
MONTERO MINING AND EXPLORATION LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Nine Months September 30, 2020 and 2019
Expressed in Canadian Dollars

The accompanying unaudited interim consolidated financial statements of Montero Mining and Exploration Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars - unaudited)

	Notes	September 30, 2020	December 31, 2019
ASSETS		\$	\$
Current assets			
Cash		44,904	10,979
Other receivables		98,157	51,251
Prepaid expenses and deposits		40,875	18,723
Total current assets		183,936	80,953
Non-current assets			
Plant and equipment		1,495	2,103
Exploration and evaluation assets	4	140,444	-
Total non-current assets		141,939	2,103
TOTAL ASSETS		325,875	83,056
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	10	794,132	549,288
Total current liabilities		794,132	549,288
SHAREHOLDERS' EQUITY			
Share capital	5	16,448,943	16,448,943
Warrants	6	306,361	306,361
Share-based payment reserve	7	7,292,626	7,292,626
Foreign currency translation reserve		1,081,633	1,050,898
Accumulated deficit		(25,597,820)	(25,565,060)
Total shareholders' equity		(468,257)	(466,232)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		325,875	83,056
Nature and continuance of operations	1		
Subsequent event	15		
On behalf of the Board:			
<i>"Antony Harwood"</i>		<i>"Andrew Thomson"</i>	
_____ Antony Harwood, Director		_____ Andrew Thomson, Director	

See accompanying notes to the condensed consolidated interim financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		\$	\$	\$	\$
EXPENSES					
Consulting, directors', administrative and management fees	9	67,018	71,874	197,336	214,492
Depreciation		172	265	608	794
General and administrative	9	5,217	14,970	18,466	31,386
Other expenses		405	9,806	5,344	32,323
Professional fees		50,096	6,155	71,648	42,471
Project investigation costs	4	-	-	10,124	-
Shareholder and regulatory		4,302	1,962	16,663	27,984
OPERATING LOSS		(127,210)	(105,032)	(320,189)	(349,450)
OTHER ITEMS					
Writing-off payables		-	-	256,956	-
Interest income/(Interest expense)		(1,500)	-	(2,872)	2
Recovery on impaired exploration and evaluation assets		-	152,890	32,295	226,973
Foreign exchange income/(loss)		865	(116)	1,050	(1,511)
		(635)	152,774	287,429	225,464
NET GAIN/(LOSS)		(127,845)	47,742	(32,760)	(123,986)
OTHER COMPREHENSIVE INCOME (LOSS)					
Exchange difference on translating foreign operations		1,108	2,728	30,735	4,047
COMPREHENSIVE INCOME (LOSS)		(126,737)	50,470	(2,025)	(119,939)
LOSS PER SHARE – BASIC AND DILUTED	7	\$ (0.02)	\$ (0.00)	\$ (0.00)	\$ (0.01)

See accompanying notes to the condensed consolidated interim financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars - unaudited)

	Note	Share Capital	Warrants	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	TOTAL EQUITY	
		Number of Shares	\$	\$	\$	\$	\$	
Balance, December 31, 2018		21,880,818	16,448,943	306,361	7,292,626	1,045,113	(24,907,503)	185,540
Net loss and comprehensive loss		—	—	—	—	4,047	(123,986)	(119,939)
Balance, September 30, 2019		21,880,818	16,448,943	306,361	7,292,626	1,049,160	(25,031,489)	65,601
Net loss and comprehensive loss		—	—	—	—	1,738	(533,571)	(531,833)
Balance, December 31, 2019		21,880,818	16,448,943	306,361	7,292,626	1,050,898	(25,565,060)	(466,232)
Net loss and comprehensive loss		—	—	—	—	30,735	(32,760)	(2,025)
Balance, September 30, 2020		21,880,818	16,448,943	306,361	7,292,626	1,081,633	(25,597,820)	(468,257)

See accompanying notes to the condensed consolidated interim financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars – unaudited)

	Three months ended		Nin months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income/(loss)	(127,846)	47,742	(32,760)	(123,986)
Adjustments to loss for non-cash items:				
Depreciation	172	265	608	794
Writing-off payables	-	-	(256,956)	-
Net changes in non-cash working capital items:				
Trade and other receivables	1,005	4,901	(46,907)	(11,595)
Prepaid expenses and deposits	(24,836)	1,474	(25,880)	(28,143)
Trade and other payables	67,852	16,918	219,389	216,025
Net cash flows (used in) operating activities	(83,653)	71,300	(142,506)	53,095
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on exploration and evaluation assets	(82,162)	(36,469)	(140,444)	(37,602)
Net cash flows used in investing activities	(82,162)	(36,469)	(140,444)	(37,602)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans payable	176,845	-	316,875	-
Net cash flows from financing activities	176,845	-	316,875	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,030	34,831	33,925	15,493
CASH AND CASH EQUIVALENTS, BEGINNING	33,874	13,420	10,979	32,758
CASH AND CASH EQUIVALENTS, ENDING	44,904	48,251	44,904	48,251

See accompanying notes to the condensed consolidated interim financial statements

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian dollars - unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd (“Montero” or the “Company”) was incorporated on October 5, 2006, under the laws of British Columbia, Canada. Montero and its subsidiaries (collectively, the “Company”) are engaged in the acquisition and exploration of mineral properties.

Montero is a publicly listed company with its shares listed on the TSX Venture Exchange (“TSX-V”). The Company’s registered office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office address is 789 West Pender Street, Suite 1080, Vancouver, BC V6C 1H2.

Going Concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume 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. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2020, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to substantial doubt about the Company’s ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from coronavirus (COVID-19). The Company continues to operate its business and move its exploration activity forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements comply with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required of a complete set of consolidated financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and the performance of the Company since the end of its last annual reporting period. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2019, which were prepared in accordance with IFRS as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue on November 30, 2020 by the Audit Committee of the Company.

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3. BASIS OF PRESENTATION

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual consolidated financial statements for the year ended December 31, 2019. The condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise indicated.

The following is the Company's accounting policy for financial instruments under IFRS 9:

i) 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 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 instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

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

<u>Financial assets/liabilities</u>	<u>Classification under IFRS 9</u>
Cash	Amortized cost
Other receivables	Amortized cost
Deposits	Amortized cost
Reclamation bonds	Amortized cost
Trade and other payables	Amortized cost

ii) 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.

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 net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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4. EXPLORATION AND EVALUATION PROJECTS

A summary of the Company's exploration and evaluation projects is as follows:

	September 30, 2020	December 31, 2019
	\$	\$
Chile	140,444	-
	140,444	-

a) CHILE:

Isabella Gold Silver Project

As at August 5, 2020, the Company signed a Binding Purchase and Sale Agreement to acquire a 100 % interest in a private Chilean company ("ChileCo") which holds various mineral rights to exploration claims that make up the Isabella Gold Silver Project in Chile. ChileCo was purchased for a nominal amount and by taking over the earn-in obligations of cash payments totaling US\$ 450,000 to be made by August 2022. ChileCo directly holds 100% of the mineral rights to 18 km² of mineral claims and has two subsidiaries with 49 km² under option agreements, The mineral claims held by both subsidiaries are subject to joint venture and mining option agreements with local parties. In Subsidiary 1 Montero has an 85% interest in the Isabella West mineral claims. In Subsidiary 2 Montero is earning an 85% interest in Isabella East mineral claims. On August 30, 2020 Montero completed a US\$50,000 – CAD\$65,691 option payment on the Isabella East claims. During the current period ending September 30, 2020, the Company spent \$16,471 on exploration costs.

Avispa Copper Molybdenum Project:

In October 2019 the Company made an application for exploration claims in an area of the northern Atacama to explore for copper molybdenum. The applications are in process and subject to regulatory approval in Chile. Once title has been granted these will be transferred to Chileco.

As at December 31, 2019, no claims had yet been granted to Montero, so the Company records these costs as property investigation costs.

During the year ended December 31, 2018, Montero has spent \$91,781 in property investigation costs on this program. During the year ending December 31, 2019 the Company incurred a further \$46,583 on the project. During the current period ending September 30, 2020, the Company was granted claims and capitalized \$58,282 in costs.

4. EXPLORATION AND EVALUATION ASSETS – Continued

b) Namibia

Lithium Projects

Soris Lithium Project

On October 10, 2017, the Company entered into a Letter of Intent ("LOI") with Frovio Investment ("Frovio") and Mickal Tjituka ("Tjituka"), the owner of Frovio, to acquire up to an 80% interest in a newly formed company ("Newco") that will hold the mining claims that make up this lithium project (the "Soris Lithium Project"). At December 31, 2019, due to the Company's current inability to obtain a permit to allow drilling and the weak lithium market an impairment charge of \$224,229 was recorded.

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UIS Lithium Tin Tailings Project

On March 5, 2018, the Company entered into a binding Heads of Agreement (“HOA”) with Namib Base Minerals CC (“NBM”) and Namibia Silica CC (“NBS”), (collectively the “Owners”) to acquire a 95% interest in the UIS Lithium Tin Tailings Project. The Company was unable to complete the earn-in payment due to poor market conditions for lithium. The Company capitalized costs of \$169,662 on the UIS Lithium Tin Tailings Project. As the agreement is currently in default, the Company has impaired the carrying value of this project.

c) South Africa

Phosco Project

The licenses comprising the Phosco project expired in February 2019 and management has re-applied for only the mining rights to the Duyker Elland project area. The Phillips Krall area was not re-applied for.

The Company recorded an impairment charge for the year end December 31, 2018 for Phosco totaling \$1,362,197 which included \$9,393 in reclamation bonds. During the year ended December 31, 2019, the Company incurred costs of \$6,648 on the Phosco project which were expensed as project investigation costs.

d) Tanzania

Wigu Hill Project

From May 26, 2008 to April 27, 2010 Montero Tanzania completed an earn-in on the Wigu Hill rare earth Project whereby the tenements were transferred to a newly formed company Wigu Hill Mining Company Limited (“WHMC”). Pursuant to defining a rare earth resource, Montero’s interest in WHMC increased to over 82.25%. In 2015, Montero applied for and was awarded a Retention Licence over the Wigu Hill Deposit, placing the project on care- and-maintenance. Retention Licenses were granted to previous holders of a Prospecting License after a mineral deposit was defined within the prospecting area which could not immediately be developed due to technical constraints, adverse market conditions or other economic factors.

In July 2017 the Government of Tanzania announced wide-ranging and severe amendments to the Mining Act 2010, which, inter alia, abolished the legislative basis for the Retention License classification with no replacement classification. On January 10th 2018, the Government of Tanzania cancelled all Retention Licenses issued prior to January 10th 2018 at which point they ceased to have any legal effect.

The operating environment in Tanzania is challenging for mining companies and as such, management believes that this is an indicator of impairment, and has therefore written off the carrying value of the Wigu Hill Project in the amount of \$1,190,719 during the year ended December 31, 2018. As well, a smaller license in the vicinity was not renewed and therefore the Company has recorded an impairment charge of \$30,079 for this other Tanzanian license for the year ended December 31, 2018. During the year ended December 31, 2019, the Company reversed an accrual for certain license fee payments resulting in an impairment reversal of \$29,823.

On August 8th, 2018 the Company signed a letter of intent (“LOI”) to sell the holding company that holds 100% of the Intellectual Property (“IP”) relating to the Wigu Hill Project to Transocean Group (“Transocean”) and Cheetah Resources Pty Ltd. (“Cheetah”). Upon signing, the Company received a fee of \$100,000 and on the award of a Mining License to the Company, Cheetah would be granted a six months option and due diligence period where it agreed to fund a \$500,000 development program and complete a legal and technical due diligence of the IP.

If Cheetah decided to take up its option in this six month option period it has the rights to acquire all the Company’s equity interest in the subsidiary company holding the Wigu Hill Mining License and thereby the IP for \$1.1 million after which Cheetah will grant and register a 1% net smelter return royalty payable to the Company on any production from the IP and future licenses awarded at Wigu Hill. Until such time as the Mining rights have been granted, Cheetah has agreed to pay overhead costs of USD \$7,000 per month.

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In the event that the agreement is terminated by Cheetah in circumstances where the Tanzanian Ministry of Mines does not grant the Mining License to Cheetah, the \$100,000 will become a loan repayable 12 months from the date of termination bearing interest at 5% per annum. Currently no provision has been recognized in relation to the deposit received as the Company does not consider it probable that the license will not be granted and it will need to repay this amount to Cheetah.

Pursuant to the letter of intent, Cheetah is due to be pay overhead costs of USD \$7,000 per month (total recoveries of USD \$21,000, \$28,243 for the period ended March 31, 2020). The overhead costs have not been received by the Company since October 2019. During the year ending December 31, 2019 the Company received other reimbursements in the amount of USD \$42,575, \$56,333, plus the deposit of \$100,000, offset by other costs of \$16,840 for a net recovery of \$250,637. Costs recovered in 2018 were credited against the carrying value of the project.

Details of the Company's exploration and evaluation assets are as follows:

	Chile	Nine Months ended September 30, 2020	Year ended December 31, 2019
	\$	\$	\$
Balance, beginning of period	-	-	-
Costs incurred during the period:			
License and claims	58,282	58,282	-
Geophysical and maps	3,177	3,177	-
Project administration	78,985	78,985	-
Total	140,444	140,444	-

5. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

At September 30, 2020 there were 21,880,818 (December 31, 2019 – 21,880,818) issued and fully paid common shares outstanding.

There have been no changes in the period ending September 30, 2020.

Stock options

The Company has established a Stock Option Plan (the "Plan") for directors, officers, employees and consultants. The number of common shares that are available for grants of options under the Plan shall not at any time exceed 10% of the number of outstanding common shares, calculated at the time of grant. Options granted under the Plan generally have a term of five years and vest on the date of the grant.

A summary of the continuity of the Company's stock options is as follows:

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	September 30, 2020		December 31, 2019	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		\$		\$
Options outstanding, beginning of period	1,752,000	0.25	1,752,000	0.25
Granted	-	-	-	-
Expired	-	-	-	-
Options outstanding and exercisable, end of period	1,752,000	0.25	1,752,000	0.25

The stock options expire on May 14, 2023 and the weighted average remaining contractual life of the outstanding stock options is 2.62 years.

6. WARRANTS

The issued and outstanding warrants are comprised of the following:

Date of expiry	Warrant Reserve	Number of warrants	Exercise Price
	\$		\$
October 27, 2020	306,361	3,440,849	0.32
Balance, September 30, 2020	306,361	3,440,849	

6. WARRANTS - Continued

A summary of the continuity of the Company's warrants is as follows:

	September 30, 2020		December 31, 2019	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		\$		\$
Warrants outstanding, beginning of period	3,440,849	0.32	3,440,849	0.32
Granted	-	-	-	-
Warrants outstanding, end of period	3,440,849	0.32	3,440,849	0.32

At September 30, 2020, the weighted average remaining contractual life of the outstanding warrants was 0.07 years.

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The warrant reserve records the fair value of warrants associated with private placements until such time that the warrants have expired, at which time the corresponding amount will be transferred to share-based payment reserve. If the warrants are exercised prior to expiry, the corresponding amount will be transferred to share capital.

7. SHARE-BASED PAYMENT RESERVE

The Company's share-based payment reserve is comprised of the following:

	\$
Expired warrants	5,086,472
Expired stock options	1,784,707
Unexpired stock options	421,447
Balance, September 30, 2020	7,292,626

The share-based payment reserve records items recognized as stock-based compensation expense, the fair value of expired warrants associated with private placements and the fair value of agent's warrants. If the stock options are exercised prior to expiry, the corresponding amount will be transferred to share capital.

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8. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period. The basic and diluted earnings (loss) per share are the same since the Company reported a loss for 2020 and 2019.

	September 30, 2020	September 30, 2019
Net loss attributable to owners of the parent company	\$ (32,760)	\$ (123,986)
Weighted average number of ordinary shares outstanding	21,880,818	21,880,818
Basic and diluted loss per ordinary share	\$ (0.00)	\$ (0.01)

9. COMMITMENTS AND CONTINGENCIES

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation projects as outlined in Note 4.

10. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Nine months ended September 30	
	2020	2019
	\$	\$
<i>Compensation of key management personnel</i>	97,243	99,627
	97,243	99,627

Related party balances

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

	Nine months ended September 30	
	2020	2019
	\$	\$
<i>Operating expense transactions</i>		
Consulting, directors', administrative and management fees	77,621	66,388
General and administrative	4,687	5,607
Total trading transactions with related parties	82,308	71,995

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10. RELATED PARTY TRANSACTIONS – Continued

The following amounts due to related parties are included in trade and other payables:

	September 30, 2020	December 31, 2019
	\$	\$
Due to related parties	207,995	274,215
Promissory Note	148,620	-
Total	356,615	274,215

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are unsecured, non-interest bearing and are due within twelve months. The promissory notes are interest bearing at 5.0% per annum. The unpaid principal amount together with any accrued and unpaid interest, shall become due and payable in full on or before December 31, 2020.

11. SEGMENTED INFORMATION

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable geographic segments are located in Canada, Namibia, South Africa, Chile and Tanzania.

Information regarding the Company's geographic segments is as follows:

As at September 30, 2020

	Chile	Namibia	Total
	\$	\$	\$
Plant and equipment	607	888	1,495
Exploration and evaluation assets	140,444	-	140,444
Total non-current assets	141,051	888	141,939

As at December 31, 2019

	Chile	Namibia	Total
	\$	\$	\$
Plant and equipment	817	1,286	2,103
Total non-current assets	817	1,286	2,103

12. NON-CASH TRANSACTIONS

There were no non-cash transactions during the nine months ended September 30, 2020 or nine months ended September 30, 2019 that are not reflected in the statement of cash flows.

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13. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle activities are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through borrowings from related parties.

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold excess cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements

14. RISK MANAGEMENT

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk

The Company is engaged in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's ability to fulfill its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The other receivables primarily comprise local sales tax refunds due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents are invested in short-term investment certificates for periods less than 90 days and the other receivables are due in less than 90 days.

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14. RISK MANAGEMENT – Continued

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. The Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's loans payable were settled with common shares during the year and the Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months.

Interest Rate Risk

Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The effect of interest rate changes on the Company is insignificant.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, Namibia, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, Namibian dollars, South African Rand and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar, the Tanzanian subsidiaries' functional currency is the United States dollar and the South African and Namibian subsidiaries' functional currency is the Canadian dollar. At September 30, 2020 and 2019, the value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily lithium and rare earth elements) to determine the appropriate course of action to be taken by the Company.

15. SUBSEQUENT EVENT

On the 4th October the Company was informed that it had been awarded the Avispa copper molybdenum claims in Chile. Avispa is comprised of 49 claim blocks with a total surface area of 13,200 hectares. The Company made application for various licenses adjacent to the Isabella gold project and is in negotiation with claim holders in the area.

On October 29, 2020, the Company announced it intends to complete a non-brokered private placement of up to 14,000,000 units at a price of \$0.15 per Unit, the Unit is made a common share and a half warrant for gross proceeds of up to \$2,100,000. Each whole warrant will entitle the holder to purchase one Common Share at a price of CAD\$0.25 per Common Share. Closing of the Offering is expected to occur on or about December 2, 2020. On November 26, 2020, the Company increased its offering by \$400,000 for proceeds up to \$2,500,000.