December 31, 2019	29,607	28,629	23,803	229,188	311,227
Additions	120	630	4,042	233,801	238,593
Disposals	-	-	(10,744)	(1,564)	(12,308)
Balance at December 31, 2020	29,727	29,259	17,101	461,425	537,512

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Plant	Total
	\$	\$	\$	\$	\$
At December 31, 2019	265	1,733	22,895	1,890,909	1,915,802
At December 31, 2020	17,025	2,428	32,865	1,697,987	1,750,305

The net book value of the Company's property, plant and equipment at December 31, 2020 by geographic location is as follows: Canada - \$Nil (December 31, 2019 - \$Nil), and Peru \$1,750,305 (December 31, 2019 - \$1,915,802).

**8. EXPLORATION AND EVALUATION PROEPERTY INTERESTS**

	December 31, 2018	Impairment Charge	December 31, 2019	December 31, 2020
	\$	\$	\$	\$
Hatum Minas Properties	582,051	(582,051)	-	-
Total Exploration Properties	582,051	(582,051)	-	-

**Palta Dorado Property, Peru**

During the year ended December 31, 2020, the Company signed a Memorandum of Understanding ("MOU") with Rio Silver Inc. ("Rio Silver") to initially establish a small-scale mining operation on the Palta Dorado Au-Ag-Cu Property ("Palta Dorado" or the "Property") located in the Ancash Mining Department in Northern Peru. The purpose of the MOU is to establish an equal profit sharing agreement between the companies on the sales of the Au-Ag-Cu concentrates. Peruvian Metals will provide space at Peruvian Metals' 80% owned Aguila Norte Processing Plant ("Aguila Norte or Plant"). At December 31, 2020, the Company and Rio Silver shared a common director.

**8. EXPLORATION AND EVALUATION PROEPERTY INTERESTS (continued)**

The MOU would eventually lead to a 50-50 ownership between Peruvian Metals and Rio Silver in a Peruvian company ("Joint Venture"). Equal ownership will occur once Peruvian Metals has equally matched Rio Silver's capital investment in the Property of US \$250,000. These capital expenditures will include permitting, property taxes, camp construction, property wide exploration and any infrastructure needed for mining. The profits on the sale of concentrates would be shared between Rio Silver and Peruvian Metals after operational expenses outlined in the MOU. Operational expenses related to mining will be shared by both companies. Operational expenses will include mining, transportation of mineral and concentrates, support staff, consumable and logistics. Peruvian Metals' 80% owned plant would also charge the Joint Venture commercial mineral processing rates as other clients and will be considered as an operational expense. Peruvian Metals' will act as the operator of the Joint Venture and be responsible to obtain the small-scale permits related to the mining.

Under the MOU, the Company must incur the capital expenditures US \$250,000 by December 31, 2021.

**Hatum Minas Properties, Peru**

As at December 31, 2020 and December 31, 2019, the Hatum Minas Properties include the Panteria porphyry copper project (the "Panteria Project"). Title to the Hatum Minas Properties is held by the Company's wholly-owned Peruvian subsidiary, Hatum Minas.

The Company holds a 100% interest in the Panteria Project. On March 11, 2016, the Company entered into an option agreement (the "Agreement") on its Panteria Project with Minera Antares Peru SAC – a wholly owned subsidiary of First Quantum Minerals Ltd. (collectively "FQM"). During the year ended December 31, 2019, the Company was advised by FQM of its decision to terminate the Agreement. For financial reporting purposes, due to the absence of sufficient verifiable information to support the existing carrying value of the Panteria Project, the Company recorded a write-down of exploration and evaluation assets of \$582,051 during the year ended December 31, 2019.

**Mansa Musa Project**

The Mansa Musa Gold Project (previously known as Minasnioc Gold Project) concessions ("Mansa Musa") are located in the Department of Huancavelica, approximately 300 kilometres southeast of Lima. Title to Mansa Musa is held by Querco.

During the year ended December 31, 2020, the Company entered into an agreement with a group of Peruvian private investors to purchase the Mansa Musa gold-silver property. The investors are supported by GEXEG SAC, a private mining consulting company based in Lima. Payments to the Company totaling US \$940,000 will be made over seven years, with a net smelter return royalty ("NSR") of up to 3 per cent payable to Peruvian Metals on all metal production. On the two main concessions, the 3-per-cent NSR royalty will be payable solely to Peruvian Metals, and, on the three surrounding concessions, 2 per cent will be paid to Franco-Nevada and 1 per cent will be paid to Peruvian Metals.

The first agreement, subject to a five-month due diligence period, is a five-year assignment agreement whereby the investors supported by GEXEG can control and develop the property without obtaining property ownership. The group will be responsible for environmental remediation and will make payments to the Company during the first three years of the assignment agreement totaling US \$400,000. The group commits to a production decision within the second year of the agreement. Once the first agreement expires, the group can enter into a second agreement to purchase 100 per cent of the property still subject to a 3-per-cent NSR royalty by making payments over two years totaling US \$525,000. GEXEG will be supporting all evaluation, exploration and development for the group of investors.

**8. EXPLORATION AND EVALUATION PROEPRTY INTERESTS (continued)**

**Cerro La Cumbre Properties, Peru**

On September 29, 2020, the Company signed a purchase option agreement to acquire the main concession of a group of concessions called Cerro La Cumbre. Under the purchase option agreement the Company is required to pay US \$200,000 over six months, with no royalties payable to the previous owner. On December 14, 2020, the purchase option agreement was amended to extend the payment schedule.

Payments under the agreement are due as follows:

Payment Due Date	Amount
September 29, 2020	US \$10,000 (paid)
February 28, 2021	US \$15,000
March 28, 2021	US \$20,000
April 28, 2021	US \$25,000
May 28, 2021	US \$30,000
July 28, 2021	US \$50,000
September 28, 2021	US \$50,000

See Exploration and Evaluation Expenditures (Note 15).

**9. SALE OF CORONGO EXPLORACIONES**

During the year ended December 31, 2020, the Company sold its subsidiary Corongo (note 6) to MMTP, an arm's length entity, for \$253,700 (US \$200,000) cash and \$779,989 in shares of MMTP (45,008 shares), a private company. for aggregate proceeds of \$1,033,689. Conrongo had nominal assets at the date of disposition.

**10. PROMISSORY NOTES AND INTEREST PAYABLE**

As at December 31, 2020, the Company had promissory notes payable outstanding of \$86,418 (December 31, 2019 - \$96,418) and interest payable of \$52,896 (December 31, 2019 - \$36,618), of which \$1,376 of principal (December 31, 2019 - \$11,376) and \$9,784 of interest payable (December 31, 2019 - \$8,814) was due to a director of the Company (See Note 11). During the year ended December 31, 2020, the Company issued additional promissory notes of \$nil (2019 - \$30,000). The promissory notes are due on demand with principal amounts of \$85,042 bearing interest at an annual rate of 18% and principal amounts \$1,376 bearing interest at an annual rate of 10%.

**11. RELATED PARTY TRANSACTIONS**

Related parties include officers of the Company, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including the directors of the Company. The remuneration of key management personnel of the Company for the years ended December 31, 2020 and 2019 were as follows:

	Years Ended December 31,	
	2020	2019
	\$	\$
Aggregate compensation	<u>159,600</u>	<u>335,000</u>

See Note 21.

**11. RELATED PARTY TRANSACTIONS (continued)**

As at December 31, 2020, a balance of \$281,753 (2019 - \$431,942) was due to certain officers and directors of the Company. Of this amount \$11,161 (2019 - \$20,190) relates to outstanding promissory notes and interest (See Note 10); and \$270,592 (2019 - \$412,131) relates to unpaid compensation. Amounts payable are unsecured, non-interest bearing and due on demand.

A total of 1,400,000 stock options were granted to officers and directors under the Company's stock option plan during the year ended December 31, 2020 (2019 – 2,400,000).

Certain directors and officers of the Company subscribed for 1,676,000 units in connection with the Offering as disclosed in Note 13 (a)(i).

During the year ended December 31, 2019 the Company repaid a total of \$88,347 of promissory note principal and interest to related parties of the Company, and issued promissory notes of \$30,000 to related parties. (see Note 10)

**12. ASSET RETIREMENT AND RECLAMATION OBLIGATIONS**

The Company's operations are governed by laws and regulations covering the protection of the environment. The Company will implement progressive measures for rehabilitation work to be carried out during the operation, closing and follow-up work upon closing of the Aguila Norte processing plant; consequently, the Company accounted for its asset retirement obligations for the plant using best estimates of future costs, based on information available at the reporting date. These estimates are subject to change following modifications to laws and regulations or as new information becomes available.

The Company received its final environmental permit for the Aguila Norte Plant in February 2018 and set up a provision for the asset retirement and reclamation obligations. As at December 31, 2020, the estimated undiscounted cash flow required to settle the asset retirement obligation for Aguila Norte Plant and its related tailings pond is \$270,000 and is projected to be disbursed no earlier than 2024 (2019 – 2023) . A 5% (2019 – 5%) discount rate and 2% (2019 – 2%) inflation rate were used to evaluate this provision.

	\$
Balance, December 31, 2018	164,600
Adjustment	62,813
Accretion	8,232
Balance, December 31, 2019	235,645
Accretion	11,780
Balance, December 31, 2020	247,425

**13. CAPITAL STOCK AND WARRANT RESERVE**

**a) Authorized, Issued and Outstanding shares**

Authorized - unlimited number of common shares with no par value,  
 - 100,000,000 preferred shares with no par value

	Common Shares #	Amount \$
Balance, December 31, 2018	79,578,697	52,052,772
Issued for settlement of debt	4,713,824	235,691
Share issuance costs	-	(1,543)
Exercise of stock options	1,400,000	70,000
Allocation from share-based payment reserve	-	44,942
Balance, December 31, 2019	85,692,521	52,401,862
Issued in private placement	5,000,000	250,000
Allocation to warrant reserve	-	(50,000)
Share issuance costs	-	(3,280)
Exercise of stock options	2,950,000	147,500
Allocation from share-based payment reserve	-	62,904
Balance, December 31, 2020	93,642,521	52,808,986

A summary of common shares outstanding as at December 31, 2020 and December 31, 2019 and changes during the periods then ended are presented below:

- (i) On October 30, 2020, the Company completed a non-brokered private placement financing (the "Offering"). In total the Offering consisted of 5,000,000 units for aggregate gross proceeds to the Company of \$250,000. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share at an exercise price of \$0.10 for a period of two years issuance. (see Note 11)
- (ii) During the year ended December 31, 2020, a total of 2,950,000 stock options were exercised at \$0.05 per share for proceeds of \$147,500.
- (iii) On September 20, 2019, the Company issued 4,713,824 common shares on settlement of debt amounting to \$235,691. A total of 631,888 of the foregoing common shares were issued to officers and directors of the Company for an aggregate settlement of \$210,691.
- (iv) During the year ended December 31, 2019, a total of 1,400,000 stock options were exercised at \$0.05 per share for proceeds of \$70,000.

**b) Share Purchase Warrants**

A summary of warrants outstanding as at December 31, 2020 and December 31, 2019 and changes during the periods then ended are presented below:

	Warrants #	Amount \$	Weighted average exercise price \$
Balance, December 31, 2018	18,607,400	199,328	0.10
Expired	(1,000,000)	(24,795)	0.075
Balance, December 31, 2019	17,607,400	174,533	0.10
Issued in private placements (ii)	5,000,000	500,000	0.10
Expired	(17,607,400)	(174,533)	0.075
Balance, December 31, 2020	5,000,000	500,000	0.10

**13. CAPITAL STOCK AND WARRANT RESERVE (continued)**

- (i) As a result of the Offering the Company issued 5,000,000 common share purchase warrants (valued at \$50,000) with an exercise price of \$0.10. The fair value of the common share purchase warrants issued in the Offering was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0%, expected volatility 98.89%, risk free interest rate of 0.24%, expected life of two years, and a share price of \$0.04. Volatility is based on the historical trading activity of the Company's shares.
- (ii) The following warrants are outstanding as at December 31, 2020:

Expiry date	Number of warrants outstanding #	Exercise price \$	Weighted average remaining contractual life (years)
September 10, 2022	2,100,000	0.10	1.95
October 5, 2022	1,600,000	0.10	1.76
October 30, 2022	1,300,000	0.10	1.83
	<u>5,000,000</u>		<u>1.86</u>

**14. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN**

The Company has adopted a share option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of share options shall not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the Plan expires or terminates for any reason in accordance with the terms of the Plan without being exercised, that option shall again be available for the purpose of the Plan. In addition, the exercise price of options granted under the Plan shall not be lower than the exercise price permitted by the TSXVE, and all options granted under the plan will have a term not to exceed five years after issuance. All options currently issued and outstanding vested 100% on the date of grant.

A summary of the status of the Plan as at December 31, 2020 and December 31, 2019, and changes during the periods ended on those dates are presented below:

	Number of options #	Weighted average exercise price \$
Balance, December 31, 2018	3,475,000	0.06
Issued	3,300,000	0.05
Exercised	(1,400,000)	0.05
Expired/terminated	(1,000,000)	0.05
Balance, December 31, 2019	4,375,000	0.06
Issued	2,350,000	0.05
Exercised*	(2,950,000)	0.05 *
Expired/terminated	(800,000)	0.05
Balance, December 31, 2020	<u>2,975,000</u>	<u>0.06</u>

\* The weighted average share price, at the date of exercise of options was \$0.04.

**14. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN (continued)**

As at December 31, 2020, the Company had outstanding share options issued to directors, officers, employees and consultants of the Company as follows:

Date of Grant	Options outstanding #	Options vested #	Exercise price \$	Expiry date
December 29, 2020	1,500,000	1,500,000	0.05	December 29, 2022
February 12, 2020	350,000	350,000	0.05	February 12, 2022
June 27, 2019	400,000	400,000	0.05	June 27, 2021
April 27, 2017	625,000	625,000	0.10	April 27, 2022
June 28, 2017	100,000	100,000	0.10	June 28, 2022
	<u>2,975,000</u>	<u>2,975,000</u>		

The weighted average remaining contractual life of options issued and outstanding as at December 31, 2020 was 1.53 years (December 31, 2019 – 1.33 years).

The grant date fair value of the options granted was estimated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	<u>2020</u>	<u>2019</u>
Risk-free interest rate	0.21% - 1.5%	1.5%
Expected life (years)	2	1 - 2
Expected volatility	140% - 155%	96% - 107%
Expected rate of forfeiture	nil	nil
Expected dividend yield	nil	nil
Share price	\$0.05	\$0.05

Volatility is based on the historical trading activity of the Company's shares.

**15. EXPLORATION AND EVALUATION EXPENDITURES**

During the years ended December 31, 2020, the Company had net exploration and evaluation expenditures of \$205,523 (2019 – \$134,200).

**Palta Dorado Project**

The Company signed a MOU with Rio Silver (note 8) to initially establish a small-scale mining operation on the Palta Dorado Au-Ag-Cu Property located in the Ancash Mining Department in Northern Peru. The MOU would eventually lead to a 50-50 ownership between Peruvian Metals and Rio Silver in a Joint Venture. Equal ownership will occur once Peruvian Metals has equally matched Rio Silver's capital investment in the Property of US \$250,000.

**Panteria Project**

The Company holds a 100% interest in the Panteria Project located in south central Peru. Title to the concessions comprising this project is held by Hatun Minas. On March 11, 2016, the Company entered into an option agreement (the "Agreement") on its Panteria Project with Minera Antares Peru SAC – a wholly owned subsidiary of First Quantum Minerals Ltd. (collectively "FQM"). During the year ended December 31, 2019, the Company was advised by FQM of its decision to terminate the Agreement.

See Exploration and Evaluation Property Interests (Note 8).

**16. LOSS PER SHARE**

**a) Basic**

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares in issue during the year

	Years ended December 31,	
	<b>2020</b>	2019
Net Income (loss) for the period	\$ 444,453	\$ (1,281,193)
Weighted average number of common shares outstanding	<b>88,683,368</b>	81,793,140
Income (loss) per share	\$ 0.01	\$ (0.02)

**b) Diluted**

Diluted income (loss) per common share is equal to the basic income (loss) per common share for the years ended December 31, 2020 and 2019 as all of the stock options and warrants outstanding are anti-dilutive.

**17. PLANT OPERATING EXPENSES**

	Years ended December 31,	
	<b>2020</b>	2019
	\$	\$
Processing costs	<b>266,734</b>	467,236
Amortization	<b>233,801</b>	229,188
Salaries and management fees	<b>207,789</b>	236,686
Office and general	<b>46,119</b>	160,308
Geological and laboratory	-	61,481
Security	<b>24,832</b>	28,342
Professional fees	<b>82,561</b>	65,569
Rent and utilities	<b>5,846</b>	27,996
Vehicles and equipment rentals	<b>24,064</b>	35,251
	<b>891,746</b>	1,312,057

**18. GENERAL AND ADMINISTRATIVE**

	Years ended December 31,	
	<b>2020</b>	2019
	\$	\$
Management and consulting fees	<b>110,603</b>	235,673
Share based payments	<b>83,475</b>	73,286
Accounting and administration	<b>41,148</b>	30,133
Shareholder relations and filing fees	<b>74,495</b>	65,121
Professional fees	<b>83,830</b>	125,386
Travel	<b>22,860</b>	46,529
Insurance	<b>15,400</b>	17,635
Rent	<b>20,500</b>	18,800
Telephone and communication	<b>1,876</b>	2,140
	<b>454,187</b>	614,703

## 19. FINANCIAL RISK FACTORS

The Company may be exposed to risks of varying degrees of significance that could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below. There have been no significant changes in the risks, objectives, policies and procedures from the previous period.

### a) Credit risk management

Credit risk relating to cash and amounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and receivables. The Company applies the simplified approach to providing for expected credit losses ("ECL") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables. The provision for ECL at December 31, 2020 and December 31, 2019 was \$Nil.

### b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Cash includes cash on hand and balances with banks. The deposits are held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank.

As of December 31, 2020, the Company had a cash balance of \$169,957 (2019 - \$48,848) to settle current liabilities of \$1,218,902 (2019 - \$1,439,649). The Company's other current assets consist of amounts receivable of \$107,822 (2019 - \$136,676), prepaid expenses and advances of \$2,279 (2019 - \$13,294) and inventory of \$25,185 (2019 - \$45,910).

### c) Market risk

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future mining operations in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control.

The Company is exposed to the price risk associated with the change in the market value of its investment. The Company closely monitors equity prices to determine the appropriate course of action to take. A 1% change in the market price of the investment would result in a \$8,600 change to the Company's net income for the year ended December 31, 2020.

### d) Foreign exchange risk

The Company's financings are in Canadian dollars. Certain of the Company's transactions with its subsidiaries are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates.

As at December 31, 2020, the Company had cash balances of \$76,946 (US \$63,572) (2019 - \$4,603 (US \$3,544)) in U.S. dollars, and \$48,099 (S/. 130,279) (2019 - \$29,746 (S/. 75,902)) in Peruvian New Sol ("PNS"); amounts receivable of \$92,948 (S/.264,359) (2019 - \$111,838 (S/.285,373) in PNS, and accounts payable of \$404,914 (S/.1,151,630) (2019 - \$527,069 (S/.1,344,907)) in PNS.

## 19. FINANCIAL RISK FACTORS (continued)

Sensitivity to a plus or minus 5% change in the foreign exchange rate would have affected the net loss by approximately \$9,362 for the period ended December 31, 2020 based on the net foreign currency monetary assets as at December 31, 2020.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposure associated with the Company's foreign currency-denominated cash balances.

The Company utilizes foreign exchange forward contracts to manage foreign exchange risks from time to time, at the determination of management.

### e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's cash balances earn interest at fixed rates over the next three to twelve months. It is management's opinion that the Company is not exposed to significant interest rate risk.

A sensitivity analysis has determined that an interest rate fluctuation of 1% would not have resulted in significant fluctuation in the interest expense during the period ended December 31, 2020.

### f) Fair value of financial assets and liabilities

The carrying values of the cash, amounts receivable, accounts payable and accrued liabilities, promissory notes and interest payable and due to related parties approximate their respective fair values due to the short-term nature of these instruments.

The fair value of the investment is determined based on Level 3 inputs that are not based in observable market data, such as private equity financings (note 6). There were no transfers in or out of the Level 3 fair value hierarchy during the years ended December 31, 2020 and 2019.

## 20. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity which at December 31, 2020 was \$1,451,124 (2019 - \$485,236). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operation activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to fund operations at the Aguila Norte Plant, pursue the exploration of its mineral properties, and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2020 and December 31, 2019, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis. There were no significant changes in the Company's approach to capital management during the years ended December 31, 2020 and December 31, 2019. The Company and its subsidiaries are not subject to externally imposed capital requirements other than Policy 2.5 of the TSXVE, which requires adequate working capital or financial resources to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2020, the Company may not be compliant with Policy 2.5 of the TSXVE. The impact of this violation is not known and is ultimately dependent on the direction of the TSXVE.

## 21. COMMITMENTS AND CONTINGENCIES

### Lease agreements

The Company's subsidiary, Madosac, has annual office rental obligations of US\$12,000 (\$15,278) due during the year ending December 31, 2021.

### Management compensation

The Company has agreed to pay management compensation of total minimum annual payments of \$150,000.

### Environmental matters

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### Legal proceedings

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2020 and December 31, 2019, no amounts have been accrued related to such matters.

## 22. INCOME TAXES

### a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2019 - 26.5%) were as follows:

	2020 \$	2019 \$
Income (Loss) before income taxes	488,192	(1,139,485)
Expected income tax (recovery) based on statutory rate	129,000	(302,000)
Adjustments:		
Share-based payments	22,000	19,000
Expenses not deductible for tax purposes	2,000	3,000
Other	(161,000)	328,156
Foreign exchange	-	(12,000)
Tax benefits not recognized	8,000	31,000
Income tax (recovery)	-	67,156

**22. INCOME TAXES (continued)**

**b) Deferred Income Tax**

Unrecognized Deferred Tax Assets

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2020 \$	2019 \$
Non-capital loss carry-forwards - Canada	17,099,000	17,324,000
Non-capital loss carry-forwards - Peru	11,267,000	11,515,000
Share issue costs - Canada	17,000	28,000
Exploration and evaluation assets - Canada	4,996,000	4,996,000
Marketable securities - Canada	(63,000)	-
Other - Canada	131,000	131,000
Other - Peru	-	-
<b>Total</b>	<b>33,447,000</b>	<b>33,994,000</b>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

**c) Tax Loss Carry- Forwards**

As at December 31, 2020, the Company had resources pools of approximately \$4,996,000 in Canada, which under certain circumstances, may be utilized to reduce taxable income of future years. The Company has approximately \$17,099,000 of non-capital losses in Canada and approximately S/. 29,326,000 (\$11,267,000) of non-capital losses in Peru, which can be used to reduce taxable income in future years.

The Canadian non-capital losses expire over the period 2026 to 2040. Of the Peruvian non-capital losses, S/. 6,600,000 (\$2,500,000) expire over the period 2021 to 2024, with the balance carrying forward indefinitely.

**23. SUBSEQUENT EVENTS**

Subsequent to December 31, 2020, a total of 325,000 stock options were exercised for gross proceeds to the Company of \$28,750.

Subsequent to December 31, 2020, a total of 1,226,000 warrants were exercised for gross proceeds to the Company of \$122,600.