KOOTENAY
SILVER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended

December 31, 2020

and

December 31, 2019

(Expressed in Canadian dollars)

Management's Responsibility

To the Shareholders of Kootenay Silver Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of Kootenay Silver Inc. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Kootenay Silver Inc.'s external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 30, 2021

"James McDonald"
James McDonald
Chief Executive Officer

"Rajwant Kang"
Rajwant Kang
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Kootenay Silver Inc.:

Opinion

We have audited the consolidated financial statements of Kootenay Silver Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 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.

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 December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 audits 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 audits 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 on this other information, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Ronald D. Miller.

Vancouver, British Columbia

MNP LLP

April 30, 2021

Chartered Professional Accountants

MNP LLP

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CONSOLIDATED FINANCIAL STATEMENTS

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Exhibit 1

		December 31, 2020		December 31, 2019
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**10,439,643**	$	8,710,501
Receivables and advances (Note 10, 12)		**1,614,370**		1,012,291
Prepaid expenses		**74,437**		70,341
Marketable securities (Note 5)		**900,907**		570,197
		13,029,357		10,363,330
Non-current assets:				
Fixed assets (Note 6)		**991,020**		1,047,010
Exploration advances and deposits		**89,136**		82,384
Exploration and evaluation assets (Note 7)		**80,293,610**		75,651,669
Total assets	**$**	**94,403,123**	$	87,144,393
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities (Note 12)	**$**	**366,933**	$	367,945
		366,933		367,945
Shareholders' equity:				
Share capital (Note 9)		**102,134,940**		92,511,070
Reserves (Note 9)		**37,339,396**		36,536,369
Accumulated other comprehensive loss (Exhibit 4)		**3,330,015**		4,463,425
Deficit		**(48,768,161)**		(46,734,416)
Total shareholders' equity		**94,036,190**		86,776,448
Total liabilities and shareholders' equity	**$**	**94,403,123**	$	87,144,393

Nature of Operations (Note 1)
Commitments (Note 14)
Subsequent events (Note 18)

Approved on Behalf of the Board:

"Jon Morda"	*"James McDonald"*
Director	Director

- See Accompanying Notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF LOSS

Exhibit 2

	Year ended December 31,	
	2020	2019
General and administrative expenses		
Office and general (Note 12)	**$ 1,081,151**	$ 1,291,171
Option based compensation (Note 9)	**114,521**	285,161
Professional fees	**502,989**	388,061
Management fees (Note 12)	**193,000**	232,000
Rent	**82,496**	81,601
Regulatory and filing fees	**52,975**	52,997
Depreciation (Note 6)	**42,562**	43,815
Loss before exploration and other Items	**2,069,694**	2,374,806
Exploration		
Mineral property investigation (Note 7)	**167,824**	182,822
Impairment of mineral property (Note 7)	**-**	10,595
	167,824	193,417
Other Items		
Foreign exchange (gain)/loss	**(108,786)**	64,767
Administration income	**-**	(14,577)
Gain on sale of mineral property options	**-**	(212,363)
Gain on sale of marketable securities	**-**	(16,154)
IVA recovery	**-**	(187,791)
Finance income	**(94,987)**	(202,897)
	(203,773)	(569,015)
Loss for the year	**2,033,745**	1,999,208
Basic and diluted loss per share (Note 9)	$ **(0.007)**	$ (0.008)
Weighted average number of shares outstanding	**291,265,510**	250,280,869

\- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Exhibit 3

	Year ended December 31,	
	2020	2019
Loss for the year	**$ 2,033,745**	$ 1,999,208
Other comprehensive loss		
Fair value changes to marketable securities arising during the year	**(330,710)**	31,593
Foreign currency translation differences of foreign operations	**1,464,120**	1,271,611
Total other comprehensive loss	**1,113,410**	1,303,204
Comprehensive loss for the year	**$ 3,167,155**	$ 3,302,412

- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Exhibit 4

	Number of Shares		Capital Stock		Reserves		Accumulated Other Comprehensive Income (Loss)		Deficit		Total Equity
Balance, December 31, 2018	195,221,856	$	83,828,787	$	30,983,233	$	5,766,629	$	(44,735,208)		75,843,441
Shares issued, net of issuance costs	90,501,819		8,533,240		5,120,405		-		-		13,653,645
Acquisition of mineral properties	277,000		34,755		-		-		-		34,755
Option based compensation	-		-		475,269		-		-		475,269
Exercise of share purchase options	512,500		114,288		(42,538)		-		-		71,750
Fair value changes to marketable securities arising during the year	-		-		-		(31,593)		-		(31,593)
Foreign currency translation differences of foreign operations	-		-		-		(1,271,611)		-		(1,271,611)
Loss for the year	-		-		-		-		(1,999,208)		(1,999,208)
Balance, Dember 31, 2019	**286,513,175**		**92,511,070**	**$**	**36,536,369**	**$**	**4,463,425**	**$**	**(46,734,416)**	**$**	**86,776,448**
Balance, December 31, 2019	286,513,175	$	92,511,070	$	36,536,369	$	4,463,425	$	(46,734,416)	$	86,776,448
Shares issued, net of issuance costs	17,500,000		4,618,042		1,801,292		-		-		6,419,334
Acquisition of mineral properties	50,000		17,250		-		-		-		17,250
Option based compensation	-		-		190,868		-		-		190,868
Exercise of share purchase options	1,062,500		238,113		(73,662)		-		-		164,451
Exercise of share purchase warrants	13,409,150		4,750,465		(1,115,470)		-		-		3,634,995
Fair value changes to marketable securities arising during the year	-		-		-		330,710		-		330,710
Foreign currency translation differences of foreign operations	-		-		-		(1,464,120)		-		(1,464,120)
Loss for the year	-		-		-		-		(2,033,745)		(2,033,745)
Balance, December 31, 2020	**318,534,825**	**$**	**102,134,940**	**$**	**37,339,396**	**$**	**3,330,015**	**$**	**(48,768,161)**	**$**	**94,036,190**

\- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Exhibit 5

		Year ended December 31,		
		2020		2019
Cash flows from operating activities				
Loss for the year	$	**(2,033,745)**	$	(1,999,208)
Add items not involving cash:				
Option based compensation		**114,521**		285,161
Gain from marketable securities		**-**		(16,154)
Impairment of equipment		**-**		(138)
Depreciation		**42,562**		43,815
		(1,876,662)		(1,686,524)
Changes in non-cash working capital balances:				
Receivable and advances		**(775,950)**		154,414
Prepaid expenses		**1,666**		(18,222)
Accounts payable and accrued liabilities		**(62,365)**		(144,169)
		(2,640,706)		(1,694,501)
Cash flows from financing activities				
Proceeds from private placement		**6,419,333**		13,725,395
Exercise of options		**164,451**		
Exercise of warrants		**3,634,995**		
		10,218,779		13,725,395
Cash flows from investing activities				
Investment in exploration and evaluation assets		**(5,650,785)**		(4,389,344)
Investment in equipment		**(9,844)**		(89,388)
Proceeds from the sale of marketable securities		**-**		54,979
JV exploration advance		**(6,752)**		(238,817)
		(5,739,986)		(4,662,570)
Effect of foreign exchange rate changes on cash		**(108,946)**		(226,068)
Net change in cash and cash equivalents during the year		**1,729,142**		7,142,256
Cash and cash equivalents, beginning of the year		**8,710,501**		1,568,245
Cash and cash equivalents, end of the year	$	**10,439,643**	$	8,710,501

Supplemental disclosure of cash and non-cash activities (Note 11)

- see accompanying notes -

1 Nature of Operations and Going Concern

Kootenay Silver Inc. and its wholly owned subsidiaries (the "Company") is a Canadian exploration stage Company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company's registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. The Company is currently listed on the TSX Venture Exchange ("TSX-V") under the symbol "KTN".

The Company is focused on acquiring and exploring mineral properties principally located in North America, with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2 Basis of Presentation:

Statement of Compliance

These consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Audit Committee of the Company as authorized by the Board of Directors on April 30, 2021.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company and its wholly owned subsidiaries, Northair Silver Corp and Kootenay Resources Inc. The functional currency of wholly owned subsidiaries of the Company, Minera JM S.A. de C.V., Grupo Northair de Mexico S.A. de C.V. and Kootenay Gold (US) Corp., is the US dollar and for Servicios de Exploraciones Sonora, S.A. de C.V., is the Mexican Peso.

Assets and liabilities of the subsidiaries with a functional currency in US dollars and Mexican pesos are translated at the period-end exchange rates, and the results of its operations are translated at average exchange rates for the period. The resulting translation adjustments are recorded in accumulated other comprehensive loss (income) in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive loss.

3 Significant Accounting Policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The significant accounting policies adopted by the Company are as follows:

Basis of measurement

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Kootenay Resources Inc., Northair Silver Corp., both of which are incorporated in Canada, Minera JM S.A. de C.V., Servicios de Exploraciones Sonora, S.A. de C.V. and Grupo Northair de Mexico S.A. de C.V. all of which are incorporated in Mexico and Kootenay Gold (US) Corp., a company incorporated in the US. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated in full upon consolidation.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and revenues and expenses for the year. By their nature, these estimates and judgments are subject to uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

(i) Exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

(ii) Decommissioning liabilities

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation on an ongoing basis. Significant estimates and assumptions are made in determining the provision for site reclamation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The Company holds reclamation bonds with the Ministry of Mines for Canadian exploration properties

3 Significant Accounting Policies (continued):

Critical accounting estimates and judgements (continued)

(iii) Share-based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Black-Scholes model on the date of the grant based on certain assumptions. Those assumptions are described in Note 9 and include, among others, expected volatility, expected life of the options and number of options expected to vest. Where vesting conditions exist for share options, the Board reviews progress against those vesting conditions annually and reviews the estimated date of the financial close of project, which will impact the consolidated financial statements. In the event that milestone conditions are not met, it is anticipated that certain options will lapse.

(iv) Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

Significant judgments used in the preparation of these consolidated financial statements include, but are not limited to the:

(i) Going concern assumption

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments, management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include forecasted capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions.

(ii) Investment in associate

The Company uses judgment in its assessment of whether the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, including but not limited to, the ability to exercise significant influence through board representation, material transactions with the investee, provision of technical information, and the interchange of managerial personnel. Whether an investment is classified as an investment in associate can have a significant impact on the entries made on and after acquisition.

(iii) Determination of functional currency

The determination of the Company's functional currency is a matter of judgment based on an assessment of the specific facts and circumstances relevant to determining the primary economic environment of each individual subsidiaries within the group. The Company reconsiders the functional currencies used when there is a change in events or conditions considered in determining the primary economic environment of each subsidiary.

3 Significant Accounting Policies (continued):

Foreign currency transactions

Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

At the end of each reporting period, the Company translates foreign currency transactions on each subsidiary as follows:

- Monetary items are translated at the closing rate in effect at the date of the statement of financial position;
- Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured;
- Income statement items are translated using the average exchange rate during the period (as this is considered a reasonable approximation to actual rates);
- All resulting foreign exchange gains or losses are recognized in statements of loss and comprehensive loss as foreign exchange gain and loss.

Cash and cash equivalents

Cash is comprised of cash on hand. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Mineral property interests

Mineral properties correspond to acquired interests in mining exploration claim tenures and concessions, which include the right to explore, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development costs according to the nature of the assets. The amounts shown for mineral properties do not necessarily represent present or future values. The recoverability of mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits necessary to complete the development and future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title that are not in the public domain or the title registry office and/or may be affected by undetected defects.

3 Significant Accounting Policies (continued):

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. Depreciation is recognized using the declining balance method at the following annual rates:

Office furniture	20%
Computer equipment	30%
Exploration equipment	30%
Vehicles	30%

For leasehold improvements, the Company recognizes depreciation using the straight-line method over the term of the lease. In the year of acquisition, the rate is one-half of the above.

The Company does not record depreciation on land as it has an unlimited useful life.

At each statement of financial position date, the Company assesses whether there is any indication that any property, plant and equipment are impaired. An impairment is recognized if the recoverable amount, determined as the higher of an asset's fair value less cost of disposal and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

Investments in Associates

Associates are entities over which the Company has significant influence, but not control, on financial and operating decisions. Significant influence is assumed if the Company has a 20% to 50% shareholding and voting rights in the entity unless qualitative factors indicate otherwise. Similarly, significant influence is assumed not to exist if the Company has less than a 20% shareholding or voting rights in the entity, unless qualitative factors indicate otherwise.

Entities over which the Company has significant influence are accounted for by the equity method. The investment is initially recognized at cost. The carrying value of the investment is subsequently adjusted to recognize the Company's share of profits and losses of the associate after the date of acquisition or when significant influence begins. The Company's share of profits and losses is recognized in the consolidated statement of operations and its share of other comprehensive income or loss of the associate is included in the consolidated statement of comprehensive loss.

Unrealized gains or losses between the Company and the associate upon transfer of assets are eliminated according to equity interest in the associate unless there is evidence of impairment to the asset transferred. Dilution gains or losses arising from changes in the Company's equity interest in the associate are recognized in the consolidated statement of operations and comprehensive loss.

The amounts included in the financial statements of the associate are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

At the end of each reporting period, the Company will review the investment to determine of there is any objective evidence that the investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the associate is written down to its estimated recoverable amount and recognized in the consolidated statement of operations and comprehensive loss.

3 Significant Accounting Policies *(continued)***:**

Decommissioning liabilities

The Company recognizes the present value of estimated costs of legal and constructive obligations for decommissioning liabilities in the year in which it is incurred or when there is a legal or constructive obligation. The fair value of asset retirement obligation is recorded as a liability and a corresponding increase in mineral properties. Changes in the liability for decommissioning liabilities due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statements of loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. Actual costs incurred upon settlement are charged against the decommissioning liabilities. Any difference between the actual costs and the recorded liability is recognized as a gain or loss in the statements of loss in the year in which the settlement occurs. Estimated future site restoration costs for the Company's mineral property interests are considered not significant for the years ended December 31, 2020 and 2019.

Marketable securities

Marketable securities are recorded at market value by reference to published price quotations in an active market. Changes to the fair value of marketable securities are recorded in other comprehensive loss (income) in each reporting period. Realized gain or loss on the disposal of marketable securities is recognized in the statement of income or loss for each reporting period.

Impairment

i) Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the 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 recognizes in the consolidated statements loss, as an impairment gain or loss for 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.

ii) Non-financial assets

The carrying amounts of mineral properties are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have / will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered, and exploration and evaluation activities will be discontinued; or
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the mineral properties' recoverable amount is estimated.

3 Significant Accounting Policies *(continued)*:

Impairment (continued):

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the group for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Share capital

Common shares are classified as equity. The Company records proceeds from share issuances net of share issuance costs. Share capital issued as non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

Income (loss) per share

Basic income (loss) per share is calculated by dividing the income (or loss) attributable to the common shareholders of the Company divided by the weighted average number of common shares outstanding during the year. The diluted income per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

The calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Warrants

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, the residual value being allocated to shares.

3 Significant Accounting Policies *(continued)***:**

Share-based payments

The grant date fair value of share-based payment awards granted to employees, officers, consultants and directors is recognized as a share-based payment expense, with a corresponding increase in reserves, over the period during which the employees, officers, consultants and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Comprehensive income (loss)

Other comprehensive income (loss) represents the change in net shareholders' equity for the year that arises from fair value changes to financial assets classified as FVOCI and foreign currency translation adjustments on foreign subsidiaries. Amounts included in other comprehensive income are shown net of tax. Cumulative changes in other comprehensive income are included in accumulated other comprehensive loss which is presented as a separate category in shareholders' equity.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. 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.

3 Significant Accounting Policies *(continued)***:**

Financial instruments

Financial assets and financial liabilities are recognized in the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred. Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cashflows, and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Financial assets that meet the following conditions are measured at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model who objective is achieved by both collection contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(Expressed in Canadian dollars)

3 Significant Accounting Policies *(continued)***:**

Financial instruments (continued)

Under IFRS 9, the Company classifies its financial instruments as follows:

Cash and cash equivalents	Fair value through profit and loss
Marketable securities	Fair value through other comprehensive income
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Results of all operating segments' are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company manages its business on the basis of one reportable segment under two geographic regions, being Canada and Mexico.

Current and future accounting standards

There are no new and amended standards that are applicable to the business of the Company.

4 Termination Benefit Liability:

On April 21, 2016, the Company completed the acquisition of all the outstanding common shares of Northair Silver Corp. The Company expensed $674,688 for the allowance of termination benefits related to certain individuals under management consulting contracts with Northair. Such agreements did not meet the criteria of capitalization as they were deemed post-combination services and were expensed upon completion of the acquisition. The final instalment of the termination benefit was paid in May 2019.

5 Marketable Securities:

As at December 31, 2020, the fair value of marketable securities held was $900,907 (2019 – $570,197). These relate to investments in publicly traded companies which have issued to the Company common shares in consideration of various property earn-in option agreements. During the year ended December 31, 2020, the Company recorded in other comprehensive loss, a gain of $330,710 (2019 – a loss of $31,593) for fair value adjustments to marketable securities.

(Expressed in Canadian dollars)

6 Fixed Assets:

	Vehicle	Office Equipment	Computer Equipment	Leasehold	Land	Total
Cost						
Balance December 31, 2018	$ 309,693	$ 66,485	$ 310,607	$ 60,321	$ 803,304	$ 1,550,410
Addition	78,184	-	32,876	-	-	111,060
Disposal	-	-	(10,000)	-	-	(10,000)
Effect of foreign exchange	(4,052)	-	(48,391)	-	-	(52,443)
Balance December 31, 2019	383,825	66,485	285,093	60,321	803,304	1,599,028
Addition	-	-	64,508	-	-	64,508
Effect of foreign exchange	(69,477)	(1,281)	(32,409)	-	-	(103,167)
Balance December 31, 2020	**$ 314,348**	**$ 65,204**	**$ 317,192**	**$ 60,321**	**$ 803,304**	**$ 1,560,369**
Accumulated Depreciation						
Balance December 31, 2018	$ 260,310	$ 57,003	$ 168,391	$ 60,321	$ -	$ 546,025
Depreciation for the year	24,815	4,455	14,546	-	-	43,815
Disposal	-	(4,297)	(7,599)	-	-	(11,896)
Effect of foreign exchange	(18,200)	-	(7,727)	-	-	(25,927)
Balance December 31, 2019	266,925	57,161	167,610	60,321	-	552,017
Depreciation for the year	28,607	3,177	61,302	-	-	93,086
Effect of foreign exchange	(70,966)	(1,649)	(3,139)	-	-	(75,754)
Balance December 31, 2020	**$ 224,566**	**$ 58,689**	**$ 225,773**	**$ 60,321**	$ -	**$ 569,349**
Carrying value December 31, 2019	$ 116,900	$ 9,324	$ 117,482	$ -	$ 803,304	$ 1,047,010
Carrying value December 31, 2020	**$ 89,782**	**$ 6,515**	**$ 91,419**	**$ -**	**$ 803,304**	**$ 991,020**

(Expressed in Canadian dollars)

7 Exploration and evaluation assets:

	MEXICO								CANADA					
	Promontorio	La Cigarra	Columba	Copalito	Generative Anomalies	Cervantes*	San Diego	Mexico Total	Nechako Region	Silver Fox	Other	Canada Total	2020 Total	2019 Total
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Acquisition Costs														
Balance, beginning	3,658,642	30,548,524	136,940	127,625	677,222	-	148,868	**35,297,821**	168,380	59,250	1,612,856	**1,840,486**	**37,138,307**	36,515,282
Reclassification	-	-	-	-	-	-	-	-	311,418	-	- 311,418	-		-
Incurred	-	-	195,871	212,204	-	-	-	**408,075**	-	-	87,127	**87,127**	495,202	623,025
Balance, ending	**3,658,642**	**30,548,524**	**332,811**	**339,829**	**677,222**	-	**148,868**	35,705,896	**479,798**	**59,250**	**1,388,565**	**1,927,613**	**37,633,509**	37,138,307
Exploration Expenditures														
Balance, beginning	32,161,334	5,110,401	2,561,014	250,014	6,938,611	244,394	315,309	**47,581,077**	676,482	1,962,937	6,846,326	**9,485,745**	**57,066,822**	53,202,619
Reclassification	-	-	-	-	-	-	-	-	626,473	- 13,056	- 613,417	-	-	-
Assaying and Lab	-	-	29,705	192,378	-	-	-	**222,083**	870	-	12,977	**13,847**	**235,930**	128,387
Camp Costs	43,998	-	75,000	-	-	-	-	**118,998**	-	-	-	-	**118,998**	637,090
Drafting	2,730	-	-	-	-	-	-	**2,730**	5,936	-	40,014	**45,950**	**48,680**	45,048
Drilling	-	-	1,529,102	635,080	-	-	-	**2,164,182**	-	-	900	**900**	**2,165,082**	1,387,308
Geological mapping	-	74,651	6,783	2,063	-	-	-	**83,497**	203	-	6,263	**6,466**	**89,963**	55,612
Geophysics	-	6,598	-	-	-	-	-	**6,598**	-	-	31,927	**31,927**	**38,525**	121,268
Maintenance	113,426	129,668	30,557	12,732	17,486	16,341	-	**320,210**	25,654	-	15,713	**41,367**	**361,577**	110,202
Miscellaneous	13,192	-	-	-	33,022	-	-	**46,214**	18,811	-	182	**18,993**	**65,207**	32,891
Geological Consulting and Prospecting	6,854	165,433	895,391	403,949	5,230	170	-	**1,477,027**	92,910	-	197,232	**290,142**	**1,767,169**	1,346,397
Rock Sampling	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Metallurgical testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incurred	**180,200**	**376,350**	**2,566,538**	**1,246,202**	**55,738**	**16,511**	-	**4,441,539**	**144,384**	-	**305,208**	**449,592**	**4,891,131**	3,864,203
Balance, ending	32,341,534	5,486,751	5,127,552	1,496,216	6,994,349	260,905	315,309	**52,022,616**	820,866	1,962,937	7,151,534	**9,935,337**	**61,957,953**	57,066,822
Total properties balance	**36,000,176**	**36,035,275**	**5,460,363**	**1,836,045**	**7,671,571**	**260,905**	**464,177**	**87,728,512**	**1,300,664**	**2,022,187**	**8,540,099**	**11,862,950**	**99,591,462**	94,205,129
Balance, beginning	- **1,420,910**	-	- **9,567**	-	- **6,241,181**	- **244,394**	- **464,177**	- 8,380,229	- **1,299,353**	- **1,483,198**	- **6,400,605**	- **9,183,156**	- **17,563,385**	- 17,509,158
Recovery of costs	-	-	-	-	-	-	-	-	-	-	-	-	-	- 9,700
Mineral exploration refund	-	-	-	-	-	-	-	-	-	-	-	-	-	- 70,650
Proceeds from sale	-	-	-	-	-	-	-	-	-	-	-	-	-	102,008
Option payment received	-	-	-	-	-	-	-	-	-	-	-	-	-	- 67,375
Cumulative change in foreign currency translation	- 755,866	- 787,692	- 119,149	- 40,134	- 31,267	- 360	-	- **1,734,467**	-	-	-	-	- **1,734,467**	- 998,586
Carrying value mineral properties	**33,823,400**	**35,247,583**	**5,331,647**	**1,795,911**	**1,399,124**	**16,151**	-	**77,613,816**	**1,311**	**538,989**	**2,139,494**	**2,679,794**	**80,293,610**	75,651,669

*Joint venture agreement

7 Exploration and evaluation assets *(continued)***:**

La Cigarra – Chihuahua State, Mexico

The Company acquired the La Cigarra project through the acquisition of Northair and its wholly owned Mexican subsidiary Grupo Northair.

The La Cigarra project is 100% owned by the Company with no underlying royalty on the resource. However certain concessions are subject to a 1% net smelter royalty under an agreement with DFX Exploration Ltd. (the "DFX Agreement"). Pursuant to the terms of the DFX Agreement, a royalty will be paid of $0.10 per silver equivalent ounce from production to a maximum of 185 million ounces from the Parral 2 concession.

On April 19, 2016, the Company purchased from Coeur Capital a 2.5% net smelter royalty ("NSR Acquisition") that it held on the La Cigarra project for total consideration of US$2,500,000 of which US$500,000 ($646,025) was paid in cash and US$2,000,000 was completed through the issuance of 9,629,091 common shares (valued at $2,648,000) of the Company. The NSR Acquisition and transaction costs have been recorded as La Cigarra acquisition costs.

Promontorio – Sonora State, Mexico

The Company entered into an agreement on October 20, 2006 with Siete Campanas de Plata, S.A de C.V. ("Siete"), Exploration Canada De Oro, SA de CV ("ECO") and the Mexican Government Agency ("FIFOMI") to acquire an unencumbered 100% registered and beneficial interest in the Promontorio Concession, which includes the former producing Promontorio Mine Site. Upon completion of a bankable feasibility study or commencement of production, the Company must pay the remaining cash balance of US$210,000 to ECO.

A 1% net smelter royalty is payable to Siete on the core claims of Promontorio of which the Company can purchase 50% of this net smelter royalty at any time for US$500,000. The Company also has a right of first refusal to purchase the remaining 50% of this royalty. Additionally, a 2% net smelter royalty is payable to ECO on the core and surrounding claims. The Company may upon commencement of commercial production or sooner purchase 50% of this net smelter return for US$1,000,000. The Company also has a right of first refusal on the remaining 50% of this royalty.

On March 4, 2016, the Company formalized and closed an option agreement with Pan American Silver Corporation ("Pan American") and its wholly owned Mexican subsidiary Compania Minera Dolores S.A. de C.V. ("Dolores") whereby the Company and Minera JM S.A. de C.V. ("MJM") granted Dolores the right to earn a 75% interest in MJM's Promontorio Mineral Belt silver properties (including the Promontorio deposit and La Negra discovery). The terms of the agreement allow Dolores to earn a 75% interest in consideration for: (a) an aggregate total of US$8,000,000 of exploration and development expenditures on MJM's properties in the Promontorio Mineral Belt and (b) cash payments totaling US$8,050,000 to MJM over a 4-year period. All expenditures from earn in until production are provided by Pan American. Cash payments totaling US$650,000 have been received. The Company announced receipt of termination of the option agreement from Pan American on June 7, 2019.

7 Exploration and evaluation assets *(continued)*:

Columba – Chihuahua State, Mexico

On November 12, 2018, the Company entered into an option agreement to acquire an undivided interest in the Columba concession. Under the terms of the agreement, the Company must make total cash payments of US$3,290,000 within a four-year period with an initial payment of US$15,000 and first and second years payments totalling US$75,000 and US$150,000 respectively. Payments totalling US$150,000 were made during the year ended December 31, 2020. The Agreement includes a work commitment of US$250,000 by the first anniversary and US$750,000 by the second anniversary of the Agreement, which the Company has fulfilled early. Upon earn-in the vendors retain a 2% n.s.r. of which 1% can be purchased by the Company for US$750,000.

Copalito – Sinaloa, Mexico

On April 19, 2018, the Company entered into an option agreement to acquire an undivided interest in the Copalito concession. Under the terms of the agreement, the Company must make total staged cash payments of US$985,000 within a four-year period with an initial payment of US$30,000 on signing. Payments totalling US$150,000 were made during the year ended December 31, 2020. Upon earn-in the vendors retain a 0.5% n.s.r. A finders fee of 100,000 common shares with a fair market value of $15,500 and a cash payment of $10,000 were paid in connection with the option agreement.

Generative Anomalies – Mexico

The Company owned 100% interest in the various properties through staking.

On March 17, 2018, the Company entered into an option agreement with Capstone Mining Corp. (“Capstone”), whereby the Company granted Capstone the right to earn up to a 100% interest in the La Mina property. The terms of the agreement allow Capstone to earn an initial 60% interest by: spending an aggregate total of US$4 million in exploration expenditures over 4 years and paying an aggregate total of US$600,000 in staged payments to the Company on each anniversary to the Company. No payment was made during the year ended December 31, 2020.

Cervantes – Sonora State, Mexico

On July 25, 2015, the Company entered into an option agreement with Aztec Metals Corp. (“Aztec”), whereby the Company granted Aztec the right to earn up to a 100% interest in the Cervantes Gold/Copper project. Effective September 30, 2016, the obligations of the option agreement were assigned to Aztec Minerals Corp. from Aztec. The terms of the agreement allow Aztec to earn a 65% interest by: spending an aggregate total of US$1.5 million in exploration expenditures by July 25, 2019; paying an aggregate total of US$150,000 in staged payments to the Company by July 25, 2019; and issuing an aggregated total of 1,000,000 common shares in staged payments on each anniversary to the Company of which 500,000 were issued as at March 31, 2019. During the year ended December 31, 2019, the Company received the final share installment and the remaining US$50,000 cash payment.

Aztec having earned in 65% of the Cervantes project and elected to form a joint venture (Note 8).

7 Exploration and evaluation assets *(continued)***:**

Copley Property – Nechako Plateau, British Columbia

On February 23, 2010, the Company entered into an option agreement whereby it was granted the right to earn a 100% undivided interest in 10 mineral tenures totaling approximately 2,927 hectares collectively named as the Copley Property. Under the agreement the Company must make total cash payments of $80,000; issue an aggregate total of 130,000 common shares and make a cash payment of $5 per metre drilled to a maximum of 100,000 metres. The Company has issued 130,000 shares with a fair value of $84,400 and has made the total cash payments due under the agreement.

Silver Fox – Southern British Columbia

Under the terms of the Underlying Option Agreement, the Company can acquire a 100% interest in Silver Fox by issuing 100,000 common shares to Kennedy Group ("Kennedy Group") by July 3, 2018 (the "Underlying Option"). The Company completed the acquisition during the year ended December 31, 2018. The Silver Fox is subject to a 2.0% net smelter returns royalty in favour of Kennedy (the "Underlying Royalty"). The Underlying Royalty is subject to a purchase right in favour of the Company, exercisable by the Company by paying $500,000 for each 0.5% of the Underlying Royalty.

On September 29, 2015, the Company entered into an option agreement with a wholly-owned subsidiary of Antofagasta plc ("Antofagasta") granting Antofagasta the option to earn up to an 80% interest in the Silver Fox property located in South Eastern British Columbia. The terms of the agreement grant Antofagasta the right to earn a 65% interest ("First Option") by funding or incurring an aggregate total of US$2.5 million (the "First Option Expenditures") in exploration expenditures on or before September 29, 2021, amended from September 29, 2019. Antofagasta has the right to accelerate the First Option Expenditures. Antofagasta will have the right to acquire a further 15% interest ("Second Option") by incurring an additional aggregate total US$1.65 million in exploration expenditures within two years of the First Option exercise date. If Antofagasta decides not to exercise the Second Option, a joint venture based on a 65/35% interest will form under the Agreement in relation to the property. In June 2019, Antofagasta terminated the option agreement.

The Fox and Two Times Fred Properties – Nechako Plateau, British Columbia

The Two Times Fred property was optioned to the Company effective July 1, 2014, pursuant to a grubstake agreement. To maintain its option, the Company must make total cash payments of $80,000; issue an aggregate total of 230,000 common shares and make a cash payment of $5 per metre drilled to a maximum of 100,000 metres. Under the Kennedy grubstake agreement, a 2% NSR exists and can be purchased by the Company for $500,000 per each one-half (0.5%) percentile. The Company has made total cash payments of $80,000 and issued 230,000 shares with a fair value of $58,425, included in the respective amounts are 35,000 shares with a fair value of $8,925 issued during the year ended December 31, 2019.

On March 1, 2011, the Company optioned the Fox property. To maintain its option, the Company made total cash payments of $80,000; issued an aggregate total of 130,000 common shares and if applicable make a cash payment of $5 per metre drilled to a maximum of 100,000 metres.

7 Exploration and evaluation assets *(continued)***:**

Mark Property – Southern British Columbia

On June 7, 2017, the Company is exercised its right under a Grub Stake Agreement (the "Grub Stake Agreement") with the Kennedy Group to acquire a 100% interest in the Mark Project (the "Acquisition"). The Mark Project is comprised of 17 mineral tenures totaling approximately 14,093 hectares. Pursuant to the terms of the Grub Stake Agreement, the Company completed the Acquisition by issuing 100,000 common shares with a fair value of $15,500 to the Kennedy Group. Following completion of the Acquisition, the Kennedy Group retains an underlying 1% net smelter returns royalty, which can be purchased by the Company, in whole or in part, for $1,000,000 per each one-half percent (0.5%).

On June 16, 2017, the Company entered into an option agreement with a wholly-owned subsidiary of Antofagasta Minerals S.A. ("Antofagasta S.A.") granting Antofagasta S.A. the option to earn up to an 65% interest in the Mark Project located in South Eastern British Columbia. The terms of the agreement grant Antofagasta the right to earn a 65% interest by funding or incurring an aggregate total of US$3 million in exploration expenditures (the "Expenditures") on or before June 16, 2021. Upon exercising their earn-in, a joint venture based on a 65/35% interest will be formed under the Agreement in relation to the property. In June 2019, Antofagasta terminated the option agreement.

Meachen Bend Project – British Columbia

On October 29, 2018, the Company announced it had entered an option agreement to acquire a 100% interest in the Meachen Bend Project (the "Meachen Property"). Pursuant to the terms of the option agreement, the Company must issue 500,000 common shares and staged cash payments totaling $100,000 over 4 years upon receipt of TSXV approval. During the year ended December 31, 2020, the Company issued 50,000 common shares with a fair value of $17,250 (Note 9) and made cash a payment of $20,000. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1.5% net smelter returns royalty, of which, one-half percent (0.5%) can be purchased by the Company, for $500,000.

Property Investigation and Impairment

During the year ended December 31, 2020, the Company expended $167,824 (2019 - $182,822) related to other property investigation expense and $nil (2019 - $10,595) in property impairment expenses, which is related to mineral properties located in both Mexico and Canada. Once the Company has made its evaluations, the properties will either be abandoned or acquired.

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

8 Investment in Associate

On December 16, 2020 Kootenay completed the formation of a joint venture named Aztec Minerals (Mexico) JV Corp. with Aztec in respect of the Cervantes project (Note 7). Aztec completed its earn-in and exercised its option to acquire a 65% interest in Cervantes project through the joint venture. Kootenay retains the remaining 35% interest. The cost of investment in the joint venture was $nil at inception and as at December 31, 2020. During the year ended December 31, 2020, the Company's share of loss in the joint venture is $nil.

9 Share Capital and Reserves:

Authorized:
The authorized share capital is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting of only common shares are fully paid. There were 318,534,825 fully paid common shares on issue as at December 31, 2020.

Issued:

Year ended December 31, 2020

On August 25, 2020, the Company closed a brokered private placement lead by Mackie Research Capital Corporation of 17,500,000 units (the "Unit") at a price of $0.40 per unit for gross proceeds of up to $7 million. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to one common share at a price of $0.55 per warrant share until August 25, 2022. Cash finder's fee of $450,000 and other transaction costs of $130,667 was paid and broker warrants totalling 1,050,000 with a fair value of $ 226,276 were issued, each broker warrant entitles the holder to purchase one Unit at an exercise price of $0.40 until August 25, 2022.

During the year ended December 31, 2020, 50,000 shares of the Company were issued with a fair value $17,250 for mineral properties pursuant to option agreements (Note 7).

During the year ended December 31, 2020, 1,062,500 common shares were issued upon exercise of share options for gross proceeds of $164,451 and 13,409,150 common shares were issued upon exercise of warrants for gross proceeds of $3,634,995.

Year ended December 31, 2019
On October 15, 2019, the Company closed a non-brokered private placement of 7,692,308 units at a price of $0.26 per unit for gross proceeds of $2,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.40 and expire on October 11, 2021.

On August 22, 2019, the Company closed a non-brokered private placement of 31,250,000 units at a price of $0.16 per unit for gross proceeds of $5,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.22 until August 22, 2022. A finder's fee of $200,000 was paid to Mackie Research Capital Corporation in units, totalling 1,250,000 common shares and 625,000 warrants.

On March 5, 2019, the Company closed a non-brokered private placement for 50,309,511 units at a price of $0.14 per Unit for gross proceeds of $7,043,332. Each unit consisted of one common share and one common share purchase warrant totalling 50,309,511 warrants. Each warrant entitles the holder to acquire one common share at an exercise price of $0.20 until March 5, 2024.

(Expressed in Canadian dollars)

9 Share Capital and Reserves *(continued):*

Options and Warrants:

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2018	36,919,381	$	0.48	11,088,500	$	0.39
Granted	70,405,665		0.22	8,450,000		0.14
Exercised	-		-	(512,500)		0.14
Expired	-		-	(1,650,250)		0.42
Outstanding, December 31, 2019	107,325,046	$	0.31	17,375,750	$	0.27
Granted	9,800,000		0.53	-		-
Exercised	(13,409,150)		0.22	(1,062,500)		0.15
Expired	(519,090)		0.30	(2,568,250)		0.34
Outstanding, December 31, 2020	**103,196,806**	**$**	**0.33**	**13,745,000**	**$**	**0.27**

Warrants

As at December 31, 2020, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

	Number of Warrants	Exercise Price	Expiry Date
	26,871,141	0.55	April 22, 2021*
	3,846,154	0.40	October 11, 2021
	16,250,000	0.22	August 22, 2022
	8,750,000	0.55	August 25, 2022
	1,050,000	0.40	August 25, 2022
	46,429,511	0.20	March 4, 2024
	103,196,806		

* *Subsequent to year end share purchase warrants totalling 26,871,030 expired unexercised*

The weighted average remaining life of the outstanding warrants is 1.95 years (2019 – 2.84 years). The fair value of warrants is estimated using the Black Scholes option-pricing model. Warrants are included in reserves until exercised, at which time they are transferred into share capital.

The following assumptions were used for the Black-Scholes valuation of warrants for the period ending December 31, 2020 and the year ended December 31, 2019:

	2020	2019
Risk-free interest rate	**0.26%**	1.23% - 1.75%
Expected life of warrants	**24 months**	36 - 60 months
Fair value per warrant issued	**$0.18**	$0.066 - $0.096
Annualized volatility	**91%**	65 - 80%
Dividend rate	**0.00%**	0.00%

(Expressed in Canadian dollars)

9 Share Capital and Reserves *(continued):*

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Options

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time.

During the year ended December 31, 2020, option-based compensation totalling $190,868 (2019 - $475,269) of which $76,347 (2019 - $190,108) was capitalized under mineral properties and $114,521 (2019 - $285,161) was expensed. As at December 31, 2020, 13,695,000 options (2019 – 13,150,750) with a weighted average exercise price of $0.27 per option (2019 - $0.31) were fully vested and exercisable.

As at December 31, 2020, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number of Options	Exercise Price	Expiry Date
6,695,000	0.40	January 20, 2022
7,050,000	0.14	June 26, 2024
13,745,000		

The weighted average remaining life of the options is 2.3 years (2019 – 2.86 years). For stock options granted to employees, officers, directors and consultants, share based payment expense is measured at fair value and recognized over the vesting period from the date of grant. The fair value of stock options granted during the year ended December 31, 2019 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2019
Risk-free interest rate	1.50%
Expected life of options	5 years
Fair value per option granted	$0.079
Annualized volatility	81.5%
Dividend rate	0.00%

(Expressed in Canadian dollars)

9 Share Capital and Reserves *(continued):*

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Loss per share

The calculation of basic loss per share for the year ended December 31, 2020 was based on the loss of $2,033,745 (2019 - $1,999,208) and the weighted average number of common shares outstanding of 299,894,515 (2019 – 250,280,869), respectively. The Company does not have any instruments that would give rise to a dilution effect as of December 31, 2020 and 2019. As at December 31, 2020, the Company has 13,695,000 options (2019 – 9,090,000) and 67,575,665 warrants (2019 - 30,718,295) that are anti-dilutive and thus, not included in diluted loss per share.

10 Receivables:

The Company's receivables are as follows:

		December 31, 2020		December 31, 2019
IVA/GST receivable	**$**	**1,588,035**	$	996,123
Other receivable		**26,335**		16,168
Exploration advances and deposits		**89,136**		82,384
Total	**$**	**1,703,506**	$	1,094,675

11 Supplemental Disclosure of Cash and Non-Cash Activities:

The following transactions incurred during the year did not include cash:

		2020		2019
Option based compensation capitalized in mineral property	**$**	**76,347**	$	190,107
Issuance of share capital for acquisition of mineral property interests		**17,250**		34,755
Mineral property recoveries included in receivables and advances		**-**		(22,500)
Mineral property costs included in accounts payable	**$**	**151,586**	$	78,981

12 Related Party Transactions and Balances:

Except as disclosed elsewhere in these consolidated financial statements the following related party transactions were incurred in the normal course of business and were measured at the exchange amount.

Key management renumeration:

Key management personnel comprise the Company's Board of Directors and executive officers.

(Expressed in Canadian dollars)

12 Related Party Transactions and Balances *(continued):*

	2020	2019
Management fees charged by companies controlled by a director and/or officers (a)	**$ 393,000**	$ 588,000
Director fees (b)	**96,000**	100,000
Consulting, administrative and geological fees charged by a company with common officers (c)	**120,000**	120,000
Share-based payments (d)	**99,251**	247,472
	$ 708,251	$ 1,055,472

a) The Company has entered into a consulting agreement dated January 1, 2008 with Makwa Exploration Ltd. ("Makwa") for the services of James McDonald to act as the Company's President and CEO. The base monthly fee for Makwa was amended to $20,833. For the year ended December 31, 2020, the Company incurred $143,000 (2019 - $143,000) for compensation to the Company's CFO. Included in accounts payable as at December 31, 2020 is $30,689 (December 31, 2019 - $24,005) payable to companies who have common directors or officers.

b) For the year ended December 31, 2020, the Company incurred $96,000 (2019 - $100,000) for compensation to directors. As at December 31, 2020, $24,000 (2019 - $24,000) was held in accrued liabilities as owing to directors for compensation

c) Effective September 1, 2008, the Company entered into an administrative and geological services agreement with a private company indirectly related to two common directors, which provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to financial and secretarial services and providing such other additional instructions and directions as the Company may require. For the year ended December 31, 2020, the Company incurred expenses $120,000 (2019 - $120,000) under the administrative services contract.

d) For the year ended December 31, 2020, the Company recorded $99,251 (2019 – $247,472) for option-based compensation to officers and directors of the Company

Related balances are non-interest bearing with no specific terms of repayment and are unsecured.

In addition to the above:

e) Included in marketable securities as at December 31, 2020 is $265,000 (2019 - $147,500) market value of shares received from companies with directors in common.

f) Included in accounts receivable as at December 31, 2020 is $10,237 (2019 - $5,702) receivable from companies who have common directors or officers.

(Expressed in Canadian dollars)

13 Segmented Information:

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties.

The Company's current assets, non-current assets, current liabilities, and mineral properties and non-current liabilities by geographic location are as follows:

	December 31, 2020	December 31, 2019
Canada:		
Current assets	**$ 11,558,729**	$ 9,130,034
Mineral properties	**2,679,794**	2,142,018
Non-current assets	**135,548**	141,295
Current liabilities	**(263,170)**	(281,329)
	$ 14,110,902	$ 11,132,018
Mexico:		
Current assets	**$ 1,470,629**	$ 1,233,296
Mineral properties	**77,613,816**	73,509,651
Non-current assets	**944,607**	988,099
Current liabilities	**(103,763)**	(86,616)
	$ 79,925,289	$ 75,644,430

14 Commitments:

The Company entered into various contracts for office and warehouse rent in Canada and Mexico. The following table summarizes the Company's total annual obligations under this agreement as at December 31, 2020:

2021	$	64,147
2022	$	7,316

15 Financial Instruments and Financial Risk Management:

The Company's financial instruments include cash and cash equivalents, receivable and advances, marketable securities, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity and due to the insignificant carrying values of long-term financial instruments except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

15 Financial Instruments and Financial Risk Management *(continued)*:

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company maintains its cash with high-credit quality financial institutions The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value Added Tax refunds) from the Mexican Government. Accordingly, the Company views credit risk on accounts receivable as minimal.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements.

The Company anticipates it will have adequate liquidity to fund its financial liabilities.

As at December 31, 2020, the Company's liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian dollar, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso. The Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

(Expressed in Canadian dollars)

15 Financial Instruments and Financial Risk Management *(continued)*:

The balances denominated in foreign currency are as follows:

	December 31, 2020	December 31, 2019
	US$	US$
Cash and cash equivalents	**133,084**	197,791
Trade accounts payable and accrued liabilities	**17,318**	1,336
	Mexican Peso	Mexican Peso
Cash and cash equivalents	**738,443**	3,400,275
Receivables and advances	**6,041,058**	11,383,723
Trade accounts payable and accrued liabilities	**1,256,095**	1,290,824

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the period. The result of the sensitivity analysis shows a change in +/- 10% in the US Dollar and Mexican Peso exchange rate could have a collective impact of approximately +/- $50,000. This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's consolidated financial statements.

d) Fair value of financial instruments

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

(Expressed in Canadian dollars)

15 Financial Instruments and Financial Risk Management *(continued)*:

December 31, 2020		**Level 1**		**Level 2**		**Level 3**		**Total**
Marketable securities	$	900,906	$	-	$	-	$	900,906
Cash and cash equivalents	$	10,439,643	$	-	$	-	$	10,439,643
December 31, 2019		Level 1		Level 2		Level 3		Total
Marketable securities	$	570,197	$	-	$	-	$	570,197
Cash and cash equivalents	$	8,710,501	$ -		$ -		$	8,710,501

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

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

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

There has been no change between levels during the period. The Company's carrying values of receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

16 Capital Management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Company's capital structure includes working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees enter into joint venture arrangements or dispose of mineral properties.

The Company's investment policy is to hold cash in interest bearing, Schedule 1 bank accounts and highly liquid short-term interest-bearing investments, with maturities of one year or less which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the nine months ended December 31, 2020.

(Expressed in Canadian dollars)

17 Income Taxes:

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2020 and 2019

	2020	2019
Loss before income taxes	**$ 2,033,745**	$ (1,999,208)
Canadian statutory income tax rate	**27.0%**	27.0%
Expected income taxes (recovery)	**(549,111)**	(539,786)
Non-deductible items for tax purposes	**35,841**	73,566
Foreign tax rate difference	**(2,719)**	(18,820)
Functional currency adjustment	**-**	(68,765)
Share issuance costs	**(217,874)**	(158,585)
Change in deferred tax assets not recognized	**733,863**	712,389
Total income taxes expense (recovery)	**$ -**	$ -

Deferred Taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences at December 31, 2020 and 2019 are as follows:

	2020	2019
Non-capital loss carryforwards (Canada)	**$ 28,945,619**	$ 26,860,805
Net capital loss carryforwards (Canada)	**455,586**	455,586
Tax loss carryforwards (Mexico)	**10,049,605**	9,958,985
Property and equipment (Canada)	**501,753**	455,620
Property and equipment (Mexico)	**201,774**	195,363
Exploration and evaluation assets (Canada)	**3,938,619**	3,969,827
Termination benefit liability	**-**	24,000
Mineral properties (Mexico)	**2,545,511**	2,545,511
Marketable securities - OCI (Canada)	**-**	62,049
Financing costs (Canada)	**1,037,342**	643,966
Unrecognized deductible temporary differences	**$ 47,675,809**	$ 45,171,712

(Expressed in Canadian dollars)

17 Income Taxes (*continued*):

As at December 31, 2020, the Company has non-capital loss carryforwards for Canadian tax purposes of approximately $28,945,619 (2019: 26,898,565) which may be carried forward to apply against future income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiration	Total
2026	$ 270,848
2027	630,148
2028	1,176,346
2029	2,124,656
2030	2,320,591
2031	2,403,406
2032	2,409,531
2033	2,158,414
2034	1,882,317
2035	2,157,332
2036	3,021,160
2037	2,021,113
2038	2,082,507
2039	2,105,866
2040	2,181,385
Total	$ 28,945,619

As at December 31, 2020, the company has net capital loss carry forwards for Canadian tax purposes of approximately $455,586 (2019: 455,586) which may be carried forward indefinitely to apply against future capital gains for Canadian income tax purposes, subject to final determination by the tax authorities.

As at December 31, 2020, the Company had non-capital loss carry forwards for Mexican income tax purposes of approximately $10,049,605 (2019: 9,958,985) from the Company’s Mexico subsidiaries available to reduce taxable income in Mexico expiring in various years from 2024 to 2030.

Expiration	Total
2024	$ 407,881
2025	7,349,071
2026	1,117,321
2027	246,727
2028	211,754
2029	626,232
2030	90,619
Total	$ 10,049,605

18 Subsequent Events:

On March 30, 2021, the Company announced the signing of an option agreement with a wholly owned subsidiary of Centerra Gold Inc. ("Centerra"), whereby Centerra is granted an option to earn a 70% interest in the Two Times Fred property located in the Nechako Plateau of Central British Columbia. A total of C$6 million in exploration expenditures and C$500,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The first year requires a work expenditure of $1 million with a minimum commitment of $650,000. Upon earn in, the two companies will enter a standard joint venture agreement with the Company retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners.

Subsequent to year end, 75,000 common shares were issued upon exercise of share options and 450,111 common shares were issued upon exercise of warrants.