E29

a copper company

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

Years Ended December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Element 29 Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Element 29 Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

March 24, 2021

Element 29 Resources Inc.

Consolidated Statements of Financial Position

As at December 31, 2020 and 2019

(expressed in Canadian dollars, except where indicated)

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents		**$ 6,219,707**	$ 424,562
Receivables	5	**38,177**	45,314
Prepaid expenses		**43,968**	15,123
		6,301,852	484,999
Non-current assets			
Promissory notes receivable	12	**57,456**	459,000
Property and equipment		**2,601**	2,790
Exploration and evaluation assets	6	**6,135,571**	5,512,308
		6,195,628	5,974,098
Total assets		**$ 12,497,480**	$ 6,459,097
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 200,937**	$ 150,427
Acquisition price payable	6	**-**	1,500,000
		200,937	1,650,427
Non-current liabilities			
Loan payable	9	**40,000**	-
Total liabilities		**240,937**	1,650,427
Shareholders’ equity			
Share capital	10	**15,068,459**	5,929,000
Reserves		**483,657**	90,790
Deficit		**(3,295,573)**	(1,211,120)
Total shareholders’ equity		**12,256,543**	4,808,670
Total liabilities and shareholders’ equity		**$ 12,497,480**	$ 6,459,097

Nature of operations (Note 1)

Subsequent events (Note 17)

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

Element 29 Resources Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2020 and 2019

(expressed in Canadian dollars, except where indicated)

	Note	2020	2019
General and administrative expenses			
Administration and office		$ **98,952**	$ 69,853
Consulting		**16,723**	14,330
Investor relations		**174,068**	151,769
Personnel costs	12	**848,465**	635,344
Professional fees		**644,059**	178,550
Foreign exchange loss		**15,358**	13,249
Share-based compensation	10,12	**232,165**	90,790
Other		**1,598**	1,166
Operating loss		**2,031,388**	1,155,051
Interest income		**(5,692)**	(22,420)
Interest expense	7,8	**91,904**	-
Accretion expense	7,8	**381,506**	-
Change in fair value of embedded derivatives	7,8	**(414,653)**	-
Loss and comprehensive loss for the period		$ **2,084,453**	$ 1,132,631
Loss per common share			
Basic and fully diluted		$ **(0.04)**	$ (0.03)
Weighted average number of common shares outstanding		**47,607,103**	35,640,292
Total common shares issued and outstanding	10	**66,791,368**	45,645,833

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

Element 29 Resources Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2020 and 2019

(expressed in Canadian dollars, except where indicated)

	Note	Number of Shares	Share capital	Reserves	Deficit	Total
Balance at December 31, 2019		45,645,833	$ 5,929,000	$ 90,790	$ (1,211,120)	$ 4,808,670
Issuance of share capital – share options	10	**350,000**	**63,646**	**(18,646)**	**-**	**45,000**
Issuance of share capital – initial public offering	10	**13,310,400**	**6,475,852**	**179,348**	**-**	**6,655,200**
Issuance of share capital – corporate finance fee	10	**50,000**	**-**	**-**	**-**	**-**
Issuance of share capital – conversion of secured convertible debenture	7	**3,895,707**	**1,558,605**	**-**	**-**	**1,558,605**
Issuance of share capital – conversion of unsecured convertible debentures	8	**789,428**	**264,455**	**-**	**-**	**264,455**
Issuance of share capital – Pahuay acquisition	6	**3,750,000**	**1,500,000**	**-**	**-**	**1,500,000**
IPO and share issuance costs	10	**-**	**(623,099)**	**-**	**-**	**(623,099)**
Cancellation of common shares	12	**(1,000,000)**	**(100,000)**	**-**	**-**	**(100,000)**
Loss and comprehensive loss		**-**	**-**	**-**	**(2,084,453)**	**(2,084,453)**
Share-based compensation	10	**-**	**-**	**232,165**	**-**	**232,165**
Balance at December 31, 2020		**66,791,368**	**$ 15,068,459**	**$ 483,657**	**$ (3,295,573)**	**$ 12,256,543**

	Note	Number of Shares	Share capital	Reserves	Deficit	Total
Balance at January 1, 2019		4,520,001	$ 452,000	$ -	$ (78,489)	$ 373,511
Issuance of share capital – acquisition of mineral property	6	28,112,501	2,811,250	-	-	2,811,250
Issuance of share capital – private placement at $0.10 per common share	10	5,967,000	596,700	-	-	596,700
Issuance of share capital – private placement at $0.30 per common share	10	7,046,331	2,113,899	-	-	2,113,899
Share issuance costs	10	-	(44,849)	-	-	(44,849)
Loss and comprehensive loss		-	-	-	(1,132,631)	(1,132,631)
Share-based compensation	10	-	-	90,790	-	90,790
Balance at December 31, 2019		45,645,833	$ 5,929,000	$ 90,790	$ (1,211,120)	$ 4,808,670

Element 29 Resources Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(expressed in Canadian dollars, except where indicated)

	Note	2020	2019
Cash flows used in operating activities			
Loss and comprehensive loss		$ **(2,084,453)**	$ (1,132,631)
Items not affecting cash:			
Share-based compensation	10	**232,165**	90,790
Unrealized foreign exchange gain		**(15,358)**	-
Interest expense	7,8	**91,904**	-
Accretion	7,8	**381,506**	-
Change in fair value of derivatives	7,8	**(414,653)**	-
Accrued interest		**-**	(9,000)
Other		**(166)**	-
		(1,809,055)	(1,050,841)
Changes in non-cash operating working capital:			
Increase in receivables and prepaid expenses		**(21,709)**	(16,348)
Increase in accounts payable and accrued liabilities		**50,511**	61,072
		(1,780,253)	(1,006,117)
Cash flows used in investing activities			
Purchase of equipment		**-**	(2,790)
Cash assumed on acquisitions		**-**	51,516
Receipts from promissory notes receivable	12	**301,899**	50,000
Payment for exploration and evaluation assets	6	**(607,905)**	(1,023,890)
Exploration and evaluation assets transaction costs		**-**	(7,521)
		(306,006)	(932,685)
Cash flows from financing activities			
Proceeds from loan payable	9	**40,000**	-
Proceeds from unsecured convertible debentures	8	**295,000**	-
Proceeds from senior secured convertible debenture	7	**1,500,000**	-
Proceeds from issuance of common shares – share options	10	**45,000**	-
Proceeds from issuance of common shares – initial public offering	10	**6,655,200**	-
Proceeds from issuance of common shares – private placement	10	**-**	2,360,599
Payment of interest on senior secured convertible debenture		**(17,557)**	-
Finance fees – convertible debentures	7	**(13,140)**	-
IPO and share issuance costs	10	**(623,099)**	(44,849)
		7,881,404	2,315,750
Increase in cash and cash equivalents		**5,795,145**	376,948
Cash and cash equivalents - beginning of year		**424,562**	47,614
Cash and cash equivalents - end of year		$ **6,219,707**	$ 424,562

Cash and cash equivalents is represented by:			
Cash		$ **6,219,707**	$ 110,734
Cash equivalents		**-**	313,828
Total cash and cash equivalents		$ **6,219,707**	$ 424,562

Supplemental cash flow information (Note 14)

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

1 Nature of operations

Nature of operations

Element 29 Resources Inc. together with its subsidiaries (collectively referred to as the "Company" or "E29"), is focused on the exploration of mineral property interests in Peru.

The Company was incorporated on August 30, 2017 in British Columbia. The Company's registered office is at 1900-1040 West Georgia Street, Vancouver, BC, V6E 4H3, Canada. The Company completed an initial public offering ("IPO") on December 3, 2020 and the Company's common shares commenced trading on the TSX Venture Exchange ("TSX-V") on December 7, 2020 under the symbol "ECU".

All amounts are expressed in Canadian dollars, except for certain amounts denoted in United States dollars ("US$").

The Company has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has not generated revenues from its operations to date. As at December 31, 2020, the Company has accumulated net losses of $3,295,573 since inception and has working capital of $6,100,915. The operations of the Company have primarily been funded by the issuance of common shares. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management estimates its current working capital will be sufficient to fund its current level of activities for the next twelve months.

If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments may be necessary to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

2 Basis of presentation

Basis of presentation

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

These consolidated financial statements have been prepared on a going concern basis, and in making the assessment that the Company is a going concern, management have taken into account all available information about the future, which is at least, but is not limited to, the year ended December 31, 2020.

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at fair value.

The Board of Directors of the Company approved these consolidated financial statements and authorized them for issue on March 22, 2021.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

- Candelaria Resources S.A.C. ("Candelaria")

- Elida Resources S.A.C. ("Elida")
- Pahuay Resources S.A.C. ("Pahuay")

All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

3 Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from management's best estimates as additional information becomes available.

Significant areas requiring the use of management estimates and judgments include:

i. The determination of the fair value of the Company's equity instruments for the calculation of the share-based compensation.
ii. The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to identify new business opportunities and working capital requirements, the outcome of which is uncertain.
iii. The determination that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including: geologic and other technical information; a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves; the quality and capacity of existing infrastructure facilities; evaluation of permitting and environmental issues; and local support for the project.
iv. The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of Candelaria, Elida and Pahuay was determined to constitute an acquisition of assets (Note 6).
v. In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business, results of operations and the timing of proposed transactions at this time.

4 Significant accounting policies

The accounting policies set out below have been applied consistently by the Company and its wholly owned subsidiaries and to the periods presented in these consolidated financial statements.

a) Financial instruments

Classification

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

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company's cash and cash equivalents, receivables, promissory note receivable, accounts payables, accrued liabilities and loan payable are classified as amortized cost.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss.

Financial assets at FVTOCI

Financial assets at FVTOCI are initially recorded at fair value adjusted for transaction costs. Dividends are recognized as income in the consolidated statements of comprehensive income (loss) unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of FVOTCI investment are recognized in other comprehensive income (loss) and are never reclassified to profit or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets

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

b) Cash and cash equivalents

Cash and cash equivalents include cash in banks and certificates of term deposits with maturities of less than three months from inception, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of loss in value.

c) Exploration and evaluation assets

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are capitalized on an individual property basis until the property is put into production, sold, abandoned, or determined to be impaired. Administration costs and general exploration costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation costs are tested for impairment and subsequently transferred to property and equipment. When a property is placed into commercial production, capitalized costs will be depleted using the units-of-production method.

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

d) Property and equipment

Items of property and equipment are recorded at cost less accumulated depletion and amortization. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management, including estimated decommissioning and restoration costs and, where applicable, borrowing costs. If significant parts of an item of plant and equipment have different useful lives, then they are accounted for as separate items (major components) of plant and equipment.

Depreciation is recorded on a straight-line balance basis over the estimated useful lives of the individual assets.

No depletion and amortization is recorded until the asset is substantially complete and available for its intended use.

e) Impairment of non-current assets

The Company reviews the carrying amounts of its non-financial assets every reporting period. If there is any indication that the assets or cash-generating unit ("CGU") may not be fully recoverable, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or CGU 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. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs to sell is estimated using a discounted cash flow approach with inputs and assumptions consistent with those at market. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

f) Decommissioning obligations

The Company recognizes liabilities for statutory, contractual, legal or constructive obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning obligation is recognized at its net present value in the period in which it is incurred, using a discounted cash flow technique with market-based risk-free discount rates and estimates of the timing and amount of the settlement of the obligation.

Upon initial recognition of the liability, the corresponding decommissioning cost is added to the carrying amount of the related asset. Following initial recognition of the decommissioning obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to significant estimates including the current discount rate, the amount or timing of the underlying cash flows needed to settle the obligation and the requirements of the relevant legal and regulatory framework. Subsequent changes in the provisions resulting from new disturbance, updated cost estimates, changes to estimated lives of operations and revisions to discount rates are also capitalized to the related asset. Amounts capitalized are depreciated over the lives of the assets to which they relate. The amortization or unwinding of the discount applied in establishing the net present value of provisions is charged to expense and is included within finance costs in the consolidated statement of comprehensive loss.

g) Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

h) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred taxes are recognized in the consolidated statements of comprehensive income (loss) except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of unused tax losses and credits, as well as temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on enacted or substantively enacted laws at the reporting date.

The Company computes the provision for deferred income taxes under the liability method. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profits will be available against which they can be utilized. Future taxable profits are estimated using an income forecast derived from cash flow projections, based on detailed life-of-mine plans and corporate forecasts. Where applicable, the probability of utilizing tax losses or credits is evaluated by considering risks relevant to future cash flows, and the expiry dates after which these losses or credits can no longer be utilized.

Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint arrangements to the extent that it is probable that they will not reverse in the foreseeable future.

The Company is subject to assessments by various taxation authorities, who may interpret tax legislation differently from the Company. The final amount of taxes to be paid depends on a number of factors, including the outcomes of audits, appeals or negotiated settlements. Such differences are accounted for based on management's best estimate of the probable outcome of these matters.

The Company must make significant estimates and judgments in respect of its provision for income taxes and the composition and measurement of its deferred income tax assets and liabilities. The Company's operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question that may, upon resolution in the future, result in adjustments to the amount of deferred income tax assets and liabilities; those adjustments may be material.

i) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the issued date. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as reserves.

j) Share-based compensation

The Company's stock option plan allows the Company's directors, officers, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Where options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Share-based compensation expense is recognized over the tranche's vesting period by a charge to profit or loss. For employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for share options granted to non-employees is recognized over the contract services period or, if none exists, from the date of grant until the options vest. Compensation associated with unvested options granted to non-employees is re-measured on each statement of financial position date.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based compensation. Otherwise, share-based compensation is measured at the fair value of goods or services received.

k) Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average common shares outstanding are increased to include additional shares for the assumed exercise of share options and share purchase warrants, if dilutive. The number of additional common shares is calculated by assuming that outstanding share options and share purchase warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods.

l) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

m) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars. The functional currency and reporting currency of the Company and its subsidiaries is the Canadian dollar. Accordingly, monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the statement of financial position date while non-monetary assets and liabilities denominated in a foreign currency are translated at historical rates. Revenue and expense items denominated in a foreign currency are translated at exchange rates prevailing when such items are recognized in the statement of comprehensive loss. Exchange gains or losses arising on translation of foreign currency items are included in profit or loss.

n) Right-of-use assets and lease liability

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

o) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

p) Embedded derivatives

Embedded derivatives are contained in non-derivative host contracts and are treated as separate derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts. Embedded derivatives are recorded at fair market value with mark-to-market adjustments recorded in profit or loss.

5 Receivables

The Company's receivable balance consists of the following:

	2020	2019
Goods and services tax receivable	$ **38,177**	$ 45,314
	$ 38,177	$ 45,314

(expressed in Canadian dollars, except where indicated)

6 Exploration and evaluation assets

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

In April 2019, the Company acquired from Globetrotters Resource Group Inc. ("Globetrotters"), a private company incorporated under the laws of British Columbia, Canada, two copper projects, the Flor de Cobre Project ("Flor de Cobre") and the Elida Project located in Peru, for a purchase price of $2,811,250 which was paid for with 28,112,501 common shares of the Company. The acquisition of the Flor de Cobre Project and the Elida Project were effected by way of purchase of a 100% interest in the shares of Candelaria and Elida, respectively. Candelaria and Elida are subsidiaries of the Company. In 2018, the Company had also advanced a total of $225,897 to Candelaria and Elida that is considered a cost of the acquisition. Globetrotters also retained a 2% net smelter royalty ("NSR") on the projects. The Company and Globetrotters share certain directors in common.

The Company's acquisition of Candelaria and Elida is being accounted for as acquisition of net assets of these entities. Total consideration for the acquisition and the allocation of the consideration to the assets and liabilities acquired are as follows:

Consideration		**Flor de Cobre Project**		**Elida Project**
Value of shares	$	467,598	$	2,343,652
Transaction costs		1,251		6,270
Deferred acquisition costs		49,367		176,530
Total consideration	**$**	**518,216**	**$**	**2,526,452**
Net assets acquired				
Cash	$	10,196	$	40,433
Prepaid expenses		55		-
Receivable		21,308		21,595
Exploration and evaluation assets		487,764		2,496,832
Accounts payable and accrued liabilities		(1,107)		(32,408)
	$	**518,216**	**$**	**2,526,452**

In November 2019, the Company acquired the Pahuay Copper Skarn Project ("Pahuay project") and the Muñaorjo Copper Skarn Porphyry Project (the "Muñaorjo project") from Globetrotter for $1,500,000. The acquisition of Pahuay and the Muñaorjo projects were effected by way of purchase of 100% interest in the shares of Pahuay. In June 2020, the Company entered into an amended agreement with the vendor of Pahuay whereby the purchase price of $1,500,000 will be paid by the Company by way of issuing common shares of the Company equal to the price per common share which is established for the purpose of an initial public offering, reverse merger or other transaction whereby the Company's securities are listed for trading on a recognized stock exchange, less a discount of twenty percent (20%).

On December 3, 2020, the Company completed its IPO and issued 3,750,000 common shares of the Company to Globetrotters as payment for the acquisition of Pahuay (Note 10). Globetrotters also retained a 2% NSR on the project.

(expressed in Canadian dollars, except where indicated)

The Company's acquisition of Pahuay is being accounted for as acquisition of net assets of Pahuay. Total consideration for the acquisition and the allocation of the consideration to the assets and liabilities acquired are as follows:

Consideration		**Pahuay Project**
Acquisition price	$	1,500,000
Total consideration	**$**	**1,500,000**
Net assets acquired		
Cash	$	887
Prepaid expenses		392
Receivable		793
Exploration and evaluation assets		1,503,822
Accounts payable and accrued liabilities		(5,904)
	$	**1,500,000**

Flor de Cobre copper project

The Company owns 100% of the Flor de Cobre copper project, with the exception of certain claims ("Candelaria claims"), where it has an option to earn 100% interest.

The Company can earn 100% interest in the Candelaria claims at Flor de Cobre by making payments to the vendor in the total amount of approximately US$5 million over five years between 2020 and 2024. An additional US$6 million payment would be due on the positive feasibility study for the claim area.

In 2019, the Company acquired several claims through a government auction (the "San Jose Property"). The San Jose Property forms part of the Flor de Cobre project.

Elida copper project

The Company owns 100% of the Elida copper project, subject to a 2% NSR to Globetrotters.

Pahuay copper skarn project

The Company owns 100% of the Pahuay copper skarn project, subject to a 2% NSR to Globetrotters. The property is located 270 kilometres south of Lima, Peru.

Muñaorjo copper skarn project

The Company owns 100% of the Muñaorjo copper skarn porphyry project, subject to a 2% NSR to Globetrotters. The project is located approximately 200 kilometres northeast of Arequipa, Peru.

(expressed in Canadian dollars, except where indicated)

Expenditures for the year ended December 31, 2020 were as follows:

	Flor de Cobre	Elida	Pahuay and Muñaorjo	Total
Balance at December 31, 2019	**$ 1,148,499**	**$ 2,859,246**	**$ 1,504,563**	**$ 5,512,308**
Additions:				
Option payments	136,499	-	-	**136,499**
Geological and mapping	335	-	-	**335**
Geophysics	22,043	-	-	**22,043**
Permitting	2,986	4,667	-	**7,653**
Community, health, safety and environment	21,491	88,408	-	**109,899**
Concessions and taxes	5,481	117,031	6,201	**128,713**
Technical report	14,852	13,750	-	**28,602**
Property maintenance and administration	97,743	90,762	1,014	**189,519**
Balance at December 31, 2020	**$ 1,449,929**	**$ 3,173,864**	**$ 1,511,778**	**$ 6,135,571**

Expenditures for the year ended December 31, 2019 were as follows:

	Flor de Cobre	Elida	Pahuay and Muñaorjo	Total
Balance at December 31, 2018	**$ -**	$ -	$ -	**$ -**
Additions:				
Property acquisition cost	487,764	2,496,832	1,503,822	4,488,418
Option payments	165,803	-	-	165,803
Geological and mapping	14,190	318	-	14,508
Geophysics	116,808	-	-	116,808
Permitting	17,887	38,058	-	55,945
Community, health, safety and environment	7,626	6,598	-	14,224
Concessions and taxes	46,120	148,029	741	194,890
Technical report	23,310	-	-	23,310
Property maintenance and administration	268,991	169,411	-	438,402
Balance at December 31, 2019	**$ 1,148,499**	**$ 2,859,246**	**$ 1,504,563**	**$ 5,512,308**

7 Senior secured convertible debenture

In April 2020, the Company completed a senior secured convertible debenture financing (the "Senior Secured Debenture") for proceeds of $1,500,000.

Interest equal to a rate of 8% (eight percent) per annum was compounded quarterly and the Senior Secured Debenture was secured by a pledge to the holder of the original share certificates of the Company's subsidiaries, Candelaria and Elida.

The Senior Secured Debenture was convertible immediately prior to the occurrence of a Liquidity Event (as hereinafter defined). If all, or any, of the indebtedness at that time remains unpaid, then such indebtedness shall automatically convert into Units (as hereinafter defined) at a 20% (twenty percent) discount to the Liquidity Event price (the "Liquidity Conversion Price"). Each Unit consists of one (1) common share of the Company (a "Common Share") and one half (0.5) of one common share purchase warrant of the Company (a "Warrant").

(expressed in Canadian dollars, except where indicated)

For the purposes of the Senior Secured Debenture, a "Liquidity Event" means (i) the listing of the Common Shares on a recognized exchange acceptable to the holder, together with a concurrent financing from arm's length third party investors of not less than $5,000,000; (ii) the sale of all or substantially all of the issued and outstanding Common Shares or all or substantially all of the assets of the Company for cash proceeds or for securities provided that such securities are listed and posted for trading on a stock exchange; or (iii) the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Company with or into another entity pursuant to which the common shares of the resulting issuer from such transaction are listed on a stock exchange together with a concurrent financing from arm's length third party investors of not less than $5,000,000.

As a result of the variability in the number of shares issuable under the convertible debentures, the cash received under each of the convertible debentures had been allocated between the fair value of the loan conversion feature, which is considered an embedded derivative liability, and the value of the loan liability. The value ascribed to the loan conversion feature of $707,577 was determined using the Black Scholes option pricing model as at the loan date, and the residual amount has been allocated to the loan liability. The fair value of embedded derivative component of the convertible debt was estimated using the Black Scholes pricing model with weighted average assumptions as follows: share price of $0.30, risk free interest rate of 0.88%, expected life of 1 year, expected volatility of 75% and expected dividends of Nil.

Liability component

Opening balance at January 1, 2020	**$ -**
Additions	**1,500,000**
Debt issue costs	**-**
Embedded derivative	**(707,577)**
	794,423
Accrued interest payable	**71,343**
Accretion expense	**322,811**
	1,186,577
Accrued interest repaid in cash	**(17,557)**
Reclassification to share capital upon conversion	**(1,169,020)**
Closing balance	**$ -**

Derivative component

Opening balance at January 1, 2020	**$ -**
Recognition of embedded derivative	**707,577**
Change in fair value	**(317,992)**
Reclassification to share capital upon conversion	**(389,585)**
Closing balance	**$ -**

On December 3, 2020, the Company completed its IPO for total proceeds of more than $5,000,000 and accordingly the debenture was converted into units. The fair value of the derivative at conversion was $385,585. The Senior Secured Debenture, which included the liability component of $1,169,020 and the derivative component of $389,585, was converted into a total of 3,895,707 Units at a value of $1,558,605 (Note 10).

(expressed in Canadian dollars, except where indicated)

8 Unsecured convertible debentures

In January 2020, the Company issued unsecured convertible debentures (the "Debentures") for gross proceeds of $295,000. Commissions in the amount of $13,140 were paid in connection with the Debentures.

The Debentures were convertible into units of the Company ("Units") consisting of one (1) common share of the Company (a "Common Share") and one half (0.5) of one common share purchase warrant of the Company (a "Warrant").

The Debentures were subject to interest equal to 8% of the par value of a Debenture outstanding per year. The Debentures, including accrued and unpaid interest owing, automatically convert into Units at the Liquidity Conversion Price upon a Liquidity Event or on Maturity at the Holders' Conversion Price.

For the purposes of the Debentures, a "Liquidity Event" means (i) the listing of the Common Shares on a recognized exchange; (ii) the sale of all or substantially all of the issued and outstanding Common Shares or all or substantially all of the assets of the Company for cash proceeds or for securities provided that such securities are listed and posted for trading on a stock exchange; or (iii) the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Company with or into another entity pursuant to which the common shares of the resulting issuer from such transaction are listed on a stock exchange.

As a result of the variability in the number of shares issuable under the convertible debentures, the cash received under each of the convertible debentures has been allocated between the fair value of the loan conversion feature, which is considered an embedded derivative liability, and the value of the loan liability. The value ascribed to the loan conversion feature of $175,608 was determined using the Black Scholes option pricing model as at the loan date, and the residual amount has been allocated to the loan liability. The fair value of embedded derivative component of the convertible debt was estimated using the Black Scholes pricing model with weighted average assumptions as follows: share price of $0.30, risk-free interest rate of 0.88%, expected life of 2 years, expected volatility of 75% and expected dividends of Nil.

Liability component

Opening balance at January 1, 2020	**$ -**
Additions	**295,000**
Debt issue costs	**(13,140)**
Embedded derivative	**(175,608)**
	106,252
Accrued interest payable	**20,561**
Accretion expense	**58,695**
Reclassification to share capital upon conversion	**(185,508)**
Closing balance	**$ -**

Derivative component

Opening balance at January 1, 2020	**$ -**
Recognition of embedded derivative	**175,608**
Change in fair value	**(96,661)**
Reclassification to share capital upon conversion	**(78,947)**
Closing balance	**$ -**

On December 3, 2020, the Company completed its IPO and accordingly the debenture was converted into units. The fair value of the derivative at conversion was $78,947. The Debenture, which included the liability component of $185,508 and the derivative component of $78,947, was converted into a total of 789,428 Units at a value of $264,455 (Note 10).

9 Loan payable

The Company entered into an arrangement with its principal banker for a $40,000 Canada Emergency Business Account ("CEBA Loan") that was launched in April 2020. The CEBA Loan has an initial term date of December 31, 2022 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loan is non-revolving with an interest rate of 0% per annum until the Initial Term Date and 5% per annum thereafter, calculated daily and paid monthly. The CEBA Loan can be repaid at any time without penalty and, if at least 75% of the CEBA Loan is paid prior to the Initial Term Date, the remaining balance of the CEBA Loan will be forgiven.

10 Share capital

a) **Common shares**

The Company's authorized share capital consists of unlimited common shares without par value. At December 31, 2020, the Company had 66,791,368 (December 31, 2019 – 45,645,833) shares issued and outstanding.

b) **Issued share capital**

The Company's share capital transactions for the year ended December 31, 2020 as follows:

- In December 2020, the Company completed an IPO issuing a total of 13,310,400 units at a price of $0.50 per unit for gross proceeds of $6,655,200. Each unit comprises one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.70 per warrant for a period of 3 years. Commissions, legal fees, and corporate finance fees in the amount of $623,099 were paid in connection with the IPO. In addition, 50,000 common shares and 718,624 warrants of the Company were issued as corporate finance fee compensation.
- In December 2020, in connection with the Company's IPO, $1,500,000 of a senior secured convertible debenture (Note 7) and $295,000 of unsecured convertible debentures (Note 8), including accrued interest payable, accretion and embedded derivative fair value adjustments, were converted into 3,895,707 units and 789,428 units, respectively. Each unit comprises one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.50 per warrant for a period of 3 years (converted senior secured convertible debenture) or 1 year (converted unsecured convertible debentures).
- In December 2020, in connection with the Company's IPO, 3,750,000 common shares of the Company were issued to Globetrotters as payment for the acquisition of Pahuay (Note 6).
- The Company issued 350,000 common shares at prices ranging from $0.10 to $0.30 per common share through the exercise of share options.
- The Company cancelled 1,000,000 common shares with a value of $100,000 when the Non-Executive Chairman resigned and cancelled the related promissory note receivable (Note 12).

The Company issued share capital during the year ended December 31, 2019 as follows:

- The Company issued 28,112,501 common shares at a price of $0.10 per common share with a value of $2,811,250 to Globetrotter (Note 6).
- The Company completed a non-brokered private placement of 2,467,000 common shares of the Company at a price of $0.10 per share for gross proceeds of $246,700.

(expressed in Canadian dollars, except where indicated)

- The Company issued 3,500,000 common shares of the Company at a price of $0.10 per share to the Chief Executive Officer and Vice President of Business Development of the Company in return for a promissory notes receivable (Note 12).
- The Company completed a non-brokered private placement of 7,046,331 common shares at a price of $0.30 per common share for gross proceeds of $2,113,899. Commissions in the amount of $44,849 were paid in connection with this private placement.

c) **Share options**

The Company provides share-based compensation to its directors, officers, employees, and consultants through grants of share options.

The Company has adopted a stock option plan (the "Plan"), as amended, to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding shares of the Company. Vesting is determined at the discretion of the Board of Directors.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. For employees, the share-based compensation expense is amortized on a graded vesting basis over the requisite service period which approximates the vesting period. Share-based compensation expense for share options granted to non-employees is recognized over the contract services period or, if none exists, from the date of grant until the share options vest.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the share options. Since the Company has not paid and does not anticipate paying dividends on its common shares, the expected dividend yield is assumed to be zero. Companies are required to utilize an estimated forfeiture rate when calculating the share-based compensation expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of nil in determining the share-based compensation expense recorded in the accompanying Consolidated Statements of Comprehensive Loss.

Share option transactions are summarized as follows:

	Number of share options	**Weighted average exercise price $**
Outstanding – December 31, 2018	-	-
Granted	2,040,000	0.13
Outstanding – December 31, 2019	2,040,000	0.13
Exercised	(350,000)	0.13
Granted	1,875,000	0.34
Cancelled	(200,000)	0.30
Outstanding – December 31, 2020	3,365,000	0.24

(expressed in Canadian dollars, except where indicated)

At December 31, 2020, the following share options were outstanding:

Number of share options	Number of share options vested	Exercise price per share option $	Expiry date
1,440,000	1,440,000	0.10	January 31, 2021
300,000	300,000	0.30	August 23, 2024
250,000	116,667	0.30	May 19, 2025
850,000	283,333	0.30	June 25, 2025
150,000	50,000	0.30	June 29, 2025
150,000	50,000	0.50	October 28, 2025
225,000	75,000	0.50	November 9, 2025
3,365,000	2,315,000		

	2020	2019
Weighted average exercise price for exercisable share options	**$ 0.18**	$ 0.13
Weighted average share price for share options exercised	**$ 0.13**	$ -
Weighted average years to expiry for exercisable share options	**2.53 years**	1.61 years

For the year ended December 31, 2020, the total share-based compensation charges relating to options granted and vested to directors, officers, employees and consultants was $232,165 (2019 - $90,790).

The weighted average fair value at date of grant for the options granted during the year ended December 31, 2020 was $0.21 (2019 - $0.18) per option. The following weighted average assumptions were used for the Black-Scholes valuation of share options granted:

	2020	2019
Risk-free interest rate	**0.78%**	1.62%
Expected life of share options (years)	**5.00 years**	2.44 years
Expected volatility	**75.00%**	55.79%
Expected dividend	**0.00%**	0.00%

d) **Share purchase warrants**

As part of the Company's IPO, the Company issued 6,655,200 share purchase warrants. Each whole warrant will entitle the holder to acquire one additional common share of the Company at a price of C$0.70 per share for a period of 3 years.

In connection with the Company's IPO, the Company issued 718,624 share purchase warrants with a fair value of $179,348 as corporate finance fees to a syndicate of agents. Each warrant is exercisable into one common share of the Company at an exercise price of $0.50 per warrant for a period of 3 years. The fair value per warrant was determined using the following assumptions using the Black-Scholes option pricing model: risk-free interest rate of 0.40%; expected life of 3 years; expected volatility of 102.46%; and expected dividend of Nil.

(expressed in Canadian dollars, except where indicated)

Share purchase warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price
Outstanding as at December 31, 2019	-	-
Granted	9,716,392	$0.64
Outstanding as at December 31, 2020	9,716,392	$0.64

At December 31, 2020, the following share purchase warrants were outstanding:

Number of share purchase warrants	Exercise price per share purchase warrant $	Expiry date
394,714	0.50	December 3, 2021
6,655,200	0.70	December 3, 2023
2,666,478	0.50	December 3, 2023
9,716,392		

No share purchase warrants were exercised as at December 31, 2020.

e) **Loss per common share**

Net loss per common share information in these consolidated financial statements is computed by dividing the net loss attributable to common shares by the weighted average number of common shares outstanding during the year. All share options and share purchase warrants outstanding at each year end have been excluded from the weighted average share calculation as they are anti-dilutive.

11 Income tax

	2020	2019
Loss for the year before income taxes	$ 2,084,453	$ 1,132,631
Statutory rate	27.00%	27.00%
Expected income tax recovery	(563,000)	(306,000)
Change in statutory, foreign tax exchange rates and other	(1,000)	(32,000)
Permanent differences	38,000	24,000
Share issue costs	(168,000)	(12,000)
Change in unrecognized deductible temporary differences	456,000	326,000
Total income tax recovery	$ -	$ -

(expressed in Canadian dollars, except where indicated)

The significant components of the Company's deferred income tax assets that have not been recognized in these consolidated financial statements is as follows:

	2020	2019
Deferred income tax assets:		
Exploration and evaluation assets	$ 2,000	$ -
Share issuance costs	143,000	11,000
Non-capital losses available for future periods	659,000	337,000
	804,000	348,000
Unrecognized tax assets	(804,000)	(348,000)
Net deferred income tax	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $2.3 million (2019 - $1.1 million) in Canada and $0.1 million (2019 - $0.1 million) in Peru. These losses, if not utilized, will expire through 2040. Subject to certain restrictions, the Company also has foreign resource expenditures available to reduce taxable income in future years. Deferred tax benefits which may arise as a result of these losses, resource expenditures, equipment, share issue and legal costs have not been recognized in these consolidated financial statements.

12 Related party transactions

The Company's related parties include key management personnel and directors. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board of Directors and corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, the former Non-executive Chairman,and the former Vice President of Business Development.

Direct remuneration paid to the Company's directors and key management personnel during the year ended December 31, 2020 and 2019 was as follows:

	2020	2019
Salaries and benefits – personnel costs	$ 325,731	$ 279,515
Consulting fees – personnel costs	442,958	347,954
Directors' fees – personnel costs	75,539	7,875
Share-based compensation	178,355	60,501
	$ 1,022,583	$ 695,845

As at December 31, 2020, included in accounts payable and accrued liabilities was an amount of $8,939 (2019 - $6,600) due to the Company's Chief Financial Officer and $9,639 (2019 – $Nil) due to directors of the Company.

The Company issued common shares of the Company to certain executives in exchange for promissory notes (the "Promissory Note") to the Company.

In November 2018, the Non-Executive Chairman was issued 1,500,000 common shares of the Company in exchange for a Promissory Note of $150,000. The Non-Executive Chairman's Promissory Note bears interest at 2% per annum, matures on April 1, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow. In January 2020, the Non-Executive Chairman repaid $51,250 of the outstanding balance. In May 2020, the Non-Executive Chairman resigned from the Company and cancelled the remaining balance of the Promissory Note. As a result, 1,000,000 common shares in relation to this Promissory Note were returned to treasury and cancelled.

(expressed in Canadian dollars, except where indicated)

In January 2019, the Chief Executive Officer was issued 2,000,000 common shares of the Company in exchange for a Promissory Note of $200,000. The Chief Executive Officer's Promissory Note bears interest at 2% per annum, matures on September 15, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow. For the year ended December 31, 2020, the Chief Executive Officer repaid $96,149 (2019 - $50,000) of the Promissory Note.

In February 2019, the Vice President of Business Development was issued 1,500,000 common shares of the Company in exchange for a Promissory Note of $150,000. The Vice President of Business Development's Promissory Note bears interest at 2% per annum, matures on September 1, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow. In November 2020, the Vice President of Business Development resigned from the Company and repaid the remaining balance of the Promissory Note.

The following is a continuity schedule of Promissory Notes:

Balance at January 1, 2019	**$ 150,000**
Promissory note advances	**350,000**
Repayments	**(50,000)**
Interest	**9,000**
Balance at December 31, 2019	**459,000**
Repayments	**(301,899)**
Cancellation	**(100,000)**
Interest	**355**
Balance at December 31, 2020	**$ 57,456**
Current portion	**-**
Non-current portion	**$ 57,456**

Name	**Position**	**Initial Loan**	**Interest**	**Repayments**	**Balance at December 31, 2020**
Brian Booth	Director and Chief Executive Officer	$ 200,000	$ 3,605	$ (146,149)	**$ 57,456**

13 Segmented information

The Company has one business segment, the exploration of mineral properties. As at December 31, 2020, all of the Company's significant non-current non-financial assets are located in Peru.

(expressed in Canadian dollars, except where indicated)

14 Supplemental cash flow information

	Note		2020		2019
Non-cash investing activities					
- Payment for exploration and evaluation assets	(i)	$	**1,500,000**	$	3,966,514
- Promissory notes	(ii)	$	**(100,000)**	$	350,000
Non-cash financing activities:					
- Corporate finance fee	(iii)	$	**25,000**	$	-
- Broker warrants	(iv)	$	**179,347**	$	-
- Conversion of convertible debentures into Units	(v)	$	**1,823,060**	$	-

(i) In 2020, the Company completed its IPO and issued 3,750,000 common shares of the Company as payment for the $1,500,000 acquisition price for Pahuay (Note 6).

In 2019, the Company acquired the net assets of Candelaria and Elida by issuing common shares with a value of $2,811,250. In addition, deferred acquisition costs of $225,897 incurred in 2018 were applied to the acquisition of the net assets of Candelaria and Elida (Note 6).

(ii) In 2020, the Non-Executive Chairman resigned from the Company and cancelled the outstanding balance of $100,000 relating to the Promissory Note to acquire common shares of the Company. The related common shares were returned to treasury of the Company and cancelled (Note 12).

In 2019, the certain key executives and directors were provided with related party promissory notes of $350,000 to acquire common shares of the Company (Note 12).

(iii) In 2020, in connection with the Company’s IPO, 50,000 common shares of the Company were issued as corporate finance fee compensation (Note 10).

(iv) In 2020, in connection with the Company’s IPO, 718,624 share purchase warrants were issued as corporate finance fees to a syndicate of agents (Note 10).

(v) In 2020, a senior secured convertible debenture and unsecured convertible debentures with values of $1,558,605 and $264,455, respectively, including accrued interest payable, accretion expense and the fair value of the embedded derivative components, were converted into Units upon completion of the Company’s IPO (Notes 7 and 8).

15 Financial instruments

a) Fair value classification of financial instruments

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Level 3 inputs are for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company’s financial instruments consist of cash and cash equivalents, receivables, promissory notes receivables, accounts payable and accrued liabilities, and loan payable.

The carrying values of these financial instruments approximate their fair value due to their short terms to maturity.

(expressed in Canadian dollars, except where indicated)

The following table summarizes the classification and carrying values of the Company's financial instruments at December 31, 2020 and 2019:

December 31, 2020	**FVTPL**	**Amortized cost (financial assets)**	**Amortized cost (financial liabilities)**	**Total**
Financial assets				
Cash and cash equivalents	$ -	$ 6,219,707	$ -	$ 6,219,707
Receivables	-	38,177	-	38,177
Promissory notes receivable	-	57,456	-	57,456
Total financial assets	$ -	$ 6,315,340	$ -	$ 6,315,340
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ -	$ 200,937	$ 200,937
Loan payable	-	-	40,000	40,000
Total financial liabilities	$ -	$ -	$ 240,937	$ 240,937

December 31, 2019	**FVTPL**	**Amortized cost (financial assets)**	**Amortized cost (financial liabilities)**	**Total**
Financial assets				
Cash and cash equivalents	$ -	$ 424,562	$ -	$ 424,562
Receivables	-	45,314	-	45,314
Promissory notes receivables	-	459,000	-	459,000
Total financial assets	$ -	$ 928,876	$ -	$ 928,876
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ -	$ 150,427	$ 150,427
Total financial liabilities	$ -	$ -	$ 150,427	$ 150,427

b) Financial risk management

i) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and promissory notes receivables.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with large, highly rated financial institutions. The credit risk with promissory notes receivable is low since the amounts are owing from related parties and are secured.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

ii) Liquidity risk

The Company manages liquidity risk by trying to maintain enough cash balances to ensure that it is able to meet its short term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

The Company's operating results may vary due to fluctuation in commodity price, inflation and foreign exchange rates.

iii) Market risks

Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents and promissory notes receivable. The Company does not believe that it is exposed to material interest rate risk on its cash and cash equivalents and promissory notes receivable.

As at December 31, 2020, the Company has not entered into any contracts to manage interest rate risk.

Foreign exchange risk

The functional currency of the parent and its subsidiaries is the Canadian dollar. A portion of the Company`s operating expenses are in US$ and Peruvian soles.

As at December 31, 2020, the Company has not entered into contracts to manage foreign exchange risk.

The Company is exposed to foreign exchange risk through the following assets and liabilities:

	2020	2019
Cash and cash equivalents	**$ 732,572**	$ 91,263
Accounts payable and accrued liabilities	**-**	(21,191)
	$ 732,572	$ 70,072

As at December 31, 2020, with other variables unchanged, a 5% increase or decrease in value of the US$ against the currencies to which the Company is normally exposed (Canadian dollar) would result in an insignificant change in net loss.

16 Capital management

The Company considers items included in shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages 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 its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. There are no external restrictions on management of capital and there has been no changes to the Company's capital management during the current year. The Company believes it will be able to raise new funds as required in the long term to fund its exploration programs but recognizes there will be risks involved that may be beyond its control.

17 Subsequent events

Subsequent to December 31, 2020, the following events occurred:

- On February 4, 2021, the Company granted incentive stock options to certain directors, officers, and consultants to purchase an aggregate of 2,525,000 common shares of the Company at a price of $0.45 per common share.
- In January 2021, 1,490,000 stock options with exercise prices ranging from $0.10 to $0.50 were exercised and the Company received gross proceeds of $159,000.