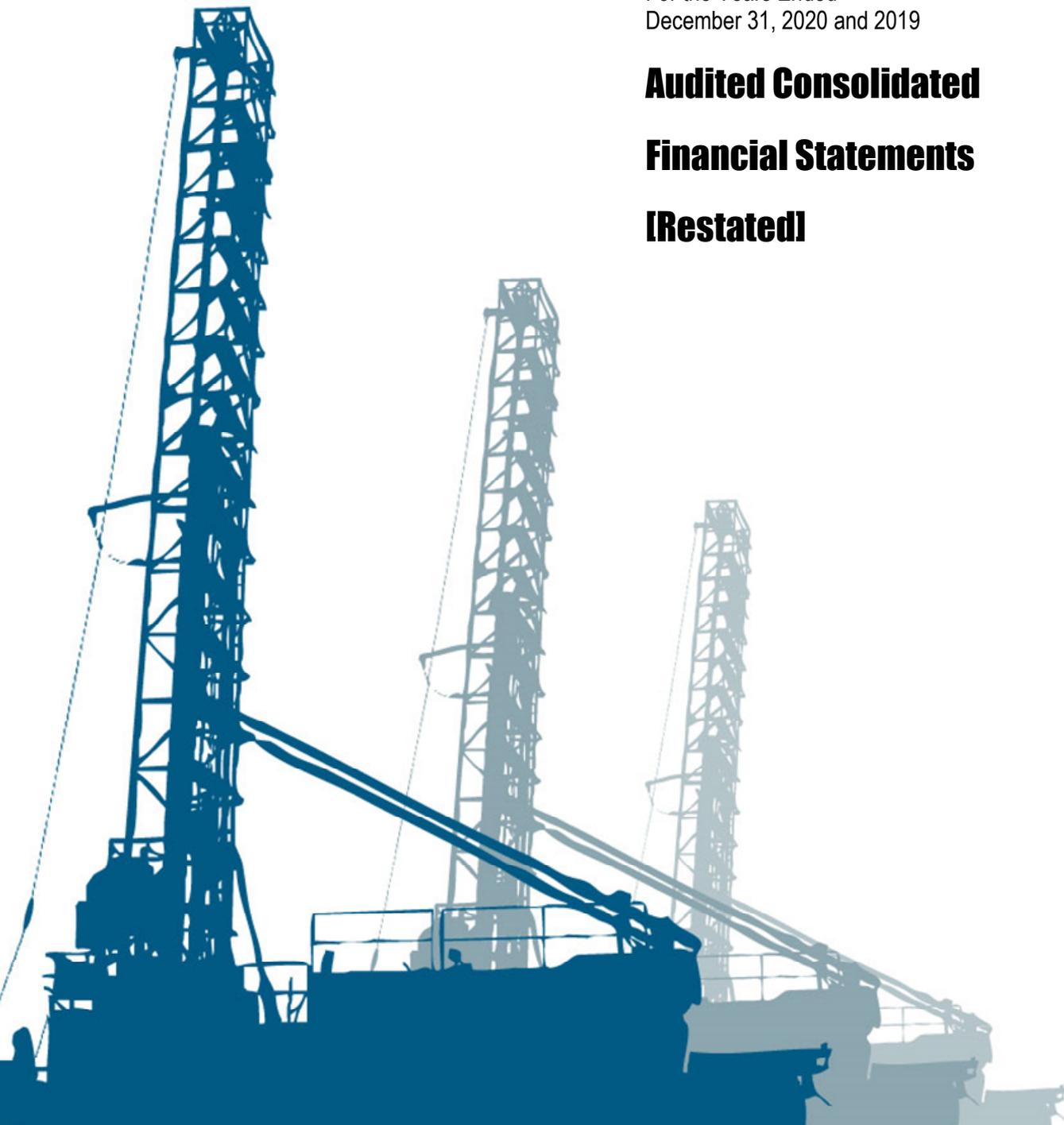


ZINCORE METALS INC.



For the Years Ended  
December 31, 2020 and 2019

**Audited Consolidated  
Financial Statements  
[Restated]**



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## Independent Auditor's Report

To the Shareholders of Zincore Metals Inc.:

### Opinion

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

In our opinion, the accompanying restated consolidated financial statements present fairly, in all material respects, the and restated consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its restated consolidated financial performance and its restated 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 Restated 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 restated 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 restated consolidated financial statements, which indicates that the Company has incurred cumulative losses since inception and has negative working capital as at December 31, 2020. 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.

### Emphasis of Matter – Restated Consolidated Financial Statements

We draw attention to Note 1 to the restated consolidated financials statements, which describes that the consolidated financial statements that we originally reported on April 29, 2021 have been amended and describes the matter that gave rise to the amendment of the restated consolidated financial statements. 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 restated 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 restated 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 restated 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 Restated Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the restated 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 restated consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the restated 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 restated 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 restated 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 restated 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 restated consolidated financial statements, including the disclosures, and whether the restated consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Brent Wolfe.

Vancouver, British Columbia

May 28, 2021

  
Chartered Professional Accountants



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION [RESTATED]

IN CANADIAN DOLLARS

As at	DECEMBER 31, 2020	DECEMBER 31, 2019
<b>Assets</b>		
Current assets		
Cash and cash equivalent	\$ 107,044	\$ 3,031
Prepaid and other receivables	3,053	3,004
<b>Total Assets</b>	<b>\$ 110,097</b>	<b>\$ 6,035</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 767,361	\$ 441,183
Promissory note (note 5)	405,833	372,915
Other liabilities (note 6)	32,428	32,428
Shareholder loan – current (note 4, 8)	548,387	535,235
	1,754,009	1,381,761
<b>Equity</b>		
Share capital (note 3)	57,015,123	57,015,123
Reserves	11,871,957	11,858,665
Deficit	(70,530,992)	(70,249,514)
	(1,643,912)	(1,375,726)
<b>Total Equity and Liabilities</b>	<b>\$ 110,097</b>	<b>\$ 6,035</b>

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

Approved by the Board of Directors

"Adam Ho", Director

"Sam Wong", Director

See accompanying Notes to the Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS [RESTATED]

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2020	YEAR ENDED DECEMBER 31, 2019
<b>Expenses</b>		
General exploration expense	\$ (8,969)	\$ (154,449)
Consulting and management fee (note 8)	(60,000)	(69,000)
Foreign exchange gain	8,308	8,533
Legal and accounting	(95,838)	(135,779)
General administration	(30,090)	(39,031)
Interest expenses (note 4, 5)	(65,334)	(109,448)
Loss before undernoted item	(251,923)	(499,174)
Other income (note 13)	234,754	18
(Reversal of) gain on debt settlement (note 13)	(264,309)	280,338
<b>Net loss</b>	(281,478)	(218,818)
Other comprehensive income:		
Foreign currency translation differences in foreign operations	13,292	49,767
Total comprehensive loss	\$ (268,186)	\$ (169,051)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)
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 Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF CASH FLOWS [RESTATED]

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2020	YEAR ENDED DECEMBER 31, 2019
<b><u>OPERATING ACTIVITIES</u></b>		
Net loss	\$ (281,478)	\$ (218,818)
Items not involving cash:		
Reversal of gain on debt settlement (gain on debt settlement)	264,309	(280,338)
Accretion expense – loan (note 4b)	8,418	46,665
Foreign exchange	(8,308)	(8,533)
	(17,059)	(461,024)
Change in non-cash operating working capital items:		
Prepaid and other receivables	(49)	(462)
Accounts payable and accrued liabilities	114,307	230,094
<b>Cash from (used in) operating activities</b>	<b>97,199</b>	<b>(231,392)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Proceeds from promissory note (note 5)	6,814	240,278
Repayment of shareholders loan	-	(8,512)
<b>Cash provided by financing activities</b>	<b>6,814</b>	<b>231,766</b>
Increase in cash and cash equivalents during the year	104,013	374
Cash at beginning of year	3,031	2,657
Cash at end of year	\$ 107,044	\$ 3,031
<b><u>SUPPLEMENTAL CASH FLOW INFORMATION</u></b>		
Promissory note – accounts payable direct settlement	\$ -	\$ 138,904

See accompanying Notes to the Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY [RESTATED]

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 loss	-	-	-	-	-	(281,478)	(281,478)	
Other comprehensive income	-	-	-	-	13,292	-	13,292	
Balance at December 31, 2020	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,388,052	\$ (70,530,992)	\$ (1,643,912)	
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 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)	

See accompanying Notes to the Consolidated Financial Statements



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [RESTATED]

For the years ended December 31, 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 December 31, 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 December 31, 2020, Zincore has incurred cumulative losses of \$70,530,992 (December 31, 2019 – \$70,249,514) since inception and has negative working capital totalling \$1,643,912 (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 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 consolidated 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"). 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.

On January 21, 2019, the Company announced 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 was anticipated that the Company (the "Resulting Issuer") will be listed as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"). On September 1, 2020, the reverse takeover transaction of Zincore by MMTP, as originally announced January 21, 2019 was mutually terminated. 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.

During the course of the preparation of the condensed consolidated interim financial statements as at and for the three months ended March 31, 2021, management discovered an understatement of payable with a specific vendor (see note 13 for details). Therefore, the Company has restated historic financial statements for fiscal 2020 to correct the error noted. The impact on the Consolidated Statements of Financial Position, Consolidated Statements of Comprehensive Loss and Consolidated Statements of Changes in Equity as at December 31, 2020 and for the year ended is presented below. There was no material impact on the Consolidated Statement of Cash Flows for the year ended December 31, 2020.



	December 31, 2020 As reported	December 31, 2020 As restated
<b>Consolidated statement of financial position</b>		
Accounts payable and accrued liabilities	\$ 492,549	767,361
Total current liabilities	1,479,197	1,754,009
Deficit	(70,256,180)	(70,530,992)
Total shareholder deficit	(1,369,100)	(1,643,912)
<b>Consolidated statement of comprehensive loss</b>		
(Reversal of) gain on debt settlement	10,503	(264,309)
Net loss	(6,666)	(281,478)
Comprehensive income (loss)	6,626	(268,186)
Loss per share	(0.00)	(0.01)
<b>Consolidated statement of changes in equity</b>		
Deficit	(70,256,180)	(70,530,992)
Total shareholder deficit	(1,369,100)	(1,643,912)

### **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.

As at December 31, 2020, the Company has adopted proper safety protocols in respect to these regulations and does not expect any significant impact on its operations. However, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations in the future.

## **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, 2020 for year ending on or before December 31, 2020.

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 May 28, 2021.

### **(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, 2020 were as follows:



			DECEMBER 31, 2020	DECEMBER 31, 2019
	JURISDICTION	NATURE OF OPERATIONS	OWNERSHIP %	OWNERSHIP %
Zincore Metals Inc.	Canada	Holding company	100%	100%
Polymex Resources Ltd.	Canada	Holding company	100%	100%
Antacollo SAC	Peru	Exploration company	100%	100%
Paracas Minerals Ltd <sup>1</sup>	Bermuda	Holding company	-	100%
Nazca Minerals Ltd. 1	Bermuda	Holding company	-	100%
Wari Minerals Limited <sup>1</sup>	Bermuda	Holding company	-	100%
Exploraciones Collasuyo S.A.C	Peru	Exploration company	100%	100%

(1) As a result of foreign affiliate restructuring for tax purposes, the Company no longer owns its Bermuda subsidiaries as at December 31, 2020.

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, Paracas Minerals Ltd., Antacollo SAC, 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

#### *Non-derivative financial assets*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (loss) ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (loss).

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalents is measured at amortized cost with subsequent impairments recognized in the consolidated statement of loss.

#### *Impairment*

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

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

#### *Non-derivative financial liabilities*



Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, lease liability, and promissory note payable are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in the consolidated statement of loss.

#### *Derivative financial instruments*

If the Company issues warrants exercisable in a currency other than the Company's functional currency, the warrants will be considered as derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in the consolidated statement of loss. Transaction costs are recognized in the consolidated statement of loss as incurred.

### (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) 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.

### (G) 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.

#### (H) LEASE

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

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

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

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

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

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

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

#### (I) 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.

#### (J) LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period. As the Company has recorded a net loss for each of the periods presented, basic and diluted net loss per share are the same as the



exercise of stock options or share purchase warrants are anti-dilutive. As at December 31, 2020, the Company had 688,000 (2019 - 848,000) potentially dilutive shares relating to outstanding stock options.

#### (K) 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 items below:

##### *Critical Judgments*

The followings are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- i. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- ii. Management is required to assess the Company as a going concern.
- iii. Management is required to assess the functional currency of each entity of the Company.
- iv. Management is required to assess impairment in respect of its investment in mineral properties. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.
- v. Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### (L) SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Accounting Estimates and Assumptions*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcomes of these tax-related matters are different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. Management estimates the fair values of share-based payment arrangements using the Black-Scholes option pricing model.

#### (M) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2020 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company's consolidated financial statements.

### 3/ SHARE CAPITAL

#### A) COMMON 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. For year ended December 31, 2020 and 2019, no common shares or preferred shares were 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, 2020, the Company had 688,000 (December 31, 2019 – 848,000) stock options outstanding with a weighted average exercise price of \$0.15 (December 31, 2019 - \$0.17) per option.

The following table summarizes the outstanding stock options as at:

	AT DECEMBER 31, 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	(160,000)	\$ 0.25	(843,333)	\$ 0.20
Outstanding at end of year and date of report	688,000	\$ 0.15	848,000	\$ 0.17
Exercisable at end of year and date of report	688,000	\$ 0.15	848,000	\$ 0.17

EXPIRY DATE	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICE	REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
November 13, 2022	688,000	\$0.15	1.86	688,000
	688,000	\$0.15	1.86	688,000

During the year ended December 31, 2020, the Company recognized \$nil (2019 - \$nil) as share-based compensation expense.

## C) WARRANTS

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

## 4/ SHAREHOLDER LOANS

	December 31, 2020	December 31, 2019
	Carrying value	Carrying value
Jorge Benavides Loan# 1	\$ 62,355	63,609
Jorge Benavides Loan# 2	10,700	10,916
Jorge Benavides Loan# 3	39,414	40,207
Jorge Benavides Loan# 4	64,896	66,202
Jorge Benavides Loan# 5	26,387	26,132
Jorge Benavides Loan# 6	25,553	24,977
Jorge Benavides Loan# 7	1,597	1,542
Jorge Benavides Loan# 8	159,710	152,575
Jorge Benavides Loan# 9	52,704	50,198
Jorge Benavides Loan# 10	23,956	22,961
Jorge Benavides Loan# 11	69,771	65,353
Jorge Benavides Loan# 12	11,344	10,563
Total shareholder loans as at December 31, 2020	\$ 548,387*	535,235
Short term portion as at December 31, 2020	\$ 548,387*	535,235



\*The shareholder loans have reached maturity and are due on demand

(a) 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, 2020, the above described Creditor Agreements have not been activated.

(b) Net Present Value - Discount

As initial recognition, 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 December 31, 2020, total accreted interest expense recorded was \$8,418 (December 31, 2019 - \$46,665).

As at December 31, 2020, total of \$548,387 (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 year ended December 31, 2020, the Company recorded accrued interest expenses of \$16,278 (2019 — \$42,245) related to these loans. The loans are due on demand as at December 31, 2020.

## 5/ PROMISSORY NOTE

As at December 31, 2020, the Company has nine promissory notes plus account payables in the principal amount of \$348,746 (US\$273,913) (December 31, 2019 - \$353,438 (US\$272,126) which is due to Mines and Metals Trading (Peru) PLC (“MMTP”), an Isle of Man legal entity. These notes are unsecured and bear interest at 10% per annum with various maturity dates.

MMTP is not a related party to the Company.

Interest accrued on the Promissory Notes for the year ended December 31, 2020 was \$40,528 (2019 - \$19,477). As at December 31, 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, third extended 6 months to June 26, 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.
- 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, third extended 6 months to June 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.
- 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, US\$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, US\$176 was sent directly from MMTP to pay tax on behalf of the Company.
- l) During the year ended December 31, 2020, US\$936 (2019 - \$nil) was sent directly from MMTP to settle debt on behalf of the Company.

## 6/ OTHER LIABILITIES

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, 2020, the Company had a \$32,428 damage deposit in trust (2019 - \$32,428).

As at December 31, 2020 the Company had the following other current liabilities outstanding:

	YEAR ENDED DECEMBER 31, 2020	YEAR ENDED DECEMBER 31, 2019
Damage deposits	\$ 32,428	\$ 32,428



## 7/ SEGMENTED INFORMATION

The Company operates in one reportable operating segment, the acquisition and exploration of mineral properties in three main geographic locations as follows:

Year ended December 31, 2020	Canada	Peru	Bermuda	Total
Cash	\$ 95,122	\$ 11,922	\$ -	\$ 107,044
Prepaid and other receivables	3,053	-	-	3,053
Total assets	\$ 98,175	\$ 11,922	\$ -	\$ 110,097
Total current liabilities	818,096	935,913	-	1,754,009
Net (loss) income	(183,063)	(69,813)	(28,602)	(281,478)

Year ended December 31, 2019	Canada	Peru	Bermuda	Total
Cash	\$ 2,785	\$ 246	\$ -	\$ 3,031
Prepaid and other receivables	3,004	-	-	3,004
Total assets	\$ 5,789	\$ 246	\$ -	\$ 6,035
Total current liabilities	683,908	689,710	8,143	1,381,761
Net loss	(244,889)	54,314	(28,243)	(218,818)

## 8/ RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries and key management. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

Short-term employee benefits include salaries payable within twelve months of the statement of financial position date and other annual employee benefits.

The Company incurred the following expenses with related parties during the year ended December 31, 2020 and 2019:

- As at December 31, 2020, the Company had \$548,387 (December 31, 2019 - \$535,235) of shareholder loans outstanding (see note 4) and \$145,439 (2019 - \$148,363) of unpaid CEO consulting fees outstanding which are included in accounts payable and accrued liabilities.
- For the year ended December 31, 2020, the Company recorded \$60,000 (2019 - \$69,000) of consulting fees for the services provided by the CFO.
- For the year ended December 31, 2020, the Company recorded \$6,000 (2019 - \$nil) of director's fees and \$9,000 (2019- \$nil) of consulting fee to a director.
- As at December 31, 2020, related party accounts payable was \$161,700 (December 31, 2019 - \$247,063), which includes unpaid consulting fees with related parties.

## 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 (until February 2023). The Company's committed obligation is \$10,000 for December 31, 2021.

	WITH 1 YEAR	OVER 1 YEAR	TOTAL
D&O Insurance	10,000	11,667	21,667

- 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, 2020		YEAR ENDED DECEMBER 31, 2019	
Total equity for owners	\$	(1,643,912)	\$	(1,375,726)
Less: cash and cash equivalent		(107,044)		(3,031)
		(1,750,956)		(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 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, 2020 and December 31, 2019:

	DECEMBER 31, 2020		DECEMBER 31, 2019	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
<b>FINANCIAL ASSETS</b>				
Fair value through profit or loss				
Cash and cash equivalents	107,044	107,044	3,031	3,031
<b>FINANCIAL LIABILITIES</b>				
Accounts payable and accrued liabilities	767,361	767,361	441,183	441,183
Shareholder loan	548,387	548,387	535,235	535,235
Promissory note	405,833	405,833	372,915	372,915
Other liabilities	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 assets at Level 1.

Accounts payables and accrued liabilities and other liabilities are classified as other financial liabilities.

Shareholder loans and promissory note are presented on an amortized cost basis and will be accreted to its face amount over the term to maturity of the loan at an effective interest rate.

#### 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 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, 2020, cash and cash equivalents was \$107,044 (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 December 31, 2020, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net gain by approximately \$146,586 (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 December 31, 2020 and December 31, 2019, there's no material impact if there is a 1% increase or decrease in short term rates.

#### E) CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The carrying amount of the financial assets represents the maximum credit exposure. The Company's cash is held through large Canadian financial institutions.

## 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, 2020	DECEMBER 31, 2019
Net loss	\$ (281,478)	\$ (218,818)
Canadian statutory income tax rate	27%	27%
Recovery of income taxes computed at statutory rate	(75,999)	(59,081)
Non-deductible expenses and other	-	25,433
Change in estimates	(15,831)	(775,699)
Change in tax rates	-	-
Contribution of intercompany balances	(9,375,800)	-
Foreign exchange	18,596	(61,102)
Foreign tax rate difference	6,146	-
Change in deferred tax asset not recognized	9,422,888	870,449
Income tax recovery	\$ -	\$ -

- b) Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

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, 2020	DECEMBER 31, 2019
<b>Canada</b>		
Non-operating loss carry forwards	\$ 18,641,683	\$ 18,093,055
Net capital loss carry forwards	34,839,129	105,481
Share issue costs	-	1,245
Property and equipment	38,751	38,752
<b>Peru</b>		
Net operating loss carry forwards	1,423,306	42,379,844
Unrecognized deductible temporary differences and tax losses	(54,942,869)	(60,618,377)
	\$ -	\$ -

- c) The Company has non-capital loss carry forwards of approximately \$18,641,682 (2019 - 18,093,055) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	TAX LOSSES
2026	1,158,996
2027	1,311,460
2028	1,590,101
2029	1,422,597
2030	2,517,719



2031	3,094,868
2032	2,313,537
2033	1,464,550
2034	2,871,637
2035	117,681
2036	211,349
2037	25,689
2038	125,253
2039	235,556
2040	180,689
	\$ 18,641,682

In addition, the Company has capital loss of \$34,839,129, which may be carry forward indefinitely and apply to reduce future capital gains.

The Company has net operating loss carry forwards of approximately \$1,211,531 which may be carried forward to apply against future year income tax for Peru tax purposes.

	TAX LOSSES
2021	500,030
2022	648,463
2024	63,038
	\$ 1,211,531

### 13/ OTHER INCOME

- a) 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).
- b) On December 31, 2020, the Company re-instated an accounts payable of US\$215,844 (\$274,812) that was previously recorded as a gain on debt settlement during the year ended December 31, 2019 in conjunction with the MMTP transaction. As the transaction was mutually terminated (see note 1), the Company re-established the payable that was recorded as previously forgiven.