

ZINCORE METALS INC.



For the Nine Months Ended  
September 30, 2020 and 2019

**Condensed Consolidated  
Interim Financial Statements  
(Unaudited)**



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## NOTICE TO READER

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These condensed consolidated interim financial statements of Zincore Metals Inc. have been prepared by management, reviewed by the Audit Committee, and approved and authorized for issue by the Board of Directors of the Company on November 24 2020. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to the condensed consolidated interim financial statements and the related quarterly Management Discussion and Analysis.



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

IN CANADIAN DOLLARS

As at	SEPTEMBER 30, 2020	DECEMBER 31, 2019
<b>Assets</b>		
Current assets		
Cash (note 11)	\$ 219,235	\$ 3,031
Prepaid, advances and other receivables (note 11)	2,096	3,004
	221,331	6,035
Non-current assets	-	-
<b>Total Assets</b>	<b>\$ 221,331</b>	<b>\$ 6,035</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 4(q),8,11)	\$ 571,240	\$ 441,183
Promissory note (note 5,11)	414,446	372,915
Short term obligations (note 6,11)	32,428	32,428
Shareholder loan – current (note 4, 8,11)	574,531	535,235
	1,592,645	1,381,761
Non-current liabilities	-	-
	1,592,645	1,381,761
<b>Equity</b>		
Share capital (note 3)	57,015,123	57,015,123
Reserves	11,838,258	11,858,665
Deficit	(70,224,695)	(70,249,514)
	(1,371,314)	(1,375,726)
<b>Total Equity and Liabilities</b>	<b>\$ 221,331</b>	<b>\$ 6,035</b>

Nature and continuance of operations (note 1)  
Commitments (note 9)

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

IN CANADIAN DOLLARS

	THREE MONTHS ENDED SEPTEMBER 30, 2020	THREE MONTHS ENDED SEPTEMBER 30, 2019	NINE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2019
<b>Expenses</b>				
General exploration expense	\$ (10,187)	(16,501)	\$ (31,853)	(165,389)
Consulting and management fee (note 8)	(15,000)	(18,000)	(51,000)	(51,000)
Foreign exchange gain (loss)	10,441	(3,718)	(13,974)	1,046
Legal and accounting	(5,942)	(32,505)	(47,557)	(96,860)
General administration	(7,722)	(11,856)	(22,910)	(32,899)
Interest expenses (note 4)	(11,101)	(19,652)	(55,311)	(80,797)
Loss before undernoted item	(39,511)	(102,232)	(222,605)	(425,899)
Other income (note 9c)	236,964	-	236,964	18
Gain on debt settlement	10,460	-	10,460	-
<b>Net loss</b>	207,913	(102,232)	24,819	(425,881)
Other comprehensive income:				
Foreign currency translation differences in foreign operations	13,388	(13,438)	(20,407)	30,055
Total comprehensive income (loss)	\$ 221,301	(115,670)	\$ 4,412	(395,826)
Loss per share - basic and diluted	\$ 0.01	(0.01)	\$ 0.00	(0.02)
Weighted average number of shares outstanding – basic and diluted	19,106,338	19,106,338	19,106,338	19,106,338
Total shares issued and outstanding	19,106,338	19,106,338	19,106,338	19,106,338

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

## (UNAUDITED)

IN CANADIAN DOLLARS

	THREE MONTHS ENDED SEPTEMBER 30, 2020	THREE MONTHS ENDED SEPTEMBER 30, 2019	NINE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2019
<b>Operating Activities</b>				
Net income (loss) before income taxes	\$ 207,913	\$ (102,232)	\$ 24,819	\$ (425,881)
Items not involving cash:				
Gain on debt settlement	(10,460)	-	(10,460)	-
Accretion expense – loan	284	5,377	8,418	41,350
Foreign exchange	(10,441)	3,718	13,974	(1,046)
	187,296	(93,137)	36,751	(385,577)
Change in non-cash operating working capital items:				
(Increase)decrease in prepaid, advances and other receivables	707	1,568	908	(854)
Increase (decrease) in accounts payable, loan payable and accrued liabilities	31,153	40,676	171,731	197,259
Cash used in operating activities	219,156	(50,893)	209,390	(189,172)
<b>Financing Activities</b>				
Proceeds from promissory note	-	67,854	6,814	205,267
Repayment of shareholders loan	-	(8,512)	-	(8,512)
Cash provided by financing activities	-	59,342	6,814	196,755
Increase (decrease) in cash and cash equivalents during the period	219,156	8,449	216,204	7,583
Cash at beginning of period	79	1,791	3,031	2,657
Cash at end of period	\$ 219,235	\$ 10,240	\$ 219,235	\$ 10,240

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

## (UNAUDITED)

IN CANADIAN DOLLARS

	SHARE CAPITAL		RESERVES				DEFICIT	TOTAL
	NUMBER OF SHARES (NOTE 3)	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE			
Balance at December 31, 2019	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,374,760	\$ (70,249,514)	\$ (1,375,726)	
Net gain (loss)	-	-	-	-	-	24,819	24,819	
Other comprehensive income	-	-	-	-	(20,407)	-	(20,407)	
Balance at September 30, 2020	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,354,353	\$ (70,224,695)	\$ (1,371,314)	
Balance at December 31, 2018	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,324,993	\$ (70,030,696)	\$ (1,206,675)	
Net gain (loss)	-	-	-	-	-	(425,881)	(425,881)	
Other comprehensive loss	-	-	-	-	30,055	-	30,055	
Balance at September 30, 2019	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,355,048	\$ (70,456,577)	\$ (1,602,501)	

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS(UNAUDITED)

For the Nine months ended September 30, 2020 and 2019 (all items are in Canadian dollars except as otherwise notes)

## 1/ NATURE AND CONTINUANCE OF OPERATIONS

Zincore Metals Inc. (“Zincore” or the “Company”) located at 5626 Larch Street Suite 202, Vancouver BC, V6M 4E1, is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects in Peru. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit. As at the close of September 30, 2020, the Company no longer holds any exploration properties.

These consolidated financial statements have been prepared on a going concern basis. Zincore does not generate cash flows from operations and accordingly, Zincore will need to raise additional funds through future issuance of securities, loans or other financing. Although Zincore has been successful in raising funds in the past, there can be no assurance Zincore will be able to raise sufficient funds in the future, in which case Zincore may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if Zincore will attain a profitable level of operations. At September 30, 2020, Zincore has incurred cumulative losses of \$70,224,695 (December 31, 2019 — \$70,249,514) since inception and has negative working capital totalling \$1,371,314 (December 31, 2019 - \$1,375,726) and is unable to pay all of its commitments as they come due. The Company is currently pursuing its alternatives for financing, including potential partnerships. These factors cast significant doubt regarding Zincore’s ability to continue as a going concern. Should Zincore be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statements of financial position.

The Company was incorporated as Peru Zinc Corporation on September 21, 2005 in the Province of British Columbia. The Company subsequently changed its name to Southern Zinc Corporation on April 26, 2006 and to Zincore Metals Inc. on June 5, 2006. In November 2006, Zincore completed an initial public offering and commenced trading on the Toronto Stock Exchange (“TSX”). In May 2010, the Company’s shares were approved for trading on the Lima Stock Exchange, or Bolsa de Valores de Lima (“BVL”). The address of the Company’s registered office is 5626 Larch Street, Suite 202, Vancouver, BC, Canada V6M 4E1. On March 20, 2015, the Company announced that it had applied for voluntary delisting of its shares from the TSX and concurrently applied for a listing on the NEX, a separate board of the TSX-V. At market close on March 30, 2015, the Company’s shares ceased to trade on the TSX and commenced trading on the NEX at market open on March 31, 2015 under the symbol “ZNC.H”. Given that the Company’s listing on the BVL was conditional in part on a TSX or TSX-V listing, the Company’s shares ceased to trade on the BVL during the first quarter of 2015. Zincore shares are not differentiated based on the exchange they are bought or sold on. Accordingly, shareholders who purchased shares on the BVL are still able to complete transactions on the NEX subject to the capabilities of their broker/dealer. On July 26, 2016, the Company’s shares commenced trading on the NEX, on a consolidated basis at the open of market. The Company’s name and trading symbol (ZNC.H) remain the same.

Although Zincore has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee Zincore’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### ***Reverse Takeover (“RTO”)***

On January 21, 2019, the Company announced that that it had entered into a Letter of Intent (“LOI”) dated January 13, 2019 with Mines & Metals Trading (Peru) PLC, (“MMTP”) Upon successful completion of the proposed acquisition of the securities of MMTP (the “Transaction”), it is anticipated that the Company (the “Resulting Issuer”) will be listed as a Tier 2 issuer on the TSX Venture Exchange (“TSX-V”) and will carry on the business of the continued exploration and development of MMTP’s Recuperada zinc-lead-silver project in Huancavelica, Peru. The Transaction is at arms-length and constitutes a ‘reverse takeover’ of the Company pursuant to Policy 5.2 of the TSX-V. Zincore and MMTP are working towards completing a Definitive Agreement.

Pursuant to the Transaction, it is expected that before the effect of any proposed financing or debt settlements, the holders of MMTP shares will hold 95% of the Resulting Issuer’s shares, with the remaining 5% held by current Zincore shareholders. As per the LOI, it is anticipated that prior to or concurrently with the closing of the Transaction, Zincore or MMTP, as the case may be, will complete a brokered private placement (the “Offering”) for gross proceeds of US\$5,000,000, or such other amount as may be agreed by the parties, with a view to satisfying the minimum listing requirements of the TSX-V with respect to working capital requirements and public distribution applicable to the Resulting Issuer. The Transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the Transaction, with such agreement to include representations, warranties, conditions and covenants typical for a transaction of this nature, the completion of satisfactory due diligence investigations, the completion of a debt settlement of the Company’s related party debt as further described below, and the approval of the TSX-V



and other applicable regulatory authorities. Trading in Zincore shares will remain halted pending the completion of the Transaction. Further details concerning the Transaction and other matters will be announced if and when a Definitive Agreement is reached.

In order to provide Zincore with liquidity necessary to conduct its operations until closing of the Transaction, MMTP and Zincore has entered into a loan agreement (the "Loan Agreement") pursuant to which MMTP will make available to Zincore a non-revolving credit facility, (the "Facility") by way of loans, ("Loans") up to a maximum amount of US\$268,000. MMTP may, in its sole discretion, from time to time upon request by Zincore, increase the maximum amount available to Zincore under the Facility at such times and in such amounts as may be agreed by the parties. The Loan Agreement will provide that Loans advanced under the Facility will mature, and the outstanding principal amount of such Loans and interest accrued thereon will become due and payable, on the date that is six months from the date of the Loan Agreement (the "Maturity Date"). Loan amounts advanced under the Facility will be used by Zincore to effect mutually agreed upon payments. The Loan Agreement will provide that interest shall accrue on the principal amount of each Loan advanced pursuant to the Facility from the date of such advance, as well as all overdue amounts outstanding in respect of interest, at the rate of 10% per annum, calculated daily and compounded monthly, and be payable by Zincore to MMTP on maturity or earlier, as otherwise set out in the Loan Agreement. Any obligations of Zincore under the Loan Agreement that are outstanding at the time of Closing shall be assumed by the Resulting Issuer.

Jorge Benavides, CEO of Zincore, has made certain advances of funds to Zincore in order to fund working capital of Zincore and its subsidiaries (the "Benavides Debt"). In connection with the Closing of the Transaction, the Company will apply to the TSXV for approval to convert the Benavides Debt into shares of the Resulting Issuer at a price per share equal to the price per share determined in the context of the Offering. See note 4 (p).

MMTP is not a related party to the Company. All transactions and loans from MMTP are not related party transaction in nature.

On August 14, 2019, the Company provided the following update on the proposed reverse takeover transaction with Mines & Metals Trading (Peru) PLC ("MMTP") as originally announced on January 21, 2019 (the "Transaction"). Upon completion of the Transaction, it is anticipated that the Company (the "Resulting Issuer") will be listed as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V") and will continue the exploration and development of MMTP's Recuperada zinc-lead-silver project in Huancavelica, Peru, and the reactivation of Zincore's Accha Zinc Oxide District ("AZOD") Project. Zincore and MMTP continue to pursue the Transaction as provided in the letter of intent dated January 13, 2019 (the "LOI"). Conditions in the LOI relating to entry into a definitive agreement have been extended to August 30, 2019. The Company is currently discussing with MMTP on a further extension. On September 5, 2019, at the Company's Annual General and Special meeting of shareholders, shareholders approved the issuance of up to 3,184,290 shares to settle debts with Jorge Benavides. Any such debt settlement is contingent on the successful completion of the RTO with MMTP and assumes that the Company undertakes a 1:4 share consolidation in connection with that transaction.

On December 24, 2019, the Company announced that it entered into an arm's length definitive business combination agreement dated December 23, with Mines & Metals Trading (Peru) PLC ("MMTP") providing for the reverse takeover of Zincore by MMTP (the "Transaction"). Upon completion of the Transaction, it is anticipated that the Company (the "Resulting Issuer") will be listed as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V") and will continue the exploration and development of MMTP's Recuperada zinc-lead-silver project in Huancavelica, Peru, and the reactivation of Zincore's Accha Zinc Oxide District ("AZOD") Project.

On March 12, 2020, the Company provided an update on the business combination and reverse takeover (the "Transaction" and "RTO", respectively) of Zincore by Mines & Metals Trading (Peru) PLC ("MMTP"), as originally announced January 21, 2019. The Company has now been informed by MMTP that the Transaction is expected to close in the second quarter of 2020. The Company also reports that MMTP has acquired an additional property package near its Recuperada silver lead-zinc mine and processing plant, located in Huancavelica, Peru, from Peruvian Metals, a Canadian processing and mineral exploration company.

MMTP is acquiring Peruvian's Metals 100% owned subsidiary, Corongo Exploraciones, ("Corongo") which holds concessions totaling 2420 hectares located in the Huachocolpa Mining District in South-Central Peru. The Huachocolpa Mining District is host to several producing and past-producing vein-hosted polymetallic, base metal (silver-zinc-lead-copper plus or minus gold) mines. Polymetallic mining and milling continue to be the dominant formal economic activity in the district with Compañía Minera Kolpa S.A and MMTP's Recuperada Mill being the two largest operations currently in production in the area. With the Corongo acquisition, MMTP will now control a large land package totaling in excess of 15,000 hectares with many of the acquired Peruvian Metals' concessions being contiguous with MMTP concessions.

In exchange for Corongo and its concessions, Peruvian Metals will receive US\$200,000 from MMTP and 45,008 shares of MMTP valued at C\$17.33 per share or an aggregate of C\$780,000. Upon completion of the RTO with Zincore, each share of MMTP will be exchanged for approximately 73.2 Zincore shares and Peruvian Metals will receive approximately 3,294,540 shares in the resulting TSX-Venture listed issuer.

On April 21, 2020, the Company amended its business combination agreement with Mines & Metals Trading (Peru) PLC ("MMTP") to extend the deadline for completion of the reverse takeover of Zincore by MMTP (the "Transaction") to June 1, 2020. Upon completion of the Transaction, it is anticipated that the Company (the "Resulting Issuer") will be listed as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V") and will continue the exploration and development of MMTP's Recuperada zinc-lead-silver project in Huancavelica, Peru, and the reactivation of Zincore's Accha Zinc Oxide District ("AZOD") Project.

The Company intends for trading in the Company's shares to remain halted until completion of the Transaction. Further details of the Transaction and any related aspects will be made available in subsequent press releases and in the disclosure documents (which will include business and financial information in respect of MMTP) to be filed by Zincore in connection



with the Transaction. For further details on the Transaction, please see the Company's news releases dated January 21st, August 14th and December 24th of 2019 and March 12th, 2020, and April 12, 2020.

On July 3, 2020, the Company amended its business combination agreement with Mines & Metals Trading (Peru) PLC ("MMTP") to further extend the deadline for completion of the reverse takeover of Zincore by MMTP (the "Transaction") to September 1, 2020. The Company had previously announced on April 21, 2020 that the two parties were extending the agreement to June 1, 2020.

On September 1, 2020, the Company reported that the agreement governing the business combination with Mines & Metals Trading (Peru) PLC ("MMTP") will not be extended and will expire September 1, 2020. Accordingly, the reverse takeover transaction of Zincore by MMTP, as originally announced January 21, 2019 and further reported on August 14th and December 24th of 2019 and March 12th, April 21st and July 3rd 2020, will terminate at end of day. The Company will now resume its search for ways to best create value for its shareholders and will update the market as information becomes available.

Given the Company's financial position, the Company did not make payments by September 30, 2020 to maintain its property claims. Accordingly, as at the close of September 30, 2020, the Company no longer holds claim to any mineral exploration properties.

### **COVID-19**

During March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by almost all levels of government in Canada and around the World regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence, however, it has gotten demonstrably more difficult to conduct normal business tasks and source potential financing. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

## **2/ ACCOUNTING POLICIES**

### **(A) BASIS OF PREPARATION**

#### Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

The accounting policies applied in preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2019.

The Company's management makes judgements in its process of applying the Company's accounting policies in the preparation of its audited annual consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The Company's interim results are not necessarily indicative of its results for a full year.

These interim consolidated financial statements were authorized by the Board of Directors on November 24, 2020.

### **(B) BASIS OF CONSOLIDATION**

These unaudited consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries. All amounts are expressed in Canadian dollars, unless otherwise stated. The principal subsidiaries of Zincore and their geographic locations at September 30, 2020 were as follows:



	JURISDICTION	NATURE OF OPERATIONS	OWNERSHIP %
Zincore Metals Inc.	Canada	Holding company	100%
Polymex Resources Ltd.1	Canada	Holding company	100%
Antacollo SAC	Peru	Exploration company	100%
Paracas Minerals Ltd	Bermuda	Holding company	100%
Nazca Minerals Ltd.	Bermuda	Holding company	100%
Wari Minerals Limited	Bermuda	Holding company	100%
Exploraciones Collasuyo S.A.C	Peru	Exploration company	100%

(1) As a result of First Quantum Minerals Inc. ("First Quantum") terminating a joint-venture at the Dolores Project during the first quarter of 2017, Zincore regained 100% ownership of Polymex Resources Ltd. ("Polymex").

Intercompany transactions and balances between the Company and its subsidiaries are eliminated.

### (C) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company has applied the following new and revised IFRSs in these unaudited consolidated interim financial statements:

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 was recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Company will be adopting the exemption for leases with a lease term of 12 months or less and for leases that are low value. The Company does not currently have any leases greater than a lease term of 12 months; as a result, there are no material accounting impact upon adoption.

## 3/ SHARE CAPITAL

### A) COMMON AND PREFERRED SHARES

The authorized share capital of the Company consists of an unlimited number of common shares without par value, an unlimited number of first preferred shares without par value, and an unlimited number of second preferred shares without par value. To date no preferred shares have been issued.

### B) SHARE PURCHASE OPTION COMPENSATION PLAN

The Company has a share purchase option plan providing for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries. The exercise price of each option is set at the discretion of the Board, subject to any Exchange regulations. The option vesting periods are established by the Board of Directors or Exchange policies if applicable. Options may not be granted for a term exceeding ten years and all options granted to date have been for a term of five years.

As at September 30, 2020, the Company had 848,000 (December 31, 2019 – 848,000) stock options outstanding with a weighted average exercise price of \$0.17 (December 31, 2019 - \$0.17) per option.

The following table summarizes the outstanding stock options as at:

	AT SEPTEMBER 30, 2020		AT DECEMBER 31, 2019	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	848,000	\$ 0.17	1,691,333	\$ 0.18
Expired and cancelled	-	\$ -	(843,333)	\$ 0.20
Outstanding at end of period and date of report	848,000	\$ 0.17	848,000	\$ 0.17



Exercisable at end of period and date of report	848,000	\$	0.17	848,000	\$	0.17
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EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
\$0.01-\$0.50	848,000	\$0.17	1.73	848,000
	848,000	\$0.17	1.73	848,000

During the nine months ended September 30, 2020, the Company recognized \$nil (2019 - \$nil) as share-based compensation expense.

#### C) WARRANTS

As at September 30, 2020 and December 31, 2019 the Company had nil warrants outstanding.

#### 4/ SHAREHOLDER LOANS

	September 30, 2020	Discount	September 30, 2020	December 31, 2019
	Face value	(p)	Carrying value	Carrying value
Jorge Benavides Loan# 1 (a)	\$ 65,327.8	-	65,327.8	63,609
Jorge Benavides Loan# 2 (b)	11,210.7	-	11,210.7	10,916
Jorge Benavides Loan# 3 (c)	41,294.0	-	41,294.0	40,207
Jorge Benavides Loan# 4 (d)	67,990.6	-	67,990.6	66,202
Jorge Benavides Loan# 5 (e)	27,645.3	-	27,645.3	26,132
Jorge Benavides Loan# 6 (f)	26,771.9	-	26,771.9	24,977
Jorge Benavides Loan# 7 (g)	1,673.2	-	1,673.2	1,542
Jorge Benavides Loan# 8 (h)	167,324.4	-	167,324.4	152,575
Jorge Benavides Loan# 9 (i)	55,217.1	-	55,217.1	50,198
Jorge Benavides Loan# 10 (j)	25,098.7	-	25,098.7	22,961
Jorge Benavides Loan# 11 (k)	73,097.4	-	73,097.4	65,353
Jorge Benavides Loan# 12 (l)	11,880.0	-	11,880.0	10,563
Total shareholder loans as at September 30, 2020	\$ 574,531.1	-	574,531.1	535,235
Short term portion as at September 30, 2020	\$ 574,531.1	-	574,531.1	535,235

- (a) On September 29, 2015, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged two unsecured loans with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. \$215,536. The Loans were in respect of advances in an aggregate of U.S. \$143,836 made by Mr. Benavides to the Company over 9 months in 2015, and for U.S. \$71,700 in consulting fees owed by the Company to Mr. Benavides for the period of October 2014 to September 2015. The Loans, which were to mature in 24 months on September 29, 2017, carried interest rates of 12% compounded annually. The Loan principals and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. On May 16, 2017 the company partially settled the loans (\$282,314) by issuing 1,447,763 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$43,433 for year ended December 31, 2017.
- (b) On February 9, 2017, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$6,700. The Loan, which matures in 24 months on February 9, 2019, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- (c) On March 17, 2017, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$24,679. The Loan, which matures in 24 months on March 17, 2019, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- (d) On March 17, 2017, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$40,634. The Loan, which matures in 24 months on March 17, 2019, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.



- (e) On February 16, 2018, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$16,522. The Loan, which matures in 24 months on February 16, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (f) On March 15, 2018, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$16,000. The Loan, which matures in 24 months on March 15, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- (g) On April 16, 2018, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$1,000. The Loan, which matures in 24 months on April 16, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- (h) On May 16, 2018, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$100,000. The Loan, which matures in 24 months on May 16, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (i) On May 30, 2018, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$33,000. The Loan, which matures in 24 months on May 30, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- (j) On May 1, 2018, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$15,000. The Loan, which matures in 24 months on May 1, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- (k) On July 23, 2018, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for US\$43,686. The loan, which matures in 24 months on July 23, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- (l) On August 10, 2018, the Company arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for US\$7,100. The loan, which matures in 24 months on August 10, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- (m) On November 20, 2018, the Company arranged an unsecured loan with John Power, a shareholder of the Company, for US\$7,850. The loan, which matures in 6 months on May 19, 2019, extended 90 days to August 17, 2019 carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The Company repaid the loan principal plus interest on July 24, 2019.
- (n) Loan Settlement
- i. On May 3, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$11,400. The Loan, which was to mature in 24 months on May 3, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest was to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$17,244) by issuing 88,429 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$2,650 for year ended December 31, 2017.
  - ii. On June 21, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for Peruvian Sol 35,000. The Loan, which was to mature in 24 months on June 21, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$16,098) by issuing 82,553 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$2,476 for year ended December 31, 2017.
  - iii. On September 28, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$700. The Loan, which was to mature in 24 months on September 28, 2018, carried



an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$1,013) by issuing 5,193 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$155 for year ended December 31, 2017.

- iv. On October 13, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$1,000. The Loan, which was to mature in 24 months on October 13, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$1,440) by issuing 7,387 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$222 for year ended December 31, 2017.
- v. On October 13, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$6,000. The Loan, which was to mature in 24 months on October 13, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$8,643) by issuing 44,323 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$1,329 for year ended December 31, 2017.
- vi. On November 30, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. \$15,000. The Loan, which was to mature in 24 months on November 30, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$21,288) by issuing 109,168 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$3,275 for year ended December 31, 2017.
- vii. On December 16, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$2,250. The Loan, which was to mature in 24 months on December 16, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$3,241) by issuing 16,621 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$499 for year ended December 31, 2017.
- viii. On May 16, 2017, the Company completed shares for debt transactions to settle shareholder loans with certain creditors of the Company and the Company's Peruvian subsidiary, Exploraciones Collasuyo SAC. The Company issued 1,801,437 (see above from 1) to 8)) common shares of the Company to settle \$351,280 of debentures. As the fair value of the shares was lower than the deemed value at the date of issuance, a gain of \$54,039 was recognized from settlement for year ended December 31, 2017.

(o) Other arrangements

- i. December 14, 2017, the Company and its Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into agreements (the "Creditor Agreements") with the Company's CEO and Director Jorge Benavides to turn the applicable loans as indicated above, into long term debt obligations, subject to the Company completing a minimum \$600,000 financing. Upon completion of such a financing, the Creditor Agreements will become active, and the applicable funds will become due and payable 20-months after the closing of the financing.

The Creditor Agreements will be subject to interest rates of 12-month LIBOR, with the principal and applicable interest due at maturity. The Obligations will be guaranteed by Zincore. In the event that the Company is unable to pay the Obligations when they are due, they will be subject to an additional 2% annualized penalty.

- ii. December 14, 2017, the Company and its Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into agreements (the "Creditor Agreements") with the Company's CEO and Director Jorge Benavides to turn outstanding fees into long term obligations, subject to the Company completing a minimum \$600,000 financing. The total amount of payables that are subject to these Creditor Agreements is \$143,303 (US\$114,231). The Creditor Agreements will become active and the applicable funds will become due and payable 20 months after the closing of a minimum \$600,000 financing.



The Creditor Agreements will be subject to interest rates of 12-month LIBOR, with the principal and applicable interest due at maturity. The Obligations will be guaranteed by Zincore. In the event that the Company is unable to pay the Obligations when they are due, they will be subject to an additional 2% annualized penalty.

As of December 31, 2019, the above described Creditor Agreements have not been activated.

- p) On August 8, 2019, the Company and Mr. Benavides entered into a debt settlement agreement providing for the settlement of the Benavides Debt through the issuance of common shares of Zincore ("Shares") at a price per Share that shall be no less than the issue price per security of MMTP issued pursuant to the concurrent brokered private placement that MMTP will undertake in connection with the Transaction (the "Debt Settlement"). The Transaction settled of debts owed by Zincore to the Company's CEO, Jorge Benavides, in the amount of US\$482,234 (the "Benavides Debt"). Assuming that the Shares are consolidated on a four-to-one basis in connection with the Transaction, Zincore will issue a maximum of 3,184,290 consolidated Shares pursuant to the Debt Settlement.
- q) Net Present Value - Discount

As at September 30, 2020, the Company calculated the fair value of the liability using a discount rate of 25%. The carrying value of the liability is being accreted to the redemption value of the debenture to various maturity date of the related party debenture. At September 30, 2020, total accreted interest expense recorded was \$8,418 (September 30, 2019 - \$41,350).

As at September 30, 2020, total of \$574,531 (U.S. \$430,715) (December 31, 2019 - \$543,653 (U.S. \$418,581)) is outstanding from shareholders, with Jorge Benavides being also a director and officer of the Company. During the nine months ended September 30, 2020, the Company recorded accrued interest expenses of \$16,431 (2019 — \$31,972) related to these loans.

## 5/ PROMISSORY NOTE

As at September 30, 2020, the Company has eight promissory notes plus account payables in the principal amount of \$414,446 (USD\$273,659) (December 31, 2019 - \$353,438 (USD\$272,126) which is due to Mines and Metals Trading (Peru) PLC ("MMTP"), an isle of man legal entity. These notes are unsecured, bears interest at 10% per annum, and is due on 6 months and extended third 6 months for each.

MMTP is not a related party to the Company.

Interest accrued on the Promissory Notes for the nine months ended September 30, 2020 was \$30,356 (September 30, 2019 - \$6,910) and included in the account payables and accrued liabilities. As at September 30, 2020, the Company agreed to the following terms:

- a) On January 15, 2019, the Company arranged an unsecured loan with MMTP, for US\$25,000. The loan, which matures in 6 months on July 15, 2019, extended 6 months to January 15, 2020, second extended 6 months to July 15, 2020, third extended 6 months to January 15, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- b) On February 15, 2019, the Company arranged an unsecured loan with MMTP, for US\$10,000. The loan, which matures in 6 months on August 15, 2019, extended 6 months to February 15, 2020, second extended 6 months to August 15, 2020, third extended 6 months to February 15, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- c) On February 27, 2019, the Company arranged an unsecured loan with MMTP, for US\$10,000. The loan, which matures in 6 months on August 27, 2019, extended 6 months to February 27, 2020, second extended 6 months to August 27, 2020, third extended 6 months to February 27, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- d) On March 21, 2019, the Company arranged an unsecured loan with MMTP, for US\$10,000. The loan, which matures in 6 months on September 21, 2019, extended 6 months to March 21, 2020, second extended 6 months to September 21, 2020, third extended 6 months to March 21, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- e) On June 26, 2019, the Company arranged an unsecured loan with MMTP, for US\$50,000. The loan, which matures in 6 months on December 26, 2019, extended 6 months to June 26, 2020, second extended 6 months to December 26, 2020, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- f) On June 27, 2019, US\$82,800 were sent directly from MMTP to pay for concession fees on behalf of the Company. The loan, which matures in 6 months on December 27, 2019, extended 6 months to June 27, 2020, second extended 6 months to December 27, 2020, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.



- g) On July 19, 2019, the Company arranged an unsecured loan with MMTP, for US\$50,000. The loan, which matures in 6 months on January 19, 2020, extended 6 months to July 19, 2020, second extended 6 months to January 19, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- h) On August 21, 2019, USD\$4,150 were sent directly from MMTP to pay for Acclaim IOM company incorporation management fee on behalf of the Company. The loan, which matures in 6 months on February 21, 2020, extended 6 months to August 21, 2020, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.

On September 18, 2020, this loan was forgiven by MMTP in exchange for the ownership of a dormant subsidiary of Zincore. A gain of \$6,610 was recognized from the settlement of debt.

- i) On November 5, 2019, the Company arranged an unsecured loan with MMTP, for US\$30,000. The loan, which matures in 6 months on May 5, 2020, extended 6 months to November 5, 2020, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- j) On March 10, 2020, the Company arranged an unsecured loan with MMTP, for US\$5,000. The loan, which matures in 6 months on September 10, 2020, extended 6 months to March 10, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- k) During the year ended December 31, 2019, USD\$176 was sent directly from MMTP to pay tax on behalf of the Company.
- l) During the nine months ended September 30, 2020, USD\$682 (2019 - \$nil) was sent directly from MMTP to settle debt on behalf of the Company.

## 6/ SHORT TERM OBLIGATIONS

On March 2012 the Company signed an agreement to sublease its office space until the end of its lease obligation in September 2017. This enabled the Company to fully offset the remaining commitment relating to its operating lease obligations. The sublease agreement became effective on April 15, 2012. Pursuant to that agreement the Company collected a three-month damage deposit and recorded it as a long-term obligation. On April 25, 2017, a new agreement was signed, whereby the lease was terminated early on July 15, 2017.

As at September 30, 2020 the Company had the following short-term obligation outstanding:

	NINE MONTHS ENDED SEPTEMBER 30, 2020	YEAR ENDED DECEMBER 31, 2019
Lease obligation (b)	32,428	32,428
Total Short term obligation	\$ 32,428	\$ 32,428

## 7/ SEGMENTED INFORMATION

The Company operates in one reportable operating segment, the acquisition and exploration of mineral properties. As at September 30, 2020 and December 31, 2019, the Company has no non-current assets.

## 8/ RELATED PARTY TRANSACTIONS

- (a) Prior to October 2013, the Company paid remuneration for management services to a company controlled by Zincore's CEO. Fees were paid based on a daily rate pursuant to a consulting contract, approved by the Company's Board of Directors. In October 2013, the Company commenced paying its CEO directly rather than to a company controlled by him. The Company also paid the remuneration of the Chief Financial Officer ("CFO") through a company controlled by the CFO. These amounts are recorded as a consulting fees in the Company's Consolidated Annual Statements of Comprehensive Loss.
- (b) As at September 30, 2020, the Company had \$574,531 (December 31, 2019 - \$543,653) of shareholder loans outstanding (see note 4), \$152,373 unpaid consulting fees outstanding.
- (c) As at September 30, 2020, related party accounts payable was \$152,250 (December 31, 2019 - \$247,063).



## (d) Compensation of key management personnel:

	NINE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2019
Remuneration paid to CFO	51,000	45,000

**9/COMMITMENTS**

- (a) As part of the convertible debenture settlement with First Quantum in fiscal 2017, the Company is required to maintain Directors and Officers Insurance over the next 6 years (commitment ends on February 2023). The Company's committed obligation is \$9,600 for September 30, 2021.

	WITH 1 YEAR	OVER 1 YEAR	TOTAL
D&O Insurance	9,600	13,600	23,200

- (b) On December 22, 2017, the Company's Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into an agreement (the "Creditor Agreement") with a creditor of the Company to turn a current payable of \$392,606 (US\$287,792) into a long term debt obligation, due and payable 20 months from the date the Company completes a minimum \$600,000 financing.
- (c) On September 14, 2020, the Company licensed the use of some of the historical exploration data to a third party for US\$175,000 (\$236,964).

**10/ MANAGEMENT OF CAPITAL RISK**

The capital structure of the Company consists of equity attributable to common shareholders, comprising share capital, reserves and deficit. Its capital resources consist of cash and cash equivalents. The Company manages its capital to fund its exploration and development expenditures and corporate costs with the primary objective of maintaining adequate liquidity within the Company to safeguard its ability to continue as a going concern while minimizing dilution to current equity holders.

The capital of the Company consists of items included in shareholders' equity, net of cash and cash equivalents as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 2020	YEAR ENDED DECEMBER 31, 2019
Total equity for owners	\$ (1,371,314)	\$ (1,375,726)
Less: cash and cash equivalent	(219,235)	(3,031)
	(1,590,549)	(1,378,757)

To effectively manage its resources and minimize risk the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a monthly cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors (the "Board").

The Company maintains an investment policy that specifies the investment products and credit exposures permitted relating to the short-term investments of the Company's cash (the "Cash Investment Policy").

The Company is not subject to any externally imposed capital requirements and it does not have exposure to asset-backed commercial paper or similar products.

**11/ MANAGEMENT OF FINANCIAL RISK**

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk and price risk (including currency and interest rate risks). The risk related to financial instruments is managed by the senior management of the Company under



policies and directions approved by the Board. Relevant policies include the Cash Investment Policy and the approval allowing a portion of the Company's cash to be held in United States dollars at the discretion of the Chief Financial Officer. The Board monitors these policies on a quarterly basis. The Company's Board has not approved the use of derivative financial products.

#### A) FAIR VALUE ESTIMATION

The fair values of the Company's cash and cash equivalents, prepaid, advances and other receivables and accounts payable approximate their carrying values due to their short term nature. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk with respect to currency risk and interest risk. The following table summarize the Company's financial instruments as at September 30, 2020 and December 31, 2019:

	SEPTEMBER 30, 2020		DECEMBER 31, 2019	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
<b>FINANCIAL ASSETS</b>				
Fair value through profit or loss				
Cash	219,235	219,235	3,031	3,031
Other receivables	1,331	1,331	3,004	3,004
<b>FINANCIAL LIABILITIES</b>				
Accounts payable and accrued liabilities	571,240	571,240	441,183	441,183
Shareholder loan	574,531	574,531	535,235	535,235
Promissory note	414,446	414,446	372,915	372,915
Short term obligation	32,428	32,428	32,428	32,428

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

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

The Company has classified all of its financial instruments at Level 1

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The Company's cash assets are held in demand accounts in Canada, Bermuda, and Peru. All accounts are held at commercial banks with credit ratings of A or higher.

#### B) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase exploration plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share in the funding of its exploration properties to minimize shareholder risk. The Company's cash assets are held in demand accounts in Canada, Bermuda, and Peru.

The Company is continuously evaluating alternatives in order to raise additional capital to increase liquidity and to cut costs where possible, but there's no certainty that additional capital will be raised. As at September 30, 2020, cash was \$219,235 (December 31, 2019 - \$3,031).



#### C) CURRENCY RISK

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 holds its cash resources principally in Canadian dollars with a secondary amount held in U.S. dollars and incurs expenses principally in U.S. dollars with smaller exposures mainly to Peruvian soles and Canadian dollars. A weakening Canadian dollar relative to these currencies increases the Company's reported expenses and increases its deferred mineral property investments. However, a weakening Canadian dollar results in a foreign exchange gain on the Company's non-Canadian monetary assets.

As at September 30, 2020, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net gain by approximately \$126,438 (December 31, 2019 - \$80,442) with a 10% strengthening having the opposite effect.

#### D) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash and cash equivalents, as at September 30, 2020 and December 31, 2019, there's no material impact if there is a 1% increase or decrease in short term rates.