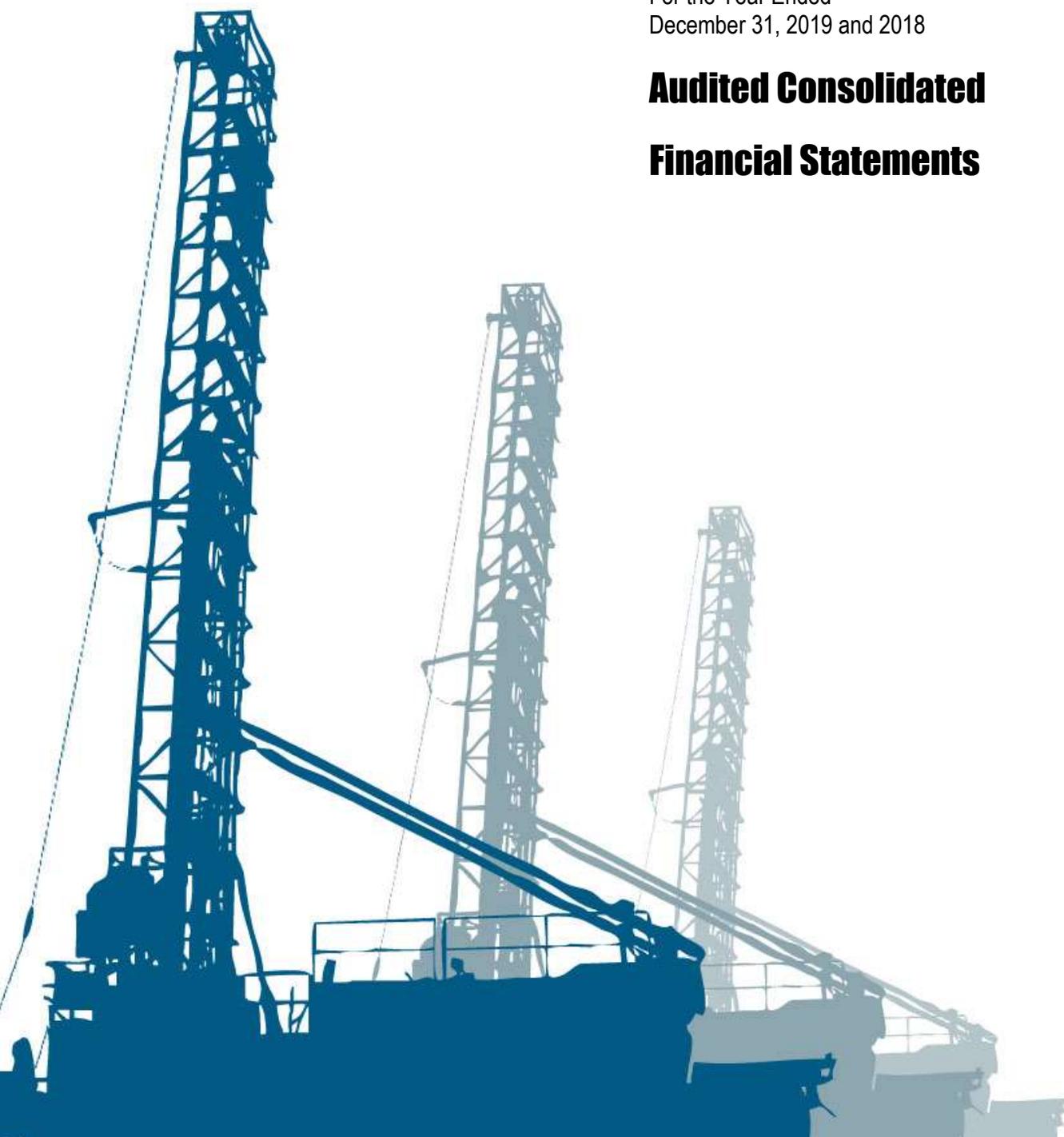


ZINCORE METALS INC.



For the Year Ended  
December 31, 2019 and 2018

# **Audited Consolidated Financial Statements**



AUDIT REPORT.....	3
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....	5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME .....	6
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	7
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY .....	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	9
1/ NATURE AND CONTINUANCE OF OPERATIONS.....	9
2/ ACCOUNTING POLICES .....	10
3/ SHARE CAPITAL.....	15
4/ SHAREHOLDER LOAN .....	17
5/ PROMISSORY NOTE .....	20
6/ SHORT TERM OBLIGATIONS .....	20
7/ SEGMENTED INFORMATION .....	21
8/ RELATED PARTY TRANSACTIONS .....	21
9/COMMITMENTS .....	21
10/ MANAGEMENT OF CAPITAL RISK.....	22
11/ MANAGEMENT OF FINANCIAL RISK .....	22
12/ DEFERRED TAX.....	24
13/ SUBSEQUENT EVENT.....	24

## Independent Auditor's Report

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To the Shareholders of Zincore Metals Inc.:

### Opinion

We have audited the consolidated financial statements of Zincore Metals Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive (loss) income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred cumulative losses since inception of \$70,249,514 and, as at December 31, 2019, had negative working capital totalling \$1,375,726. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Joseph J. Chirkoff.

Vancouver, British Columbia

April 29, 2020

  
Chartered Professional Accountants



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

IN CANADIAN DOLLARS

As at	DECEMBER 31, 2019	DECEMBER 31, 2018
<b>Assets</b>		
Current assets		
Cash (note 11)	\$ 3,031	\$ 2,657
Prepaid, advances and other receivables (note 11)	3,004	2,542
	6,035	5,199
Non-current assets		
Mineral properties	-	-
<b>Total Assets</b>	<b>\$ 6,035</b>	<b>\$ 5,199</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 4(n),8,11)	\$ 441,183	\$ 696,076
Promissory note (note 5,11)	372,915	-
Short term obligations (note 6,11)	32,428	32,428
Shareholder loan – current (note 4, 8,11)	535,235	172,868
	1,381,761	901,372
Non-current liabilities		
Shareholder loan (note 4, 8)	-	310,502
	1,381,761	1,211,874
<b>Equity</b>		
Share capital (note 3)	57,015,123	57,015,123
Reserves	11,858,665	11,808,898
Deficit	(70,249,514)	(70,030,696)
	(1,375,726)	(1,206,675)
<b>Total Equity and Liabilities</b>	<b>\$ 6,035</b>	<b>\$ 5,199</b>

Nature and continuance of operations (note 1)

Commitments (note 9)

See accompanying Notes to the Condensed Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
<b>Expenses</b>		
General exploration expense	\$ (154,449)	(239,508)
Consulting and management fee (note 8)	(69,000)	(36,000)
Foreign exchange gain (loss)	8,533	(10,358)
Legal and accounting	(135,779)	(64,998)
General administration	(39,031)	(35,458)
Stock-based compensation	-	(75,307)
Interest expenses (note 4)	(109,448)	(98,937)
Loss before undernoted item	(499,174)	(560,566)
Interest and other (expense) income	18	907
Gain on debt settlement	280,338	14,017
<b>Net income (loss) before income tax</b>	<b>(218,818)</b>	<b>(545,642)</b>
Income tax recovery (note 12)	-	32,258
<b>Net loss</b>	<b>(218,818)</b>	<b>(513,384)</b>
Other comprehensive income:		
Foreign currency translation differences in foreign operations	49,767	(71,421)
Total comprehensive income (loss)	<b>\$ (169,051)</b>	<b>(584,805)</b>
Loss per share - basic and diluted	<b>\$ (0.01)</b>	<b>(0.03)</b>
Weighted average number of shares outstanding – basic and diluted	19,106,338	19,106,338
Total shares issued and outstanding	19,106,338	19,106,338

See accompanying Notes to the Condensed Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF CASH FLOWS

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
<b>Operating Activities</b>		
Net income (loss) before income taxes	\$ (218,818)	\$ (513,384)
Items not involving cash:		
Share-based compensation	-	75,307
(Gain) or loss on debt settlement	(280,338)	(14,017)
Accretion expense – loan	-	64,394
Income tax recovery	-	(32,258)
Accrued interest on loans	46,665	34,543
Foreign exchange	(8,533)	10,360
	(461,024)	(375,055)
Change in non-cash operating working capital items:		
(Increase)decrease in prepaid, advances and other receivables	(462)	998
Increase (decrease) in accounts payable, loan payable and accrued liabilities	230,094	29,087
Cash used in operating activities	(231,392)	(344,970)
<b>Investing Activities</b>		
Cash used in investing activities	-	-
<b>Financing Activities</b>		
Repayment of shareholders loan	(8,512)	(4,093)
Proceeds from promissory loan	240,278	327,624
Cash provided by financing activities	231,766	323,531
Increase (decrease) in cash and cash equivalents during the period	374	(21,439)
Cash at beginning of period	2,657	24,096
Cash at end of period	\$ 3,031	\$ 2,657
<b>Supplemental Cash Flow Information</b>		
Promissory note – accounts payable direct settlement	138,904	-

See accompanying Notes to the Condensed Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### (AUDITED)

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, 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)	-	-	-	-	-	(218,818)	(218,818)	
Other comprehensive income	-	-	-	-	49,767	-	49,767	
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)	
Balance at December 31, 2017	19,106,338	\$ 57,015,123	\$ 4,510,061	\$ 4,811,318	\$ 2,396,414	\$ (69,517,312)	\$ (784,396)	
Share-based payment	-	-	75,307	-	-	-	75,307	
Issuance of related party loan (note 6p)	-	-	-	87,219	-	-	87,219	
Net gain (loss)	-	-	-	-	-	(513,384)	(513,384)	
Other comprehensive loss	-	-	-	-	(71,421)	-	(71,421)	
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)	

See accompanying Notes to the Condensed Consolidated Financial Statements



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 and 2018 (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.

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 December 31, 2019, Zincore has incurred cumulative losses of \$70,249,514 (December 31, 2018 — \$70,030,696) since inception and has negative working capital totalling \$1,375,726 (December 31, 2018 - \$896,173) 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 indicate that a material uncertainty exists that may cast significant doubt on the Company'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.

As the result of a 2013 Pre-Feasibility Study and subsequent 43-101 compliant report, the Company determined that some of its mineral properties contain mineral reserves that may be economically recoverable, upon obtaining necessary financing to complete the development of such mineral reserves and attaining profitable production or proceeds from disposition, especially given the passage of time and changes in market dynamics and prices.

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”) – in progress***

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.

## 2/ ACCOUNTING POLICIES

### (A) BASIS OF PREPARATION

#### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value as described in note 11. The policies applied in these audited consolidated financial statements are based on IFRS's issued and effective as December 31, 2019 for year ending on or before 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.

These consolidated financial statements were authorized by the Board of Directors on April 29, 2020.



## (B) BASIS OF CONSOLIDATION

These audited consolidated annual 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 December 31, 2019 were as follows:

	JURISDICTION	NATURE OF OPERATIONS	OWNERSHIP %
Zincore Metals Inc.	Canada	Holding company	100%
Polymex Resources Ltd. <sup>1</sup>	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%

<sup>(1)</sup> 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) FOREIGN CURRENCIES

The presentation currency of the Company is the Canadian dollar. The functional currency of Zincore Metals Inc. and Polymex Resources Ltd. is the Canadian dollar. The functional currency of Nazca Minerals Ltd., Wari Minerals Limited and Exploraciones Collasuyo S.A.C. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21"). Assets and liabilities of the Company's subsidiaries are translated into the presentation currency using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e., the average rate for the period). Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognized directly in other comprehensive income (loss) and accumulated in the foreign currency translation reserve. Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## (D) FINANCIAL INSTRUMENTS

### Financial Instruments — recognition and measurement

#### Financial Assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets are classified as FVTPL if they are acquired for the purpose of selling in the near term. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through consolidated statement of operations.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in consolidated statement of operations when the loans and receivables are derecognised or impaired, as well as through the amortization process. The Company has classified its amounts receivable, and reclamation deposits as loans and receivables. Given the relatively short term nature of these instruments, the carrying value approximate fair value.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are



recognized in the consolidated statement of operations when the investments are derecognised or impaired, as well as through the amortization process. As at December 31, 2019 and December 31, 2018, the Company has not classified any financial assets as held-to-maturity.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income (loss) until the investment is derecognised or determined to be impaired as a result of a significant or prolonged decline in fair value, at which time the cumulative gain or loss previously recorded in equity is recognised in comprehensive income (loss). The Company has classified its marketable securities and long term investments as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

#### Financial Liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities, and convertible debentures as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through consolidated statement of operations. As at December 31, 2019 and December 31, 2018, the Company has no financial liabilities classified as FVTPL.

#### De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income (loss).

#### (E) CASH AND CASH EQUIVALENTS

Cash equivalents include money market instruments which are readily convertible into cash and have maturities at the date of purchase of less than ninety days.

#### (F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost and are depreciated annually on a declining-balance basis at the following rates:

Office and other equipment	20%
Computer equipment	30%
Vehicles	30%
Leasehold improvements	Straight-line over 4 years

The depreciation method, useful life and residual values are assessed annually.

#### (G) IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash inflows that are independent from other assets,



the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's or CGU's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the recoverable amount, its often calculated based on the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately through the statement of comprehensive (loss) income. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized through the statement of comprehensive (loss) income.

#### (H) EXPLORATION AND EVALUATION ASSETS

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

Exploration and evaluation ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and/or when the Company has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in the taxation and regulatory environment;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are tested for impairment and then reclassified to mining property and development assets within mineral properties.

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

#### (I) INCOME TAX

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

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

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at year end.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its tax assets and liabilities on a net basis.



Flow-through shares are a unique Canadian tax incentive and there is no specific guidance under IFRS. The Company adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made. The recognition of the deferred tax liability upon renunciation of the flow-through expenditures is recorded as income tax expense in the period of renunciation.

#### (J) SHARE-BASED PAYMENT TRANSACTIONS

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in other comprehensive (loss) income and accumulated in the share-based payment reserve. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

#### (K) RESTORATION, REHABILITATION, AND ENVIRONMENTAL OBLIGATIONS

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as the disturbance to date is immaterial.

#### (L) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

#### (M) LOSS PER SHARE

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

#### (N) SIGNIFICANT ACCOUNTING JUDGMENTS

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (Note 2(o)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral properties, functional currency determination for the Company and its subsidiaries, determination of CGUs and assumption of going concern.



### (O) SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of mineral properties which includes:
  - consideration of both external and internal sources of information in assessing whether there are any indications that mineral properties are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information the Company considers include the manner in which mineral properties are expected to be used.
  - Given the current financial position of the Company and the fact the Company's projects are in the explorations stage, it is difficult for the Company to determine fair value of its various projects. Given the Company's current cash position, it is not currently planning to spend any significant funds on any of their projects, and there is significant uncertainty that it will be able to maintain their claims to the projects in the near future given the lack of funds. Furthermore, the Company has not been able to raise money, find partners or sell the projects, which suggests that there is not a significant value to the properties.
- the recoverability of prepaid, advances, and other receivables which are included in the consolidated statements of financial position;
- the inputs used in accounting for share-based compensation expense in the consolidated statements of comprehensive (loss) income;
- the inputs used in accounting for share purchase warrants in the consolidated statements of comprehensive (loss) income;
- the provision for income taxes which is included in the consolidated statements of comprehensive (loss) income and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position at December 31, 2019; and
- the inputs used in determining the various commitments and contingencies accrued and disclosed in the consolidated statements of financial position.

### (P) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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

The Company will be adopting IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is 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 December 31, 2019, the Company had 848,000 (December 31, 2018 – 1,691,333) stock options outstanding with a weighted average exercise price of \$0.17 (December 31, 2018 - \$0.18) per option.

The following table summarizes the outstanding stock options as at:

	AT DECEMBER 31, 2019		AT DECEMBER 31, 2018	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	1,691,333	\$ 0.18	1,849,333	\$ 0.26
Expired and cancelled	(843,333)	\$ 0.20	(158,000)	\$ 1.06
Outstanding at end of period and date of report	848,000	\$ 0.17	1,691,333	\$ 0.18
Exercisable at end of period and date of report	848,000	\$ 0.17	1,691,333	\$ 0.18

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	2.5	848,000
	848,000	\$0.17	2.5	848,000

During the year ended December 31, 2019, the Company recognized \$nil (2018 - \$75,307) as share-based compensation expense and recorded this amount in share based payment reserve.

#### C) WARRANTS

As at December 31, 2019 the Company had nil warrants outstanding.

As at December 31, 2018 the Company had the following warrants outstanding.

	NUMBER OF WARRANTS		EXERCISE PRICE
Opening – December 31, 2017	382,884	\$	0.21
Expired	382,884	\$	0.21
Ending – December 31, 2018	-	\$	



## 4/ SHAREHOLDER LOANS

	December 31, 2019	Discount	December 31, 2019	December 31, 2018
	Face value	(p)	Carrying value	Carrying value
Jorge Benavides Loan# 1 (a)	\$ 63,609	-	63,609	66,812
Jorge Benavides Loan# 2 (b)	10,916	-	10,916	8,856
Jorge Benavides Loan# 3 (c)	40,207	-	40,207	32,719
Jorge Benavides Loan# 4 (d)	66,202	-	66,202	53,871
Jorge Benavides Loan# 5 (e)	26,547	(415)	26,132	21,992
Jorge Benavides Loan# 6 (f)	25,495	(518)	24,977	21,325
Jorge Benavides Loan# 7 (g)	1,578	(36)	1,542	1,335
Jorge Benavides Loan# 8 (h)	156,417	(3,842)	152,575	133,628
Jorge Benavides Loan# 9 (i)	51,397	(1,199)	50,198	44,124
Jorge Benavides Loan# 10 (j)	23,570	(609)	22,961	20,033
Jorge Benavides Loan# 11 (k)	66,903	(1,550)	65,353	58,543
Jorge Benavides Loan# 12 (l)	10,812	(249)	10,563	9,522
John Power Loan #1 (m)	-	-	-	10,610
Total shareholder loans as at December 31, 2019	\$ 543,653	(8,418)	535,235	483,370
Short term portion as at December 31, 2019	\$ 543,653	(8,418)	535,235	172,868

- (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 Collaayo 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) Discount

As at December 31, 2019, 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. December 31, 2019, total accreted interest expense recorded was \$46,665 (December 31, 2018 - \$64,394).



As at December 31, 2019, total of \$543,653 (U.S. \$418,581) (December 31, 2018 - \$538,453 (U.S. \$394,702)) is outstanding from shareholders, with Jorge Benavides being also a director and officer of the Company. During the year ended December 31, 2019, the Company recorded accrued interest expenses of \$42,245 (2018 — \$34,543) related to these loans.

## 5/ PROMISSORY NOTE

As at December 31, 2019, the Company has seven promissory notes plus account payable in the principal amount of \$353,438 (USD\$272,126) (December 31, 2018 - \$nil) 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 6 months for each.

MMTP is not a related party to the Company.

Interest accrued on the Promissory Notes for the year ended December 31, 2019 was \$19,477 (2018 - \$nil) and included in the account payables and accrued liabilities. As at December 31, 2019, the Company is still finalizing the legal agreement but have 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, 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, 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, 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, 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, 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, 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, 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, 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.
- 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, 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) During the year ended December 31, 2019, USD\$176 was sent directly from MMTP to pay tax 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 December 31, 2019 the Company had the following short-term obligation outstanding:

	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
Sublease security deposits	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 December 31, 2019 and December 31, 2018, the Company has no non-current assets.

## 8/ RELATED PARTY TRANSACTIONS

- 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.
- As at December 31, 2019, the Company had \$543,653 (December 31, 2018 - \$538,453) of shareholder loans outstanding (see note 4), \$148,363 unpaid consulting fees outstanding.
- As at December 31, 2019, related party accounts payable was \$247,063 (December 31, 2018 - \$203,084).
- Compensation of key management personnel:

	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
Remuneration paid to CFO	69,000	36,000

## 9/COMMITMENTS

- 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 December 31, 2020.

	WITH 1 YEAR	OVER 1 YEAR	TOTAL
D&O Insurance	9,600	20,800	30,400

- During the year ended December 31, 2019, The Company paid a property title fee of US\$82,800 to keep the AZOD Project in good standing. Paid USD\$4,150 directly to Acclaim for the IOM company incorporation management fee.
- 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.



## 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:

	YEAR ENDED DECEMBER 31, 2019		YEAR ENDED DECEMBER 31, 2018	
Total equity for owners	\$	(1,375,726)	\$	(1,206,675)
Less: cash and cash equivalent		(3,031)		(2,657)
		(1,378,757)		(1,209,332)

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 December 31, 2019 and December 31, 2018:

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
<b>FINANCIAL ASSETS</b>				
Fair value through profit or loss				
Cash	3,031	3,031	2,657	2,657
Other receivables	3,004	3,004	2,542	2,542
<b>FINANCIAL LIABILITIES</b>				
Accounts payable and accrued liabilities	441,183	441,183	696,076	696,076
Shareholder loan	535,235	535,235	483,370	483,370
Promissory note	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 I

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 December 31, 2019, cash was \$3,031 (December 31, 2018 - \$2,657).

#### 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 December 31, 2019, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net gain by approximately \$80,442 (December 31, 2018 - \$97,335) 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 December 31, 2019 and December 31, 2018, there's no material impact if there is a 1% increase or decrease in short term rates.



## 12/ DEFERRED TAXES

- a) The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Net loss	\$ (218,818)	\$ (545,623)
Canadian statutory income tax rate	27%	27%
Recovery of income taxes computed at statutory rate	(59,081)	(147,318)
Non-deductible expenses and other	25,433	22,675
Change in estimates	(775,699)	-
Change in tax rates	-	55,248
Foreign exchange	(61,102)	(28,670)
Change in deferred tax asset not recognized	870,449	65,807
Income tax recovery	\$ -	\$ (32,258)

- b) Deferred tax liabilities are attributable to the following:

	DECEMBER 31, 2019	DECEMBER 31, 2018
<b>Canada</b>		
Shareholder loan	\$ -	\$ (14,872)
Non-capital loss carry forwards	-	14,872
	\$ -	\$ -

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred assets have been recognized are attributable to the following:

	DECEMBER 31, 2019	DECEMBER 31, 2018
<b>Canada</b>		
Non-operating loss carry forwards	\$ 18,093,055	\$ 15,049,183
Net capital loss carry forwards	105,481	105,481
Share issue costs	1,245	2,485
Property and equipment	38,752	38,751
<b>Peru</b>		
Net operating loss carry forwards	42,379,844	41,964,256
Unrecognized deductible temporary differences and tax losses	(60,618,377)	(57,160,156)
	\$ -	\$ -



### 13/ SUBSEQUENT EVENTS

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