SABLE RESOURCES LTD.

Consolidated Annual Financial Statements
For the years ended December 31, 2019 and 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Sable Resources Ltd., ("Sable" or the "Company"), are the responsibility of management and the Board of Directors of the Company.

The consolidated financial statements have been prepared by management in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") using accounting policies consistent with IFRSs appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Signed: "Ruben Padilla"
Ruben Padilla
Chief Executive Officer

Signed: "Richard Godfrey"
Richard Godfrey
Chief Financial Officer

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Independent Auditor's Report

To the Shareholders of Sable Resources Ltd.

Opinion

We have audited the consolidated financial statements of Sable Resources Ltd. and its subsidiaries (the Group), which comprise the consolidated financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive loss, 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 Group as at December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 Group has no source of operating revenues, had not yet achieved profitable operations and incurred negative operating cash flows of $5,658,324 during the year ended December 31, 2019. 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 Group'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 the information included in the Management's Discussion and Analysis for the year ended December 31, 2019.

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

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

We obtained Management's Discussion and Analysis for the year ended December 31, 2019 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 in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

(signed) BDO Canada LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 10, 2020

SABLE RESOURCES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		**December 31 2019**		December 31 2018
Assets					
Current Assets					
Cash and cash equivalents	8	**$**	**4,780,176**	$	2,807,533
Marketable securities	7		**20,586**		-
Receivables	9,22		**66,115**		52,423
Prepaid expenses and deposits	10		**152,372**		30,596
			5,019,249		2,890,552
Reclamation deposit	11		**-**		143,804
Property and equipment	12		**168,357**		54,584
Mineral property interests	13		**5,155,035**		5,419,743
		$	**10,342,641**	$	8,508,683
Liabilities					
Current Liabilities					
Payables and accruals	14,22	**$**	**701,812**	$	1,104,549
Current portion of lease liability	15		**25,825**		-
			727,637		1,104,549
Lease liability	15		**144,520**		-
Due to related party	7		**846,566**		-
Asset retirement obligation	16		**-**		316,266
			1,718,723		1,420,815
Shareholders' equity					
Issued capital	17		**36,552,562**		33,589,336
Accumulated other comprehensive loss			**(206,134)**		-
Contributed surplus	17		**3,391,324**		3,121,574
Deficit			**(31,113,834)**		(29,623,042)
			8,623,918		7,087,868
		$	**10,342,641**	$	8,508,683

Nature of operations and going concern (Note 1)
Subsequent events (Note 28)

APPROVED ON BEHALF OF THE BOARD:

Signed: "Thomas Obradovich"	*Signed: "Andres Tinajero"*
Thomas Obradovich	Andres Tinajero
Director	Director

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

SABLE RESOURCES LTD.
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

Year ended December 31,	Note		**2019**		2018
Property related expenses					
Exploration expenditures	18	**$**	**3,608,564**	$	5,207,073
Property maintenance	18		**-**		28,103
			3,608,564		5,235,176
Other expenses (income)					
General and administrative expenses	22		**1,029,868**		650,388
Share-based expense	17		**269,750**		882,278
Flow-through premium			**-**		(74,000)
Loss on warrant incentive program			**-**		494,650
Gain on disposal of marketable securities	7		**(748,129)**		-
Gain on settlement of accrued liabilities			**(86,888)**		(28,630)
Gain on sale of mineral property interests, net	7,22		**(3,431,545)**		-
Gain on sale of royalty	24		**(4,947,819)**		-
Change in reclamation estimate			**-**		5,000
Loss on surrendered reclamation bond			**-**		42,936
Provision for value-added tax receivable	9		**294,201**		-
Interest income			**(37,186)**		(46,712)
Foreign exchange loss			**93,925**		1,207
Net income (loss) from continuing operations		**$**	**3,955,259**	$	(7,162,293)
Net loss from discontinued operations	7		**(206,968)**		(844,872)
Net income (loss)		**$**	**3,748,291**	$	(8,007,165)
Items that may be reclassified subsequently to profit and loss:					
Change in fair value of marketable securities	7		**(12,466)**		-
Foreign currency translation adjustment			**218,600**		-
Other comprehensive loss			**206,134**		-
Net comprehensive income (loss)		**$**	**3,542,157**	$	(8,007,165)
Income (loss) per share					
Basic		**$**	**0.03**		(0.08)
Diluted		**$**	**0.03**		(0.08)
Weighted average number of common shares outstanding			**149,101,829**		94,978,555

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

SABLE RESOURCES LTD.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Note	Number of shares	Share Capital	Accumulated Other Comprehensive Loss	Contributed Surplus	Accumulated Deficit	**Total**
Balance, December 31, 2017		91,764,939	$ 24,248,990	$ -	$ 1,792,160	$ (21,615,877)	**$ 4,425,273**
Net loss		-	-	-	-	(8,007,165)	**(8,007,165)**
Shares issued in acquisition of claims	13,17	200,000	52,800	-	-	-	**52,800**
Shares issued in acquisition of BlueJoint and WCGG	6,13,17	25,111,110	3,942,444	-	-	-	**3,942,444**
Shares issued in exercise of warrants	17	9,987,515	2,492,054	-	(39,037)	-	**2,453,017**
Shares issues in exercise of options	17	600,000	118,278	-	(58,277)	-	**60,001**
Shares issued from private placements	17	12,000,000	3,100,000	-	-	-	**3,100,000**
Flow -through premium liability	17	-	(74,000)	-	-	-	**(74,000)**
Warrants issued in incentive program	17	-	-	-	494,650	-	**494,650**
Share issue costs	17	-	(291,230)	-	49,800	-	**(241,430)**
Share-based expense	17	-	-	-	882,278	-	**882,278**
Balance, December 31, 2018		139,663,564	$ 33,589,336	$ -	$ 3,121,574	$ (29,623,042)	**$ 7,087,868**
Net Income		-	-	-	-	3,748,291	**3,748,291**
Other comprehensive loss		-	-	(206,134)	-	-	**(206,134)**
Shares issued from private placements	17	21,753,333	2,943,000	-	-	-	**2,943,000**
Shares issued in acquisition of claims	13,17	725,000	85,000	-	-	-	**85,000**
Share issue costs	17	-	(64,774)	-	-	-	**(64,774)**
Shareholder distributions	7	-	-	-	-	(5,239,083)	**(5,239,083)**
Share-based expense	17,22	-	-	-	269,750	-	**269,750**
Balance, December 31, 2019		162,141,897	$ 36,552,562	$ (206,134)	$ 3,391,324	$ (31,113,834)	**$ 8,623,918**

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

SABLE RESOURCES LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Year ended December 31,	Note		2019		2018
Operating Activities					
Net income (loss)		**$**	**3,748,291**	$	(8,007,165)
Items not involving cash:					
Depreciation			**26,519**		10,917
Warrant incentive program			**-**		494,650
Gain on disposal of marketable securities	7		**(748,129)**		-
Gain on sale of mineral property interests	7		**(3,431,545)**		-
Gain on sale of net smelter royalty	24		**(4,947,819)**		-
Share-based expense	17,22		**269,750**		882,278
Flow-through premium			**-**		(74,000)
Change in reclamation estimate			**-**		5,000
Loss on surrendered reclamation bond			**-**		42,936
Provision for value-add tax receivables	9		**294,201**		-
Gain on settlement of accrued liabilities			**(86,888)**		(28,630)
Interest income			**(37,186)**		(46,712)
			(4,912,806)		(6,720,726)
Changes in non-cash working capital	26		**(745,518)**		809,827
Total cash flows used in operating activities			**(5,658,324)**		(5,910,899)
Financing Activities					
Principle payments on lease liability	15		**(17,254)**		-
Net proceeds from issuance of common shares and warrants	17		**2,878,226**		5,371,587
Proceeds on sale of net smelter royalty	25		**5,000,000**		-
Total cash flows from financing activities			**7,860,972**		5,371,587
Investing Activities					
Acquisition of mineral claims	13		**(767,191)**		(943,553)
Acquisition of BlueJoint and WCGG	6		**-**		(114,291)
Cash on acquisition of subsidiaries			**-**		191,286
Reclamation deposits	16		**-**		(5,000)
Proceeds from sale of exploration properties	7		**500,000**		-
Interest income			**37,186**		46,712
Total cash flows used in investing activities			**(230,005)**		(824,846)
Increase (decrease) in cash and cash equivalents			**1,972,643**		(1,364,158)
Cash and cash equivalents, beginning of year			**2,807,533**		4,171,691
Cash and cash equivalents, end of year		**$**	**4,780,176**	$	2,807,533
Supplemental cash flow information:					
Exercise of warrants	17	**$**	**-**	$	39,037
Exercise of stock options	17	**$**	**-**	$	58,277
Broker warrants issued as share issuance costs	17	**$**	**-**	$	49,800
Flow-through premium liability	17	**$**	**-**	$	74,000
Shares issued in acquisition of mineral claims	13	**$**	**85,000**	$	52,800
Shares issued in acquisition of BlueJoint and WCGG	6	**$**	**-**	$	3,942,444
Shares distributed to owners of Company	7	**$**	**5,239,083**	$	-
Shares acquired in disposal of mineral property interests	7	**$**	**4,500,000**	$	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Sable Resources Ltd. (the "Company") is incorporated under the Business Corporation Act (British Columbia). The Company is primarily engaged in the acquisition, exploration and development of mineral resource properties in Mexico, Argentina, and Peru. The address of the Company's corporate office and principal place of business is Suite 900, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2.

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as mineral property interests is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and future profitable production or proceeds from the disposition of its properties.

While the Company's consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. For the year ended December 31, 2019, the Company reported negative operating cash flow of $5,658,324 and, as of that date, had an accumulated deficit of $31,113,834.

The Company’s continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at securing additional funding, however, there is no assurance that such plans will be successful.

If the Company is unable to obtain adequate additional financing and the continued support of related parties, the Company will be required to curtail exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

Subsequent to December 31, 2019, the coronavirus (“COVID-19”) outbreak was declared a pandemic by the World Health Organization (“WHO”). The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and capital markets are not known at this time.

These consolidated financial statements were approved and authorized for issue by the Company’s Board of Directors on April 13, 2020.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements represent the Company’s presentation of its results and financial position under IFRS. These accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all presented unless otherwise noted.

b) Basis of Measurement

These consolidated financial statements were prepared on an accrual basis, are based on historical costs except for financial instruments measured at fair value and are presented in Canadian dollars, which is the functional currency of the Company’s Canadian entities. The functional currency of the Company’s foreign subsidiaries is US dollars.

2. BASIS OF PRESENTATION (continued)

c) Subsidiaries

Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The entities of the Company are as follows:

Name	Location	Ownership	Status	Functional Currency
Sable Resources Ltd.	Canada	Parent	Consolidated	$CAD
Exploraciones Sable, S.de R.L. de C.V.	Mexico	100%	Consolidated	$USD
Exploraciones Tres Cordilleras, S.A. de C.V.	Mexico	100%	Consolidated	$USD
Exploraciones Calalinas, S.A. de C.V.	Mexico	100%	Consolidated	$USD
Exploraciones Vientos de Sur, S.A. de C.V.	Mexico	100%	Consolidated	$USD

d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The presentation currency is stated in Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss.

Statements of comprehensive loss and cash flows for entities whose functional currency is different to the presentation currency are translated into the Company's presentation currency at average exchange rates for the year while their statements of financial position are translated at the year-end exchange rates. Exchange differences arising from the translation are recorded as a component of other comprehensive income (loss). On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognized in net income (loss) as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash Equivalents and Reclamation Deposit

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash.

Reclamation deposit is the reclamation bond placed with the government of the Province of British Columbia as collateral for possible future reclamation activities on the Company's mineral properties in connection with permits required for exploration activities. As they are restricted from general use, they are excluded from current assets. As of December 31, 2019, no reclamation deposit existed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Mineral Property Interests

Direct costs related to the acquisition of mineral properties are capitalized until the commercial viability of the asset is established. All direct costs including option payments related to the acquisition of mineral property interests are capitalized into mineral property interests on a property by property basis. Exploration and evaluation expenditures are expensed in the period incurred until such time as it has been determined that a property has economically recoverable reserves. In which case subsequent exploration costs and the costs incurred to develop a property are capitalized into “mineral properties”. Mineral property interests are recorded at cost less accumulated impairment losses. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company expenses those costs as property related expenses.

Management reviews the facts and circumstances suggesting if the carrying amount of the mineral property interests capitalized exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on each property in accordance with the provisions of IAS 36. Exploration stage assets and development stage assets are considered separate cash generating units (“CGU”) for impairment testing purposes.

The Company does not recognize any gain or loss on its exploration and evaluation royalty transactions, until the consideration received is in excess of the carrying amount of the associated asset on which the royalty is to be earned.

c) Property and Equipment

Equipment is recorded at cost less accumulated amortization and any impairment losses. Equipment includes in its purchase price, any costs directly attributable to bringing equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with dismantling and removing the asset. Upon sale or abandonment of any equipment, the cost and related accumulated amortization and impairment losses, are written off and any gains or losses thereon are included in the consolidated statement of net income (loss) and comprehensive income (loss).

The carrying amounts of equipment are amortized on a straight-line basis over its estimated useful life. When parts of an item of equipment have different useful lives, they are accounted for as separate items (or components).

- Equipment: 5-year basis
- Right of use assets: 6-year basis (determined by lease term)

Amortization methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate. Amortization is expensed through the consolidated statement of net loss and comprehensive loss.

d) Impairment of Non-Financial Assets

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of net loss and comprehensive loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

e) Asset retirement obligation

Provisions for environmental restoration are recognized when: (i) the Company has a present legal or constructive obligation as a result of past exploration, development or production events; (ii) it is probable that an outflow of resources will be required to settle the obligation; (iii) and the amount can be reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance.

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provisions for restoration and environmental cleanup, which would affect future financial results.

Funds on deposit with third parties provided as security for future reclamation costs are included in reclamation deposits on the statement of financial position.

f) Taxes

Income Taxes

Income taxes comprises both current and deferred tax. Income tax is recognized in the statement of net loss and comprehensive loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the income tax is also recognized in other comprehensive loss (income) or directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Income Taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-Through Shares

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations.

g) Financial Instruments

Financial instruments are recognized on the consolidated statements of financial position on the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the categories below.

Sale of Royalty Interest

The Company records the proceeds from the sale of a royalty interest on a property against the value of the mineral property interests in the statement of financial position and does not recognize any gain or loss on its exploration and evaluation royalty transactions, until the consideration received is in excess of the carrying amount of the associated asset on which the royalty is to be earned.

Financial Assets

Financial Assets at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's reclamation deposit and trade receivables consists of fixed or determined cash flows related solely to principal and interest amounts. The Company's intent is to hold this financial asset until the related cash flows are collected. Trade receivables and reclamation deposits are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method.

The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial Assets at Fair Value through Other Comprehensive Income (loss) ("FVTOCI")

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income. At initial recognition, the financial assets, which are subsequently measured as FVTPL are measured at fair value with associated transaction costs and unrealized gains and losses arising from changes into fair values recognized in the statement of net income (loss) and comprehensive income (loss).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

IFRS 9 established a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

Upon initial recognition of a financial asset, the Company recognizes a loss allowance equal to the 12-month expected credit losses. These are the credit losses that are expected to result from default events that are possible within 12-months from the Company's reporting date. This means that the actual loss does not need to take place within the 12-month period; it is the occurrence of the default event that ultimately results in that loss

After initial recognition, the three stages are applied as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition - recognize 12 month expected credit losses.
- Stage 2: Credit risk has increased significantly since initial recognition - recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset.
- Stage 3: There is objective evidence of impairment as at the reporting date - recognize lifetime expected losses, with interest revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

The Company has had no impairment loss from financial assets at initial recognition and as at December 31, 2019.

Financial Liabilities

Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Payables and accruals are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost, using the effective interest method.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

h) Financial Liabilities and Equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income (loss) Per Share

For both continuing and discontinued operations, the Company presents basic and diluted income (loss) per share data for its common shares. Basic income (loss) per share is calculated by dividing the results of operations attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the results of operations attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options.

j) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

k) Flow-through Shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as another liability which is reversed into earnings as eligible expenditures are incurred.

The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures. When flow-through expenditures are renounced, a portion of the deferred income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in net loss.

l) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects. The proceeds from the issuance of units are allocated to common shares based on the fair value. The market price on the date of the issuance of the shares are used to determine the relative fair value.

m) Share-based Payments

The Company issues equity instruments such as common shares, share options and warrants, for services rendered by employees and non-employees.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of comprehensive loss over the vesting period, described at the period during which all the vesting conditions are satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where equity settled share options are awarded to employees, the fair value of the options at the date of the grant is charged to the statement of the comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of comprehensive loss unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliability estimated, the fair value is measured by use of a valuation model.

All exercisable equity settled share-based payments are reflected in contributed surplus until exercised, the amount reflected in contributed surplus is credited to share capital along with the consideration paid for those shares. Where the terms and conditions of equity settled share-based payments are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the statement of comprehensive loss over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Where equity instruments are granted in connection with the acquisition of mineral property interests, they are recorded at the fair value of the property received. Where the fair value of the mineral property interest is not reliably determinable, the fair value of the equity instrument granted is applied instead.

n) Leases

As noted below, the Company has adopted IFRS 16, Leases (“IFRS 16”) on January 1, 2019, without restatement of comparative figures. As the Company adopted the IFRS 16 using the modified retrospective approach, the leases in the prior year comparative period are accounted for under IAS 17. Under IAS 17, leases were classified as finance leases when the terms of the lease transferred substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases were classified as operating leases.

All leases are accounted for by the Company by recognizing a right-of-use asset and lease liability in the consolidated statement of financial position except for leases of low-value assets and short-term leases. Lease liabilities are initially measured as the present value of contractual future lease payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company’s incremental borrowing rate on commencement of the lease is used. Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease and any initial direct costs incurred.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining useful economic life of the asset if this is shorter than the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For short-term leases (lease terms of 12 months or less) and leases of low-value or immaterial assets, the Company has opted to recognize these lease payments as expenses on the consolidated statement of net income (loss) as permitted by IFRS 16. This expense is presented within operating expenses

o) Dividends

The Company recognizes a dividend payable when the dividend is appropriately authorized and is no longer at the discretion of the Company, being the date when the declaration of the dividend by the Board of Directors is approved by the shareholders.

Subsequent to initial recognition, the Company measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.

At the end of each reporting period and at the date of settlement, the Company reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognized in equity as adjustments to the amount of the distribution.

When the Company settles the dividend payable, the Company recognizes the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND UNCERTAINTIES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

a) Critical Accounting Estimates and Assumptions

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

Share-Based payments

The Company applies the Black-Scholes pricing model to estimate the fair value of stock options granted and warrants issued, which is expensed to the statement of net income (loss) and comprehensive income (loss) over each option award's vesting period. Under this model, the Company must estimate the term, volatility, the forfeiture rate of options granted, and warrants issued. Changes in these input assumptions can significantly affect the fair value estimate.

Asset retirement obligation

Asset retirement obligations have been recognized based on management estimates. Assumptions based on the most current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability shown in Note 16. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management and are based on the current regulatory environment. For the year ended December 31, 2019, the asset retirement obligation was assumed by Talisker Resources Ltd. in connection with the sale of its BC Properties (Note 7).

4. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND UNCERTAINTIES (continued)

b) Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Determination of Cash Generating Unit (CGU)

In determining a CGU, management had to examine the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. The Company has determined that each important geographic location of its mineral interest qualifies as a CGU. Each of these assets generates or will have the ability to generate cash inflows that are independent of the other assets and therefore qualifies as an individual asset for impairment testing purposes.

Title to Mineral Property interests

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

Impairment of non-financial assets

The Company reviews and evaluates tangible and intangible assets, including mineral property interests, for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. An impairment test is conducted if an indication of impairment is found to exist.

Income taxes

The Company recognizes deferred tax assets relating to tax losses carried forward only to the extend there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Recoverability of value-added tax receivables

The Company reviews and evaluates assumptions regarding the recoverability of value-added tax (“VAT”) receivables in Mexico at the end of each reporting period considering the relevant facts and circumstances, including past collectability and the general economic environment of the country to determine if a provision for the VAT receivable is required. As the amount receivable depends on performance by the government in Mexico and on the Mexican properties moving into commercial production, the timing and amount of collection for the VAT receivables may be materially different from the amount recorded in the consolidated financial statements.

5. CHANGES IN IFRS ACCOUNTING POLICIES

a) Future Accounting Pronouncements

New accounting pronouncements not yet effective; the Company has not applied the following new or revised standards that have been issued but are not effective for the December 31, 2019 reporting period:

5. CHANGES IN IFRS ACCOUNTING POLICIES (continued)

IAS 1 & 8, Definition of Material

The amendment clarifies the definition of material to make it easier to understand and provides guidance on how the definition should be applied. The change in the definition now ensures that the definition is consistent across all IFRS standards and the Conceptual Framework.

- Old definition (IAS 1): Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements;
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been removed.

The Company has completed its assessment of the impact of IAS 1 and 8 and concluded that the new standard will not have a material impact on the consolidated financial statements. The effective and expected adoption date is January 1, 2020.

IFRS 3, Business Combinations

Amendment to IFRS 3 clarifies whether entities acquire a business or a group of assets. The amendments:

- confirm that a business must include inputs and a process, and clarified that:
  - the process must be substantive; and
  - the inputs and process must together significantly contribute to creating outputs.
- narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The Company has completed its assessment of the impact of IFRS 3 and concluded that the new standard will not have a material impact on the consolidated financial statements. The effective and expected adoption date is January 1, 2020.

b) New Accounting Standards Issued and Effective

IFRS 16, Leases

On January 6, 2016, the IASB issued IFRS 16. This standard specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 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 has adopted the exemption for leases with a lease term of 12 months or less and for leases that are low value. Given that the Company’s existing operating leases are not material, no

(Expressed in Canadian Dollars)

5. CHANGES IN IFRS ACCOUNTING POLICIES (continued)

adjustment to equity has been recognized upon IFRS 16 adoption on January 1, 2019. See Note 3 (o) for more details.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 was effective for annual periods beginning on or after January 1, 2019 and permits early adoption. The adoption of IFRIC 23 did not have a material impact on the consolidated financial statements.

There are no additional standards not yet effective that would have an impact on the consolidated financial statements.

6. ACQUISITION OF BLUEJOINT RESOURCES INC. AND WESTERN CANADIAN GREENFIELDS GROUP INC.

On January 29, 2018, the Company acquired all of the issued and outstanding share capital of BlueJoint Resources Inc. (“BlueJoint”) and Western Canadian Greenfields Group Inc. (“WCGG”) (the “Acquisitions”). BlueJoint holds various mineral applications, including ready to drill targets, throughout Mexico and WCGG holds interests in various mineral claims in British Columbia, Canada. The Company issued 25,111,110 common shares for a gross value of $3,942,444. The Acquisitions were structured in the form of a three-cornered amalgamation, pursuant to which each of BlueJoint and WCGG amalgamated with a wholly-owned subsidiary of the Company.

For accounting purposes, the acquisitions have been recorded as asset acquisitions, as BlueJoint and WCGG are not considered businesses when applying the guidance within IFRS 3. The standard further requires management to assess its methodology when allocating value to multiple CGUs, for which the Company completes on a geographic basis. The estimated fair value determined primarily on historical spend on a property by property basis, attributable to mineral property interests was allocated to the acquired assets.

The purchase price consideration was allocated as follows:

Consideration paid:		
Fair value of common shares issued	$	3,942,444
Transaction costs incurred by the Company		114,291
Total consideration paid	$	4,056,735
Cash	$	191,286
Receivables		3,620
Mineral property interests		3,862,218
Payables		(389)
Total identifiable assets acquired	$	4,056,735

7. SALE OF OPERATING SEGMENT AND DISCONTINUED OPERATIONS

On April 22, 2019, the Company announced that it had completed a sale of all of the Company’s mineral resource properties and certain assets in British Columbia to Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) (“Talisker”). The British Columbia properties consist of the Baker-Shasta Project and underlying infrastructure, the Mets Mining Lease, the Tulox Project, the Bot Project, the WCGG Properties and the Spences Bridge Regional Program (the “BC Properties” or “exploration properties”).

(Expressed in Canadian Dollars)

7. SALE OF OPERATING SEGMENT AND DISCONTINUED OPERATIONS (continued)

The Company received total compensation of $500,000 in cash, 30,000,000 Talisker common shares, and a 1% net smelter return royalty over all of the properties. The Company also agreed to indemnify Talisker for any future reclamation costs incurred on the Baker Shasta property greater than $311,266 (Note 16). The gain on sale of the BC Properties to Talisker was calculated as follows:

Consideration received:		
Fair value of common shares	$	4,500,000
Cash consideration		500,000
Total consideration received	$	5,000,000
Reclamation deposit		143,804
Equipment		72,779
Accumulated amortization		(25,473)
Mineral property interests		847,045
Asset retirement obligation (note 16)		530,300
Net assets sold		1,568,455
Gain on sale of mineral properties, net	**$**	**3,431,545**

On June 26, 2019, at the Company’s Annual and Special Meeting of Shareholders, a special resolution was passed approving the distribution of 29,937,618 common shares of Talisker to the shareholders of the Company (“return of capital”). At this date, the Company recognized a dividend payable at the fair value of the common shares to be distributed, at $0.145 per common share, for a total value of $4,340,955.

On August 23, 2019, the Company completed the distribution of 29,937,618 common shares of Talisker at a fair value of $5,239,083.15 to its shareholders as a dividend, at $0.175 per common share.

As at December 31, 2019, the Company held 62,382 (2018 - $nil) Talisker common shares with a fair value of $20,586 (2018 - $nil). For the year ended December 31, 2019, cumulative changes in fair value for these marketable securities, of $760,595 (2018 - $nil) were recognized through profit or loss.

Prior to the transaction closing, the Company classified all expenses from the BC Properties incurred from the date of the transaction announcement as loss from discontinued operations. Loss from discontinued operations for the year from the BC Properties:

		December 31, 2019		December 31, 2018
Exploration expenditures	**$**	**62,633**	$	712,359
Property maintenance		**144,335**		132,513
Loss from discontinued operations	**$**	**206,968**	$	844,872

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit with major Canadian and Mexican banks in general interest-bearing accounts totaling $4,780,176 (December 31, 2018 - $2,807,533).

Cash and cash equivalents include a $40,000 (2018 - $40,000) one-year cashable guaranteed investment certificate (GIC) held with the Royal Bank of Canada with an interest rate of 0.5% and maturing on June 25, 2020.

(Expressed in Canadian Dollars)

9. RECEIVABLES

	December 31, 2019	December 31, 2018
Trade receivables	**$ 37,524**	$ -
Goods and services tax	**28,591**	48,803
Value added tax	**294,201**	
Other	**-**	3,620
Less: Provision for value-added tax	**(294,201)**	-
	$ 66,115	$ 52,423

The valued added tax receivables ("VAT") consist of $294,201 (2018 - $nil) of "Impuesto al Valor Agregado" ("IVA") due from the Mexican tax authorities, generated on expenditures related to the exploration of projects located in Mexico by the Company's Mexican subsidiary. The Company assesses the recoverability of the amount's receivable at each reporting date. The Company can recover the VAT receivables from the Mexican government if the projects are entered into production.

As at December 31, 2019, the Company has recorded a provision for the entire Mexico value added tax receivable upon consideration of the Company's history of collection and the uncertainty that the properties in Mexico will enter into production in the future. The provision for value-added tax of $294,201 has been recognized in the consolidated statement of net income (loss) and comprehensive income (loss).

10. PREPAID EXPENSES AND DEPOSITS

	December 31, 2019	December 31, 2018
Prepaid expenses	**$ 36,971**	$ 4,365
Advances to vendors	**115,401**	26,231
	$ 152,372	$ 30,596

11. RECLAMATION DEPOSITS

The Company has deposited funds totaling $nil (December 31, 2018 - $143,804) with the Province of British Columbia (the "Province") in relation to disturbances associated with exploration activities at the Baker, Bot, and Tulox projects. For the year ended December 31, 2019, the reclamation deposits were transferred to Talisker in connection with the sale of its BC Properties (Note 7).

(Expressed in Canadian Dollars)

12. PROPERTY AND EQUIPMENT

Cost		Property & equipment
Balance at December 31, 2017	$	72,779
Balance at December 31, 2018		72,779
Addition, right of use asset		187,599
Less amounts disposed in connection with sale of BC Properties (Note 7)		(72,779)
Balance at December 31, 2019	$	187,599

Accumulated depreciation		Property & equipment
Balance at December 31, 2017	$	7,278
Depreciation		10,917
Balance at December 31, 2018		18,195
Depreciation		26,519
Less amounts disposed in connection with sale of BC Properties (Note 7)		(25,472)
Balance at December 31, 2019	$	19,242
Net book value at:		
December 31, 2019	$	168,357
December 31, 2018	$	54,584

For the year ended December 31, 2019, equipment was transferred to Talisker in connection with the sale of its BC Properties (Note 7). The Company incurred $22,880 (2018 - $nil) of depreciation relating to its right of use asset.

As of December 31, 2019, the net book value of the Company's right of use asset was $168,357 (2018 - $nil).

13. MINERAL PROPERTY INTERESTS

	British Columbia	Mexico	Argentina	Peru	Total
Balance at December 31, 2017	384,376	131,951	43,233	-	559,560
Cost of Acquisitions	354,141	545,200	85,440	13,183	997,964
BlueJoint and WCGG Acquisitions	108,528	3,753,691	-	-	3,862,219
Balance at December 31, 2018	847,045	4,430,842	128,673	13,183	5,419,743
Cost of Acquisition	-	700,000	77,191	75,000	852,191
Disposal of Assets (note 7)	(847,045)	-	-	-	(847,045)
Sale of Royalty (note 25)		(49,241)	(2,059)	(882)	(52,182)
Currency Translation Adjustment	-	(217,672)	-	-	(217,672)
Balance at December 31, 2019	**-**	**4,863,929**	**203,805**	**87,301**	**5,155,035**

13. MINERAL PROPERTY INTERESTS (continued)

Mexico

a) Margarita Silver Project

On May 30, 2017, the Company optioned the Margarita Silver Project located in Chihuahua State, Mexico in consideration for 200,000 common shares in capital stock of the Company and payment of $50,000 on closing and subsequent issuances of common shares in the capital stock equal to $500,000, less the initial 200,000 common shares issued, on the first anniversary, $1,000,000 worth of common shares in the capital stock in the second anniversary and $2,000,000 worth of common shares in the capital stock on the third anniversary, in each case calculated based on the closing price of the common shares on the TSX Venture Exchange on the date preceding the anniversary date. The share issuances did not occur due to an amendment to the agreement.

The option agreement entered into on May 30, 2017 was subsequently amended on October 17, 2017, resulting in total initial consideration of $50,000 due at execution of the agreement and payment of $30,000 prior to October 23, 2017. The first anniversary payment was amended to either a cash payment or $470,000 worth of common shares in capital stock of the Company. The first anniversary cash payment was made on May 31, 2018.

The option agreement was subsequently amended on August 27, 2019, resulting in the consideration for the second anniversary payment being modified to $500,000 and a payment of $200,000 on the second and a half anniversary date. The second anniversary payment was made on September 13, 2019.

The option agreement was subsequently amended on November 28, 2019, resulting in the consideration for the second and a half anniversary payment being modified to $200,000 and a payment of $2,300,000 on the third anniversary date. The second and a half anniversary payment was made on December 4, 2019.

b) BlueJoint Mineral Applications

On January 29, 2018, the Company acquired five mineral applications in Mexico in connection with the acquisition of BlueJoint (Note 6). Each mineral application contains exploration targets consistent to the Company's exploration methodology.

The Company has identified two initial targets, Vinata and El Escarpe which it is currently advancing towards drilling. On July 9, 2019, the Company announced it had received permits for Vinata to conduct its initial drilling campaign.

Argentina

a) Don Julio Project

On December 6, 2017 the Company entered into an agreement to acquire up to a 100% interest in the Don Julio Project located in the San Juan Province of Argentina, subject to a 2% net smelter royalty which one half may be purchase by the Company for US$2,500,000 anytime after 12 months from which commercial production has been declared for any part of the project.

On May 31, 2018, the Company received the environmental impact assessment permit for the Don Julio Project.

To earn the initial 50% interest of the Don Julio Project the Company must:

- Make payment of US$25,000 upon signing of the letter of intent ($31,988 or US$25,000 equivalent paid during the year ended December 31, 2017).

13. MINERAL PROPERTY INTERESTS (continued)

- Issue 200,000 common shares (issued) and make payment of US$25,000 ($32,640 or US$25,000 equivalent was paid during the year ended December 31, 2018).
- Issue 100,000 common shares and make payment of US$50,000 prior to the one-year anniversary of the receipt of an environmental impact assessment permit ($67,191 or US$50,000 equivalent was paid, and 100,000 common shares valued at $10,000 were issued during year ended December 31, 2019).
- Issue 100,000 common shares and make payment of US$75,000 prior to the second anniversary of the permit date.
- Issue 200,000 common shares and make payment of US$100,000 prior to the third anniversary of the permit date.
- Issue 400,000 common shares and make payment of US$325,000 prior to the fourth anniversary of the permit date.

To earn additional interest in the project up to 100%, the Company must:

- To earn an additional 10% for 60% ownership in the project; issue 600,000 common shares and make payment of US$600,000 prior to the fifth anniversary of the permit date.
- To earn an additional 10% for 70% ownership in the project; issue 800,000 common shares, make payment of US$900,000, and complete an additional US$1,500,000 of exploration work prior to the sixth anniversary of the permit date.
- To earn an additional 30% for 100% ownership in the project; issue 1,000,000 common shares, make payment of US$1,900,000, and complete an additional US$1,500,000 of exploration work prior to the seventh anniversary of the permit date.

Peru

a) Scorpius Project

On September 15, 2018 the Company entered into an agreement to acquire up to a 100% interest in the Scorpius Project located in central Peru, subject to a 1% net smelter royalty which may be purchased by the Company for US$1,500,000 any time after 12 months from which commercial production has been declared on any portion of the project. To earn a 100% interest of the project the Company must:

- Make payment of US$10,000 upon the signing of the letter of intent ($13,183 or US$10,000 equivalent paid during the year ended December 31, 2018).
- Make payment of US$40,000 or issue an equal value of common shares at a fixed exchange rate of CAD$1.30 for US$1.00 on the date all necessary permitting to conduct drilling on the project is received.
- Make payment of US$200,000 or issue an equal value of common shares at a fixed exchange rate of CAD$1.30 for US$1.00 on the first anniversary of the permit date.
- Make payment of US$250,000 or issue an equal value of common shares at a fixed exchange rate of CAD$1.30 for US$1.00 on the second anniversary of the permit date.
- Make payment of US$500,000 or issue an equal value of common shares at a fixed exchange rate of CAD$1.30 for US$1.00 on the third anniversary of the permit date.

b) Kirio Project

On July 24, 2019 the Company entered into an agreement to acquire 100% interest in the Kirio Project from Teck Peru S.A. ("Teck") located in the Miocene Gold Belt of Central Peru. To earn a 100% interest of the Kirio Project the Company must:

- Complete US$1500,000 of exploration work prior to the October 22, 2020
- Complete US$500,000 of cumulative exploration work prior to October 22, 2021
- Complete US$1,000,000 of cumulative exploration work prior to October 22, 2022
- Complete US$2,000,000 of cumulative exploration work prior to October 22, 2023

(Expressed in Canadian Dollars)

13. MINERAL PROPERTY INTERESTS (continued)

The Company must also complete a minimum of 4,000 meters of drilling and issuing 625,000 common shares. In addition, if the Company does not spend the US$150,000 in exploration work prior to October 22, 2020, the Company is required to pay to Teck in cash the difference between the US$150,000 and the actual amount of exploration expenditures incurred.

Teck has the option to earn back to a 65% interest in the project by incurring 2.5 times the Company's expenditures and by making a cash payment to the Company of US$500,000. If Teck does not exercise this right, they will retain a 2% net smelter royalty on the project.

During the year ended December 31, 2019, the Company issued 625,000 common shares to Teck, valued at $75,000. As of December 31, 2019, the Company had not incurred any expenditures on the Kirio Project.

British Columbia

The Company held a 100% interest in the Baker-Shasta project, Mets Mining Lease, Tulox project, Bot project, WCGG Properties and the Spences Bridge Project. During the year ended December 31, 2019, these properties were disposed. See Note 7.

14. PAYABLES AND ACCRUALS

		December 31, 2019		December 31, 2018
Trade payables	**$**	**433,121**	$	847,593
Accruals and other		**268,691**		256,956
	$	**701,812**	$	1,104,549

15. LEASE LIABILITY

The Company's lease liability relates to its lease for the office premises. The lease comprises only fixed payments over the lease term.

		December 31, 2019		December 31, 2018
Opening balance	**$**	**-**	$	-
New obligation under finance lease		**187,599**		-
Repayments		**(17,254)**		-
Ending balance		**170,345**		-
Less current portion		**(25,825)**		-
Non-current obligation	**$**	**144,520**	$	-
Gross lease obligation - minimum lease payments				
1 year	**$**	**30,977**	$	-
2-3 years		**96,558**		-
4-5 years		**59,861**		-
6+ years		**-**		-
Future interest expense on lease obligations		**(17,050)**		-
	$	**170,345**	$	-

(Expressed in Canadian Dollars)

15. LEASE LIABILITY (continued)

For the year ended December 31, 2019, the Company recognized $3,396 in interest expense on its lease liability. For the year ended December 31, 2019, the Company expensed $77,611 related to leases that are classified as short-term and $15,682 for leases of low-value assets. The incremental borrowing rate applied to the lease liabilities was 3.24%.

16. ASSET RETIREMENT OBLIGATION

As at December 31, 2019, an amount of $nil (December 31, 2018 - $93,366) has been deposited with the Ministry of Mines with respect to these reclamation provisions.

For the year ended December 31, 2019, the asset retirement obligation of $316,266 was assumed by Talisker in connection with the sale of Mineral Properties (Note 7). In connection with the sale of the mineral properties, the Company agreed to indemnify Talisker for any future reclamation costs incurred on the Baker Shasta property greater the associated asset retirement obligation than $311,266. As of December 31, 2019, the estimated reclamation obligation of the Baker Shasta property is $1,157,832. The difference of $846,566 has been recorded as the indemnification obligation and this has been included in the calculation of the gain on sale of mineral property interests.

The Company has estimated the indemnification obligation based on management's estimates of costs to reclaim the Baker Shasta property as well as an estimate on the future timing of the costs to be incurred. These costs will be incurred when the associated reclamation work occurs, but this will not occur in the next 12 months.

17. ISSUED CAPITAL AND CONTRIBUTED SURPLUS

a) Issued Capital

Authorized

The Company is authorized to issue an unlimited number of common shares.

Issued and outstanding:

	Number of Shares		$ Value
Balance at December 31, 2017	91,764,939	$	24,248,990
Shares issued in acquisition of mineral properties	200,000		52,800
Shares issued in private placement of flow through shares	2,000,000		526,000
Shares issued in private placement	10,000,000		2,500,000
Shares issued for BlueJoint and WCGG Acquisition	25,111,110		3,942,444
Shares issued in exercise of warrants	9,987,515		2,492,054
Shares issues in exercise of options	600,000		118,278
Share issuance costs	-		(291,230)
Balance at December 31, 2018	139,663,564	$	33,589,336
Shares issued in private placement	21,753,333		2,943,000
Shares issued in acquisition of mineral properties	725,000		85,000
Share issuance costs	-		(64,774)
Balance at December 31, 2019	**162,141,897**	**$**	**36,552,562**

17. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

During the year ended December 31, 2019:

- On May 15, 2019, the Company completed a private placement of 5,753,333 units at a price of $0.15 per unit for gross proceeds of $863,000. Each unit was comprised of one common share and one half of one common share purchase warrant entitling the holder thereof to purchase a common share at a price of $0.25 until May 15, 2021.

- On August 29, 2019 the Company entered into an investment agreement with Osisko Gold Royalties Ltd ("Osisko"). Pursuant to that agreement, Osisko subscribed for 16,000,000 units at a price of $0.13 per unit for gross proceeds of $2,080,000. Each unit was comprised of one common share and one half of one common share purchase warrant entitling the holder thereof to purchase a common share at a price of $0.21 until August 29, 2022. As part of the investment agreement, Osisko has an equity participation right to maintain pro-rata ownership interest so long as Osisko owns more than 5% of the outstanding common shares. As of December 31, 2019, Osisko owned more than 5% of the Company's outstanding common shares.

- On May 28, 2019, the Company issued 100,000 common shares at a price of $0.10 per common share, the fair value of the common shares on grant date, for a gross value of $10,000 in connection with the Don Julio Project.

- On August 13, 2019, the Company issued 625,000 common shares at a price of $0.12 per common share, the fair value of the common shares on grant date, for a gross value of $75,000 in connection with the Kirio Project.

During the year ended December 31, 2018:

- On January 29, 2018, the Company issued 25,111,110 common shares at a price of $0.157 per common share, the fair value of the common shares on grant date, for a gross value of $3,942,444 in connection with the acquisition of BlueJoint and WCGG.

- On March 26, 2018, the Company issued 200,000 common shares at a price of $0.264 per common share, the fair value of the common shares on grant date, for a gross value of $52,800 in connection with the Don Julio Project.

- On March 28, 2018, the Company issued 2,000,000 flow-through shares at a price of $0.30 per flow-through share for a gross value of $600,000.

  The Company calculates the tax effect of any premium related to the issuance of flow-through shares by reviewing the value of corresponding common shares and warrants issued in connection with the issuance. As a result, the Company recognized a premium of $74,000 as a flow-through premium liability on the issuance of the flow-through shares. The amount was reduced and will be recognized as other income upon filing the renunciation documents with the Canada Revenue Agency.

- On August 27, 2018, the Company announced a warrant exercise incentive program (the "Warrant Incentive Program") to encourage the early exercise of up to approximately 27 million outstanding common share purchase warrants. Under the terms of the Warrant Incentive Program, the Company offered one half of one common share purchase warrant as an incentive exercisable at a price of $0.35 for a period of 36 months, should the common share warrant holder exercise their warrants on or before September 12, 2018. Any common share purchase warrants not exercised prior the expiry of the Warrant Incentive Program will remain outstanding in accordance with their original terms.

(Expressed in Canadian Dollars)

17. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

In total, 9,987,515 common share purchase warrants were exercised in connection with the Warrant Incentive Program for aggregate gross proceeds of $2,492,054. In addition, a total of 4,141,950 incentive common share purchase warrants were granted.

- On October 11, 2018, the Company completed a private placement of 10,000,000 units at a price of $0.25 per unit for gross proceeds of $2,500,000. Each unit was comprised of one common share and one common share purchase warrant entitling the holder thereof to purchase a common share at a price of $0.35 until October 11, 2020. Furthermore, the expiry date of the common share purchase warrants may be accelerated by the Company at any time prior to their expiry date if the volume-weighted average trading price of the Company's common shares is greater than $0.50 for any 20 consecutive trading days.

  The Company paid $241,430 in issue costs, including an agent cash commission of $184,250, representing 7% of the gross proceeds of the offering and issued 600,000 broker warrants with each broker warrant entitling the agent to purchase one common share at a price of $0.25 until October 11, 2020.

  The fair value of the 600,000 broker warrants was estimated at $49,800 using the Black Sholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.14%; volatility 75.04% and an expected life of two years.

b) Stock options

The Company has a share option plan whereby officers, directors and certain employees and consultants may be granted options to purchase unissued common shares of the Company. The option exercise price is decided by the Board of Directors but may not be less than the discounted market price of the Company's shares as defined in the Rules and Policies of the TSX Venture Exchange. The share option plan permits the granting of options up to a maximum of 10% of outstanding shares of the Company.

	Number of stock options		Weighted average exercise price
Balance at December 31, 2017	6,550,000	$	0.16
Options issued during the year	4,500,000		0.26
Options excercised during the year	(600,000)		(0.10)
Balance at December 31, 2018	10,450,000	$	0.20
Options issued during the year	3,250,000		0.16
Options cancelled during the year	(1,200,000)		(0.13)
Balance at December 31, 2019	**12,500,000**	**$**	**0.19**

During the year ended December 31, 2019:

- On February 26, 2019, the Company granted an aggregate of 450,000 options to purchase common shares of the Company exercisable at a price of $0.25 per common share for a period of five years to certain directors, officers, and consultants.

  The fair value of the 450,000 options was estimated at $37,350 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 1.77%; volatility 84% and an expected life of five years. Compensation expense was recognized as general and administration expense during the year.

(Expressed in Canadian Dollars)

17. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

- On June 27, 2019, the Company granted an aggregate of 2,800,000 options to purchase common shares of the Company exercisable at a price of $0.15 per common share for a period of five years to certain directors, officers, and consultants.

  The fair value of the of the 2,800,000 options was estimated at $232,400 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 1.68%; volatility 84% and an expected life of five years. Compensation expense was recognized as general and administration expense during the year.

During the year ended December 31, 2018:

- On March 26, 2018, the Company granted an aggregate of 3,200,000 options to purchase common shares of the Company exercisable at a price of $0.245 per common share for a period of five years to certain directors, officers, and consultants.

  The fair value of the of the 3,200,000 options was estimated at $608,000 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 1.62%; volatility 106% and an expected life of five years. Compensation expense was recognized as general and administration expense during the year.

- On October 26, 2018, the Company granted an aggregate of 1,300,000 options to purchase common shares of the Company exercisable at a price of $0.30 per common share for a period of five years to certain directors, officers, and consultants.

  The fair value of the of the 1,300,000 options was estimated at $274,278 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 2.14%; volatility 106.19% and an expected life of five years. Compensation expense was recognized as general and administration expense during the year.

The Company has the following stock options outstanding and exercisable:

Expiry date	Number of options outstanding	Number of stock options vested	Weighted average Exercise Price	Weighted average number of years to expiry
October 24, 2021	400,000	400,000	$ 0.10	1.82
May 3, 2022	2,350,000	2,350,000	0.15	2.34
November 9, 2022	2,200,000	2,200,000	0.17	2.86
March 31, 2023	3,000,000	3,000,000	0.25	3.24
October 26, 2023	1,300,000	1,300,000	0.30	3.82
February 26, 2024	450,000	450,000	0.25	4.16
June 27, 2024	2,800,000	2,800,000	0.15	4.49
Balance at December 31, 2019	**12,500,000**	**12,500,000**	**$ 0.19**	**3.33**

(Expressed in Canadian Dollars)

17. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

c) Share Purchase Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of share purchase warrants issued and outstanding:

	# of warrants	Weighted average exercise price
Balance at December 31, 2017	32,442,730	$ 0.25
Share warrants excercised	(9,987,515)	(0.25)
Share warrants issued	9,741,950	0.35
Share warrants expired	(2,500,000)	(0.30)
Balance at December 31, 2018	29,697,165	$ 0.28
Share warrants issued	10,876,667	0.22
Share warrants expired	(19,955,215)	(0.24)
Balance at December 31, 2019	**20,618,617**	**$ 0.28**

The Company has the following share purchase warrants outstanding and exercisable:

Expiry date	Number of warrants outstanding	Weighted average exercise price
October 11, 2020	9,141,950	$ 0.35
May 15, 2021	2,876,667	0.25
September 21, 2021	600,000	0.35
August 29, 2022	8,000,000	0.21
Balance at December 31, 2019	**20,618,617**	**$ 0.28**

During the year ended December 31, 2019:

- On May 15, 2019, the Company granted 2,876,667 warrants to purchase common shares of the Company exercisable at a price of $0.25 per common share for a period of two years.

- On August 29, 2019 the Company granted 8,000,000 warrants to purchase common shares of the Company exercisable at a price of $0.21 per common share for a period of three years.

During the year ended December 31, 2018:

- On September 21, 2018, the Company granted an aggregate of 4,141,950 warrants to purchase common shares of the Company exercisable at a price of $0.35 per common share for a period of three years to warrant holders that participated in the Warrant Incentive Program.

  The fair value of the of the 4,141,950 warrants was estimated at $494,650 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 2.04%; volatility 89% and an expected life of three years.

- On October 11, 2018 the Company granted 5,000,000 warrants to purchase common shares of the Company exercisable at a price of $0.35 per common share for a period of three years.

(Expressed in Canadian Dollars)

18. PROPERTY RELATED EXPENSES

		December 31, 2019		December 31, 2018
Exploration expenditures				
Employee compensation	**$**	**67,132**	$	-
Travel		**281,349**		527,810
Contractors and consultants (including contract drilling services)		**2,482,716**		4,261,905
Maintenance		**9,226**		74,189
Fuels and lubes		**49,420**		206,486
Operating supplies		**83,569**		94,810
Freight		**1,206**		3,209
Lease and rentals		**184,193**		246,614
Office and general and administrative		**275,433**		276,358
Amortization and accretion		**-**		10,917
Insurance, bank fees and taxes (non-income)		**236,953**		217,134
Less amounts from discontinued operations (note 7)		**(62,633)**		(712,359)
Total exploration expenditures	**$**	**3,608,564**	$	5,207,073
Property Maintenance				
Employee related	**$**	**392**	$	30,357
Travel		**138,714**		102,925
Office and general and administrative		**5,229**		27,334
Less amounts from discontinued operations (note 7)		**(144,335)**		(132,513)
Total property maintenance	**$**	**-**	$	28,103

19. TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

		December 31, 2019		December 31, 2018
Earnings (loss) before income taxes	**$**	**3,955,259**	$	(7,162,293)
Canadian federal and provincial income tax rates		**27.00%**		27.00%
Income tax expense (recovery) based on the above rates		**1,068,000**		(1,934,000)
Increase (decrease) due to:				
Non-deductible expenses		**307,000**		204,000
Impact of flow-through shares		**-**		160,000
Difference between Canadian and Foreign tax rates		**(61,000)**		-
Benefit of lower capital gains tax rate		**(451,000)**		
Impact of under (over) proviison from prior year		**55,000**		116,000
Loss expiry and other		**-**		-
Share issue costs		**(17,000)**		(65,000)
Change in unrecognized deductible temporary differences		**(846,000)**		1,747,000
Losses and gains recorded in discontinued operations and OCI		**(55,000)**		(228,000)
	$	**-**	$	-

(Expressed in Canadian Dollars)

19. TAXES (continued)

The significant components of the Company`s unrecorded deferred tax assets / (liabilities) are as follows:

		December 31, 2019		December 31, 2018
Property, plant and equipment and other	**$**	**732,000**	$	765,000
Mineral Property Interest		**7,746,000**		8,748,000
Share Issuance costs		**85,000**		94,000
Capital losses		**-**		414,000
Non-capital losses available for future periods		**3,396,000**		
Liabilities		**160,000**		2,944,000
		12,119,000		12,965,000
Unrecognized deferred tax assets		**(12,119,000)**		(12,965,000)
Net deferred tax assets	**$**	**-**	$	-

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

Tax losses carried forward are as follows:

	December 31, 2019		December 31, 2018	Expiry date range
Non-capital losses available for future periods	**$ 12,416,490**	$	10,900,000	2024-2039

The deferred tax assets related to the temporary differences were not recognized, as its recoverability was not considered to be probable.

20. FINANCIAL INSTRUMENTS

Financial assets and liabilities as at December 31, 2019 and December 31, 2018 are as follows:

		Assets at fair value through profit and loss		Amortized cost		Other financial liabilities		Total
As at December 31, 2019								
Cash and cash equivalents	$	-	$	4,780,176	$	-	$	4,780,176
Marketable securities		20,586		-		-		20,586
Trade receivables		-		37,524		-		37,524
Payables and accruals		-		-		701,812		701,812
As at December 31, 2018								
Cash and cash equivalents	$	-	$	2,807,533	$	-	$	2,807,533
Trade receivables		-		52,423		-		52,423
Payables and accruals		-		-		1,104,549		1,104,549

The Company classifies its financial instruments carried at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS (continued)

As at December 31, 2019 and December 31, 2018, cash and cash equivalents were recorded at fair value under level 1 within the fair value hierarchy.

The carrying value of cash and cash equivalents, marketable securities, amounts receivable, and accounts payable and accrued liabilities approximate fair value because of the limited terms of these instruments.

21. SEGMENTED INFORMATION

The Company considers itself to operate in a single operating segment, being resource exploration and development. It holds mineral interests in Canada, Mexico, Argentina and Peru.

Period ended December 31, 2019		Canada		Mexico		Argentina		Peru
Revenues	$	-	$	-	$	-	$	-
Exploration expenditures		-		1,844,395		1,619,653		144,516
Property maintenance		-		-		-		-
General and administrative expenses		961,556		68,312		-		-
As at December 31, 2019								
Total assets	$	3,311,969	$	6,739,566	$	203,805	$	87,301
Total liabilities		1,423,150		241,686		53,886		-

Period ended December 31, 2018		Canada		Mexico		Argentina		Peru
Revenues	$	-	$	-	$	-	$	-
Exploration expenditures		-		737,665		4,340,434		128,974
Property maintenance		-		28,103		-		-
General and administrative expenses		642,497		7,891		-		-
As at December 31, 2018								
Total assets	$	3,909,753	$	4,435,813	$	128,673	$	34,444
Total liabilities		762,492		14,044		644,279		-

22. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the years ended December 31, 2019 and 2018:

During the year ended December 31, 2019, the Company incurred exploration and general and administrative costs in the amount of $96,632 (2018 - $nil) paid to a Company with shared directors and officers. Included in payables and accruals at December 31, 2019 are $3,781 (2018 - $nil).

During the year ended December 31, 2019, the Company was remunerated for shared exploration and general and administrative costs of $86,232 (2018 - $nil) by companies with shared directors and officers. Included in receivables at December 31, 2019 are $36,007 (2018 - $nil).

During the year ended December 31, 2019, the Company entered into an indemnification agreement for a reclamation obligation relating to a disposed mineral property with a company that shares directors and officers. The estimated liability is $846,566 (Note 16).

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

(Expressed in Canadian Dollars)

22. RELATED PARTY TRANSACTIONS (continued)

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Short term employee benefits	**$ 574,400**	$ 543,480
Share based payments	**240,700**	312,773
	$ 815,100	$ 856,253

As at December 31, 2019, an amount of $60,131 (December 31, 2018 - $53,941) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

Transactions with related parties are recorded at fair value.

23. CAPITAL MANAGEMENT

The Company's capital management objectives are to raise the necessary equity financing to fund its exploration projects and mining activities and to manage the equity funds raised to best optimize its exploration and mining programs in the interests of its shareholders and other stakeholders at an acceptable risk.

In management of capital, the Company includes shareholders' equity and cash and cash equivalents in the definition of capital.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may raise additional equity funds and acquire new exploration properties as circumstances dictate.

The Company’s capital consists of the following:

	December 31, 2019	December 31, 2018
Working capital surplus	**$ 4,291,612**	$ 1,786,003
Share capital	**36,552,562**	33,589,336
Share-based payment reserve (included in contributed surplus)	**2,565,809**	2,296,059
Accumulated deficit	**(31,113,834)**	(29,623,042)
	$ 12,296,149	$ 8,048,356

24. FINANCIAL RISK FACTORS

The Company’s risk exposure and the impact on the Company’s financial instruments are summarized below. There have been no material changes in the risks, objectives, policies and procedures from the previous period.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to the cash and cash equivalents is minimal.

(Expressed in Canadian Dollars)

24. FINANCIAL RISK FACTORS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. As at December 31, 2019, the Company had a cash and cash equivalents balance of $4,780,176 (December 31, 2018 - $2,807,533) as well as marketable securities of $20,586 (December 31, 2018 - $nil) to settle current liabilities of $727,637 (December 31, 2018 - $1,104,549). Working capital for the Company as at December 31, 2019 was $4,291,612 (December 31, 2018 - $1,786,003).

Market risk

(a) Foreign currency risk

The Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar.

Based on the foreign currency balances at December 31, 2019, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net income by approximately $15,155. This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

(b) Commodities price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

25. SALE OF NET SMELTER ROYALTY

On September 27, 2019, the Company entered into an agreement with Osisko Gold Royalties Ltd ("Osisko"), pursuant to which Osisko purchased a 1% net smelter return royalty ("Royalty") on all the Company's current mineral property interests and any future mineral properties acquired within four years of the closing date. Consideration received was $5,000,000 in cash.

The Company has allocated the proceeds of the royalty to its mineral property interests based on the sale of 1% of its carrying value at the date of grant. As a result, the Company has decreased the carrying value of mineral properties by $52,181 and recognized a gain on sale of net smelter royalty of $4,947,819. The gain on sale of net smelter royalty was calculated as follows:

Consideration received	$	**5,000,000**
Less: 1% of previously capitalized acquisition costs		**(52,181)**
	$	**4,947,819**

(Expressed in Canadian Dollars)

26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items during the year ended December 31, 2019 and 2018 are as follows:

		December 31, 2019		December 31, 2018
Receivables	$	(307,893)	$	49,272
Prepaids and deposits		(121,776)		44,966
Payables and accruals		(315,849)		715,589
	$	(745,518)	$	809,827

27. COMMITMENTS AND CONTINGENCIES

As of December 31, 2019, the Company is committed to spending approximately $170,345 over the next five years on its Toronto office lease (Note 15).

As of December 31, 2019, the Company has agreed to indemnify Talisker for any reclamation costs incurred relating to the Baker Shasta property above $311,266, which is estimated to be $846,566 (Note 16).

As of December 31, 2019, the Company is committed to spending US$150,000 in exploration work at the Kirio Project. If the Company does not spend the US$150,000 in exploration work prior to October 22, 2020, the Company is required to pay to Teck in cash the difference between the US$150,000 and the actual amount of exploration expenditures incurred (Note 13).

Due to the size, complexity and nature of the Company's operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

28. SUBSEQUENT EVENTS

On March 11, 2020, the Company granted an aggregate of 2,100,000 options to purchase common shares of the Company exercisable at a price of $0.10 per share for a period of five years to certain directors, officers, and consultants.

On January 30, 2020, the WHO announced a global healthy emergency because of a new strain of coronavirus ("COVID-19"). The full impact of the COVID-19 outbreak in Canada and across the world economy continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's liquidity and future results from exploration. Management is actively monitoring the global situation and its potential impact on the Company's ability to obtain additional funding as and when needed as well as the potential delays to exploration and evaluation due to disruption to supply chains and the Company's contractor partners in Mexico, Argentina and Peru. If the impacts of COVID-19 continue there could be further impact on the Company and its major suppliers and contractor partners that could further impact the timing and amounts realized on the Company's mineral property assets. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of exploration activities, financial condition, or liquidity at this time.