SABLE RESOURCES LTD.

Consolidated Financial Statements
For the years ended December 31, 2020 and 2019

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: "Kelso Cartwright"
Kelso Cartwright
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 statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of net income and comprehensive income, changes in shareholders' 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 financial position of the Group as at December 31, 2020 and December 31, 2019 and its financial performance and its cash flows for the years 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.

Other Information

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

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

In connection with our 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 the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact 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 these 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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2021

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

	Note		**December 31 2020**		December 31 2019 (Reclassification note 27)
Assets					
Current Assets					
Cash and cash equivalents	6	**$**	**17,068,469**	$	4,780,176
Marketable securities	7		**3,368,947**		20,586
Receivables	8,21		**183,444**		66,115
Prepaid expenses and deposits	9		**41,083**		152,372
			20,661,943		5,019,249
Property and equipment	10		**189,800**		168,357
Mineral property interests	11		**3,805,600**		5,155,035
		$	**24,657,343**	$	10,342,641
Liabilities					
Current Liabilities					
Payables and accruals	12,21	**$**	**632,939**	$	701,812
Income tax payable			**819,606**		-
Current portion of lease liability	13		**26,968**		25,825
			1,479,513		727,637
Lease liability	13		**117,551**		144,520
Due to related party	14		**-**		846,566
			1,597,064		1,718,723
Shareholders' equity					
Issued capital	15		**40,504,571**		31,313,479
Accumulated other comprehensive loss			**(145,510)**		(206,134)
Contributed surplus	15		**4,167,555**		3,391,324
Deficit			**(21,466,337)**		(25,874,751)
			23,060,279		8,623,918
		$	**24,657,343**	$	10,342,641

Nature of operations (Note 1)
Subsequent events (Note 28)

APPROVED ON BEHALF OF THE BOARD:

Signed: "Thomas Obradovich"
Thomas Obradovich
Director

Signed: "Andres Tinajero"
Andres Tinajero
Director

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

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

Year ended December 31,	Note		2020		2019
Expenses					
Exploration expenditures	17,21	**$**	**3,292,123**	$	3,608,564
General and administrative expenses	21		**1,289,482**		1,029,868
Property investigation and evaluation			**13,889**		-
Share-based expense	15		**629,900**		269,750
			5,225,394		4,908,182
Other expenses (income)					
Gain on disposal of marketable securities			**-**		(748,129)
Gain on settlement of accrued liabilities			**-**		(86,888)
Gain on sale of mineral property interests, net	5		**(3,654,882)**		(3,431,545)
Gain on sale of royalty	24		**(5,445,519)**		(4,947,819)
Write-down of mineral property interests	11		**87,301**		-
Settlement of contingent liability	14,21		**(846,566)**		-
(Recovery of) provision for value-added tax receivable	8		**(255,328)**		294,201
Interest income			**(36,098)**		(37,186)
Foreign exchange			**(360,867)**		93,925
Net income from continuing operations before income taxes			**5,286,565**		3,955,259
Income tax expense	18		**863,574**		-
Net income from continuing operations			**4,422,991**		3,955,259
Net loss from discontinued operations	5		**14,577**		206,968
Net income		**$**	**4,408,414**	$	3,748,291
Items that may be reclassified subsequently to profit and loss:					
Change in fair value of marketable securities	7		**151,639**		(12,466)
Foreign currency translation adjustment			**(212,263)**		218,600
Other comprehensive (income) loss			**(60,624)**		206,134
Net comprehensive income		**$**	**4,469,038**	$	3,542,157
Earnings per share					
Basic and diluted	16	**$**	**0.02**	$	0.03
Weighted average number of common shares - Basic			**182,459,013**		149,101,829
Weighted average number of common shares - Diluted			**244,520,474**		149,101,829

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**
				(Reclassification note 27)						(Reclassification note 27)		
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	15	21,753,333		2,943,000		-		-		-		**2,943,000**
Shares issued in acquisition of claims	11,15	725,000		85,000		-		-		-		**85,000**
Share issue costs	15	-		(64,774)		-		-		-		**(64,774)**
Shareholder distributions	5,15	-		(5,239,083)		-		-		-		**(5,239,083)**
Share-based expense	15,21	-		-		-		269,750		-		**269,750**
Balance, December 31, 2019		162,141,897	$	31,313,479	$	(206,134)	$	3,391,324	$	(25,874,751)	**$**	**8,623,918**
Net income		-		-		-		-		4,408,414		**4,408,414**
Other comprehensive income		-		-		60,624		-		-		**60,624**
Shares issued from private placements	15	65,914,707		9,887,206		-		-		-		**9,887,206**
Shares issued in acquisition of claims	11,15	100,000		9,000		-		-		-		**9,000**
Exercise of options	15	1,600,000		230,000		-		-		-		**230,000**
Share issue costs	15	-		(935,114)		-		146,331		-		**(788,783)**
Share-based expense	15,21	-		-		-		629,900		-		**629,900**
Balance, December 31, 2020		**229,756,604**	**$**	**40,504,571**	**$**	**(145,510)**	**$**	**4,167,555**	**$**	**(21,466,337)**	**$**	**23,060,279**

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		2020		2019
Operating Activities					
Net income		$	**4,408,414**	$	3,748,291
Items not involving cash:					
Amortization	10		**28,861**		26,519
Gain on disposal of marketable securities			**-**		(748,129)
Gain on sale of mineral property interests	5		**(3,654,882)**		(3,431,545)
Gain on sale of net smelter royalty	24		**(5,445,519)**		(4,947,819)
Write-down of mineral property interests	11		**87,301**		-
Settlement of contingent liability	14		**(846,566)**		-
Share-based expense	15,21		**629,900**		269,750
Provision for value-added tax receivable	8		**-**		294,201
Gain on settlement of accrued liabilities			**-**		(86,888)
Interest income			**(36,098)**		(37,186)
			(4,828,589)		(4,912,806)
Changes in non-cash working capital	25		**1,000,021**		(745,518)
Total cash flows used in operating activities			**(3,828,568)**		(5,658,324)
Financing Activities					
Principle payments on lease liability	13		**(25,826)**		(17,254)
Proceeds from issuance of shares pursuant to private placement	15		**9,887,206**		2,943,000
Share issuance costs	15		**(788,783)**		(64,774)
Proceeds on sale of royalty on exploration and evaluation assets	24		**5,500,000**		5,000,000
Proceeds from option exercise	15		**230,000**		-
Total cash flows from financing activities			**14,802,597**		7,860,972
Investing Activities					
Purchase of equipment	10		**(50,304)**		-
Acquisition of mineral claims	11		**(159,949)**		(767,191)
Proceeds from sale of exploration and evaluation assets	5		**1,500,000**		500,000
Interest income			**36,098**		37,186
Total cash flows from (used in) investing activities			**1,325,845**		(230,005)
Effect of foreign exchange on cash			**(11,581)**		-
Increase in cash and cash equivalents			**12,288,293**		1,972,643
Cash and cash equivalents, beginning of period			**4,780,176**		2,807,533
Cash and cash equivalents, end of period		$	**17,068,469**	$	4,780,176
Supplemental cash flow information:					
Broker warrants issued as share issuance costs	15	$	**146,331**	$	-
Shares issued in acquisition of mineral claims	11,15	$	**9,000**	$	85,000
Shares distributed to owners of Company	5	$	**-**	$	5,239,083
Shares received in disposal of mineral property interests	5	$	**3,500,000**	$	4,500,000

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

1. NATURE OF OPERATIONS

Sable Resources Ltd. (the "Company") is incorporated under the Business Corporation Act (British Columbia). The Company is engaged in the acquisition, exploration and development of mineral resource properties in Mexico and Argentina. 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's shares are listed on the TSX Venture Exchange ("TSXV") and on the OTC Venture Market ("OTCQB") under the symbols SAE and SBLRF, respectively.

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.

During the year ended December 31, 2020, the coronavirus COVID-19 outbreak was declared a pandemic by the World Health Organization. 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 27, 2021.

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 entity. 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 subsidiaries 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
Sable Argentina S.A.	Argentina	100%	Consolidated	$USD
Olivares S.A.	Argentina	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 income.

Statements of comprehensive income 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 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.

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 and comprehensive income.

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 income (loss) and comprehensive income (loss).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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) Taxes

Income Taxes

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

f) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020.

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.

g) 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.

h) Earnings Per Share

For both continuing and discontinued operations, the Company presents basic and diluted earnings per share data for its common shares. Basic earnings 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 earnings 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 and warrants.

i) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

j) 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.

k) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

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 general and administrative expenses.

m) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) New Accounting Standards Issued and Effective

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.

IAS 1 & 8 was effective for annual periods beginning on or after January 1, 2020. The adoption of IAS 1 & 8 amendments did not have a material impact on the condensed consolidated financial statements.

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.

IFRS 3 was effective for annual periods beginning on or after January 1, 2020. The adoption of IFRS 3 amendment did not have a material impact on the consolidated financial statements.

There were no other standards and interpretations that are issued, but not yet effective, which impact the Company up to the date of issuance of these consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS 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.

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.

(Expressed in Canadian Dollars)

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

Recoverability of value-added tax receivables

The Company reviews and evaluates assumptions regarding the recoverability of value-added tax ("VAT") receivables in Mexico and Argentina 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. SALE OF MINERAL PROPERTY INTERESTS

a) Margarita Silver Project

On November 18, 2020, the Company announced that it had completed the sale of its option to acquire the Margarita Silver Project, located in Chihuahua State, Mexico, to Molimentales del Noroeste, S.A. de C.V., a subsidiary of Magna Gold Corp. ("Magna").

The Company received total compensation of $1,500,000 in cash and 3,219,278 Magna common shares at a deemed price of $1.0872 per Magna share equal in value to $3,500,000, calculated based on the volume weighted average price of Magna shares on the TSX Venture Exchange for the fifteen trading days prior to the date of the option acquisition agreement.

The gain on the sale of the option to acquire the Margarita Silver Project was calculated as follows:

Consideration received:		
Fair value of common shares	$	3,500,000
Cash consideration		1,500,000
Total consideration received	$	5,000,000
Mineral property interests		1,345,118
Net assets sold		1,345,118
Gain on sale of mineral properties, net	**$**	**3,654,882**

b) British Columbia Mineral Properties

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 consisted 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").

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 gain on sale of the BC Properties to Talisker was calculated as follows:

(Expressed in Canadian Dollars)

5. SALE OF MINERAL PROPERTY INTERESTS (continued)

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	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").

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 to its shareholders as a distribution, at $0.175 per common share.

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 period from the BC Properties:

	December 31, 2020	December 31, 2019
Exploration expenditures	**$ -**	$ 62,633
Property maintenance	**14,577**	144,335
Loss from discontinued operations	**$ 14,577**	$ 206,968

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit with major Canadian, Mexican, and Argentinian banks in general interest-bearing accounts totaling $17,068,469 (December 31, 2019 - $4,780,176).

Cash and cash equivalents include a $40,000 (December 31, 2019 - $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 July 1, 2021.

(Expressed in Canadian Dollars)

7. MARKETABLE SECURITIES

The Company's marketable securities are as follows:

		December 31, 2020		December 31, 2019
FVTPL				
Talisker Resources Ltd.				
62,382 shares (2019 - 62,382 shares)	**$**	**20,898**	$	20,586
Magna Gold Corp.				
3,219,278 shares (2019 - nil shares) (Note 5a)		**3,348,049**		-
	$	**3,368,947**	$	20,586

The Company's marketable securities consist of common shares held in Canadian publicly traded companies. Fair value of shares are determined at the closing price on December 31, 2020. The Company recorded an unrealized loss of $151,639 (December 31, 2019 – gain of $12,466).

8. RECEIVABLES

		December 31, 2020		December 31, 2019
Receivables (note 21)	**$**	**1,690**	$	37,524
Goods and services tax		**36,324**		28,591
Value added tax		**184,303**		294,201
Less: Provision for value-added tax		**(38,873)**		(294,201)
	$	**183,444**	$	66,115

The valued added tax receivables ("VAT") included $38,873 (2019 - $294,201) 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 subsidiaries. The Company assesses the recoverability of the amount's receivable at each reporting date. The Company can recover the VAT receivable from the Mexican government if the projects are entered into production.

During the year ended December 31, 2020, the Company received $800,000 in VAT in connection with the sale of its option to acquire the Margarita Silver Project (note 5). The Company applied this to its existing VAT balance and was able to recover its entire provision in 2019.

As at December 31, 2020, 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 $38,873 has been recognized in the consolidated statement of net income and comprehensive income, net of the $294,201 recovery of the 2019 provision.

9. PREPAID EXPENSES AND DEPOSITS

		December 31, 2020		December 31, 2019
Prepaid expenses	**$**	**20,722**	$	36,971
Advances to vendors		**20,361**		115,401
	$	**41,083**	$	152,372

(Expressed in Canadian Dollars)

10. PROPERTY AND EQUIPMENT

Cost		Machinery and equipment		Right-of-Use Asset		Total
Balance at December 31, 2018	$	72,779	$	-	$	72,779
Additions		-		187,599		187,599
Less amounts disposed in connection with sale of BC Properties (note 5)		(72,779)		-		(72,779)
Balance at December 31, 2019		-		187,599		187,599
Additions		50,304		-		50,304
Balance at December 31, 2020	$	50,304	$	187,599	$	237,903

Accumulated amortization		Machinery and equipment		Right-of-Use Asset		Total
Balance at December 31, 2018	$	18,195	$	-	$	18,195
Amortization		7,277		19,242		26,519
Less amounts disposed in connection with sale of BC Properties (note 5)		(25,472)		-		(25,472)
Balance at December 31, 2019		-		19,242		19,242
Amortization		-		28,861		28,861
Balance at December 31, 2020	$	-	$	48,103	$	48,103
Net book value at:						
December 31, 2019					$	168,357
December 31, 2020					**$**	**189,800**

(Expressed in Canadian Dollars)

11. MINERAL PROPERTY INTERESTS

	British Columbia	Mexico	Argentina	Peru	Total
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 5)	(847,045)	-	-	-	(847,045)
Sale of Royalty (note 24)	-	(49,241)	(2,058)	(882)	(52,181)
Currency Translation Adjustment	-	(217,673)	-	-	(217,673)
Balance at December 31, 2019	$ -	$ 4,863,928	$ 203,806	$ 87,301	$ 5,155,035
Cost of Acquisition	-	-	168,949	-	168,949
Write-down of assets	-	-	-	(87,301)	(87,301)
Sale of Royalty (note 24)	-	(51,124)	(3,357)	-	(54,481)
Disposal of Asset (note 5)	-	(1,345,118)	-	-	(1,345,118)
Currency Translation Adjustment	-	(31,484)	-	-	(31,484)
Balance at December 31, 2020	**$ -**	**$ 3,436,202**	**$ 369,398**	**$ -**	**$ 3,805,600**

Mexico

a) Margarita Silver Project

The Company had the option to acquire 100% of the Margarita Silver project located in Chihuahua State, Mexico. During the year ended December 31, 2020, the option agreement was disposed. See Note 5.

b) BlueJoint Mineral Applications

On January 29, 2018, the Company acquired five mineral applications in Mexico in connection with the acquisition of BlueJoint. Each mineral application contains exploration targets consistent to the Company's exploration methodology. The mineral applications are subject to a 1% net smelter royalty, which may be purchased by the Company for US$3,000,000.

The Company has identified two initial targets, Vinata and El Escarpe On July 9, 2019, the Company announced it had received permits for Vinata to conduct its 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. This was subsequently amended on June 1, 2020, whereby the remaining 1% net smelter royalty can be purchased by the Company for US$5,000,000.

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

11. MINERAL PROPERTY INTERESTS (continued)

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);
- 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$60,000 prior to the second anniversary of the permit date ($82,500 or US$60,000 equivalent was paid, and 100,000 common shares valued at $9,000 were issued during the year ended December 31, 2020);
- Issue 200,000 common shares and make payment of US$120,000 prior to the third anniversary of the permit date; and
- Issue 400,000 common shares and make payment of US$120,000 prior to the fourth anniversary of the permit date.
- Issue 200,000 common shares and make payment of US$200,000 prior to the fifth 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 500,000 common shares and make payment of US$600,000 prior to the sixth 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 seventh anniversary of the permit date; and
- 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 eighth anniversary of the permit date.

See Note 28.

b) El Fierro Project

On February 25, 2020, the Company entered into option agreements to acquire 100% interest in the El Fierro project (“El Fierro”) located in the San Juan Province of Argentina. To earn 100% interest in El Fierro, the Company must:

- Make payment of US$30,000 on the signing of the agreement ($40,365 or US$30,000 equivalent paid during the year ended December 31, 2020);
- Make payment of US$70,000 prior to March 1, 2021;
- Make payment of US$150,000 prior to March 1, 2022;
- Make payment of US$200,000 prior to March 1, 2023; and
- Make payment of US$1,660,000 prior to March 1, 2024.

There is a 1.5% net smelter royalty on a portion of the project, which can be purchased by the Company for US$1,000,000.

11. MINERAL PROPERTY INTERESTS (continued)

c) Laspina Project

On September 17, 2020, the Company entered into option agreements to acquire 100% interest in the Laspina project ("Laspina") located next to El Fierro in the San Juan Province of Argentina. To earn 100% interest in Laspina, the Company must:

- Make payment of US$8,000 on the signing of the agreement ($10,818 or US$8,000 equivalent paid during year ended December 31, 2020);
- Make payment of US$13,000 prior to September 17, 2021;
- Make payment of US$25,000 prior to September 17, 2022; and
- Make payment of US$35,000 prior to September 17, 2023;

The Company may exercise an early purchase option by making payment of US$35,000 after September 17, 2021.

d) El Fierrazo Project

On October 1, 2020, the Company entered into option agreements to acquire 100% interest in the El Fierrazo project ("El Fierrazo") located next to El Fierro in the San Juan Province of Argentina. To earn 51% interest in El Fierrazo, the Company must:

- Make payment of US$20,000 on the signing of the agreement ($26,266 or US$20,000 equivalent paid during year ended December 31, 2020);
- Make payment of US$40,000 prior to October 1, 2021;
- Make payment of US$80,000 prior to October 1, 2022;
- Make payment of US$100,000 prior to October 1, 2023; and
- Make payment of US$400,000 prior to October 1, 2024.

To earn additional interest in the project up to 100%, the Company must make payment of US$900,000 before October 1, 2025. There is a 1.5% net smelter royalty on the project, which may be purchased by the Company for US$1,500,000.

e) La Poncha Project

On July 17, 2020, the Company entered into a Letter of Intent ("LOI") to acquire a 100% interest in the La Poncha project ("La Poncha") located in the San Juan Province of Argentina. As part of the LOI, the Company has until March 15, 2021 to complete its property evaluation. If the Company decides to move forward with the project, the parties will enter into an option agreement. Upon entering into an option agreement, to earn 100% interest in La Poncha the Company must:

- Make payment of US$20,000 on the signing of the option agreement;
- Make payment of US$40,000 and complete US$100,000 in exploration work prior to March 15, 2022;
- Make payment of US$80,000 and complete an additional US$200,000 in exploration work prior to March 15, 2023;
- Make payment of US$150,000 and complete an additional US$500,000 in exploration work prior to March 15, 2024; and
- Make payment of US$1,210,000 and complete an additional US$800,000 in exploration work prior to March 15, 2025.

There is a 1% net smelter royalty on the project, which may be purchased by the Company for US$1,000,000.

See Note 28.

(Expressed in Canadian Dollars)

11. MINERAL PROPERTY INTERESTS (continued)

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. During the year ended December 31, 2020, the Company terminated the agreement.

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. If the Company does not spend 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

During the year ended December 31, 2020, the Company terminated the agreement, with Teck agreeing to waive the owed difference between the actual amount of exploration expenditures incurred and US$150,000.

Canada

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 located in British Columbia, Canada. During the year ended December 31, 2019, these properties were disposed. See Note 5.

12. PAYABLES AND ACCRUALS

	December 31, 2020	December 31, 2019
Trade payables	**$ 269,248**	$ 433,121
Accruals and other	**363,691**	268,691
	$ 632,939	$ 701,812

(Expressed in Canadian Dollars)

13. 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, 2020		December 31, 2019
Opening balance	**$**	**170,345**	$	-
New obligation under finance lease		**-**		187,599
Repayments		**(25,826)**		(17,254)
Ending balance		**144,519**		170,345
Less current portion		**(26,968)**		(25,825)
Non-current obligation	**$**	**117,551**	$	144,520

Gross lease obligation - minimum lease payments				
1 year	**$**	**31,255**	$	30,977
2-3 years		**65,302**		96,558
4-5 years		**59,860**		59,861
6+ years		**-**		-
Future interest expense on lease obligations		**(11,898)**		(17,050)
	$	**144,519**	$	170,345

During the year ended December 31, 2020, the Company recognized $5,152 in interest expense on its lease liability. During the year ended December 31, 2020, the Company expensed $295,569 related to leases that did not meet the definition of a contractual lease and $5,856 for leases of low-value assets. The incremental borrowing rate applied to the lease liabilities was 3.24%.

14. DUE TO RELATED PARTY

For the year ended December 31, 2019, the asset retirement obligation of $316,266 was assumed by Talisker Resources Ltd. in connection with the sale of Mineral Properties (Note 5). 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 at December 31, 2019, the estimated reclamation obligation of the Baker Shasta property was $1,157,832.

On July 8, 2020, Talisker Resources Ltd. ("Talisker") entered into an agreement with TDG Gold Corp. ("TDG Gold") for TDG Gold to acquire several of Talisker's mineral resource properties, including the Baker Shasta project. On October 5, 2020, Kismet Resources Corp. ("Kismet"), a publicly-listed company, entered into an amalgamation agreement with TDG Gold and 1266834 B.C. Ltd. ("Subco"), a wholly-owned subsidiary of Kismet, pursuant to which Kismet, through its Subco proposes to acquire all of the issued and outstanding securities of TDG Gold by way of a three-cornered amalgamation. As part of the agreement, TDG Gold assumed all liabilities related to the project, including the reclamation obligation. The transaction was completed on December 14, 2020, releasing the Company from its indemnification liability with Talisker relating to the Baker Shasta reclamation obligation. (See Note 21)

(Expressed in Canadian Dollars)

15. 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, 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)
Shareholder distribution (note 27)			(5,239,083)
Balance at December 31, 2019	162,141,897	$	31,313,479
Shares issued in private placement	65,914,707		9,887,206
Shares issued in acquisition of mineral properties	100,000		9,000
Exercise of options	1,600,000		230,000
Share issuance costs	-		(935,114)
Balance at December 31, 2020	**229,756,604**	**$**	**40,504,571**

During the year ended December 31, 2020:

- On May 31, 2020, the Company issued 100,000 common shares at a price of $0.09 per common share, the fair value of the common shares on grant date, for a gross value of $9,000 in connection with the Don Julio Project. (Note 11)

- On September 10, 2020, the Company completed a private placement of 65,914,707 units at a price of $0.15 per unit for gross proceeds of $9,887,206. 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 $0.20 until September 10, 2023.

  The Company incurred $935,114 in issue costs, including an agent cash commission of $593,232, representing 6% of the gross proceeds of the offering and issued 1,977,441 broker warrants with each broker warrant entitling the agent to purchase one unit at a price of $0.15 until September 10, 2022.

  The fair value of the 1,977,441 broker warrants was estimated at $146,331 using the Black Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest rate 0.21%; volatility 83% and an expected life of two years.

(Expressed in Canadian Dollars)

15. 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 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.
- 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, 2020, Osisko owned more than 5% of the Company's outstanding common shares.

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 TSXV. 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, 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
Options issued during the year	7,100,000		0.18
Options exercised during the year	(1,600,000)		(0.14)
Options cancelled during the year	(1,750,000)		(0.22)
Balance at December 31, 2020	**16,250,000**	**$**	**0.18**

15. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

During the year ended December 31, 2020:

- On March 11, 2020, the Company granted an aggregate of 1,700,000 options to purchase common shares of the Company exercisable at a price of $0.10 per common share for a period of five years to certain directors, officers, and consultants.

  The fair value of the 1,700,000 options was estimated at $62,900 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.44%; volatility 84% and an expected life of five years.

- On May 13, 2020, the Company granted an aggregate of 1,350,000 options to purchase common shares of the Company exercisable at a price of $0.10 per common share for a period of five years to certain directors and officers.

  The fair value of the 1,350,000 options was estimated at $56,700 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.29%; volatility 86% and an expected life of five years.

- On October 1, 2020, the Company granted an aggregate of 4,050,000 options to purchase common shares of the Company exercisable at a price of $0.20 per common share for a period of five years to certain directors, officers, and consultants.

  The fair value of the 4,050,000 options was estimated at $510,300 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.17%; volatility 91% and an expected life of five years.

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.

- 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.

(Expressed in Canadian Dollars)

15. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

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	0.81
May 3, 2022	2,100,000	2,100,000	0.15	1.34
November 9, 2022	900,000	900,000	0.17	1.86
March 31, 2023	2,600,000	2,600,000	0.25	2.23
October 26, 2023	800,000	800,000	0.30	2.82
February 26, 2024	450,000	450,000	0.25	3.16
June 27, 2024	2,300,000	2,300,000	0.15	3.49
March 11, 2025	1,300,000	1,300,000	0.10	4.19
May 13, 2025	1,350,000	1,350,000	0.10	4.37
October 1, 2025	4,050,000	4,050,000	0.20	4.75
Balance at December 31, 2020	**16,250,000**	**16,250,000**	**$ 0.18**	**3.26**

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, 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
Share warrants issued	32,957,354	0.20
Broker warrants issued	1,977,441	0.15
Share warrants expired	(5,600,000)	(0.34)
Balance at December 31, 2020	**49,953,411**	**$ 0.21**

During the year ended December 31, 2020:

- On September 10, 2020, the Company granted 32,957,354 warrants to purchase common shares of the Company exercisable at a price of $0.20 per common share for a period of three years.

- On September 10, 2020, the Company granted 1,977,441 warrants to purchase common shares of the Company and one half warrant to purchase one common share of the Company exercisable at a price of $0.15 per common share for a period of two years.

(Expressed in Canadian Dollars)

15. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)

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.

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

Expiry date	Number of warrants outstanding		Weighted average exercise price
May 15, 2021	2,876,667	$	0.25
September 12, 2021	4,141,950		0.35
August 29, 2022	8,000,000		0.21
September 10, 2022	1,977,441		0.15
September 10, 2023	32,957,354		0.20
Balance at December 31, 2020	**49,953,411**	**$**	**0.21**

16. INCOME PER SHARE

		December 31, 2020		December 31, 2019
Net income	**$**	**4,408,414**	$	3,748,291
Weighted average number of common shares - basic		**182,459,013**		149,101,829
Adjustments for calculation of diluted earnings per share - basic				
Options		**16,250,000**		-
Warrants		**45,811,461**		-
Weighted average number of common shares - diluted		**244,520,474**		149,101,829
Earnings per share – basic and diluted	**$**	**0.02**	$	0.03

An amount of 4,141,950 warrants (note 15) were excluded from the computation of diluted weighted average shares outstanding for the year ended December 31, 2020 (12,500,000 options and 20,618,617 warrants for the year ended December 31, 2019), as their effect would be anti-dilutive.

(Expressed in Canadian Dollars)

17. PROPERTY RELATED EXPENSES

		2020		2019
Exploration expenditures				
Employee compensation	**$**	**408,300**	$	67,132
Travel		**253,561**		281,349
Labour and technical fees		**1,354,315**		1,701,917
Drilling		**224,078**		780,800
Maintenance		**4,403**		9,226
Fuels and lubes		**47,257**		49,420
Freight		**139,651**		1,206
Operating supplies		**86,524**		83,569
Lease and rentals		**284,110**		184,193
Office and general and administrative		**336,383**		275,433
Insurance, bank fees and taxes (non-income)		**153,541**		236,953
Less amounts from discontinued operations (note 5)		-		(62,633)
Total exploration expenditures	**$**	**3,292,123**	$	3,608,564

18. 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, 2020		December 31, 2019
Net income before taxes	**$**	**5,286,565**	$	3,955,259
Canadian federal and provincial income tax rates		**27.00%**		27.00%
Income tax expense (recovery) based on above rates		**1,427,373**		1,068,000
Increase(decrease) due to:				
Non-deductible expenses		**16,475**		307,000
Difference between Canadian and Foreign tax rates		**74,646**		(61,000)
Benefit of lower capital gains tax rate		**-**		(451,000)
Impact of under provision from prior year		**748,515**		55,000
Share issuance costs		**-**		(17,000)
Change in unrecognized deductible temporary differences		**(1,396,450)**		(846,000)
Losses and gains recorded in discontinued operations and OCI		**-**		(55,000)
Other		**(6,985)**		-
	$	**863,574**	$	-

(Expressed in Canadian Dollars)

18. TAXES (continued)

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

	December 31, 2020	December 31, 2019
Property and equipment	**$ 108,000**	$ 732,000
Mineral property interests	**8,655,000**	7,746,000
Share issuance costs	**253,000**	85,000
Capital losses	**534,000**	-
Non-capital losses available for future periods	**1,399,000**	3,396,000
Liabilities	**-**	160,000
Total deferred income tax assets	**10,949,000**	12,119,000
Unrecognized deferred tax assets	**(10,949,000)**	(12,119,000)
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, 2020	December 31, 2019	Expiry date range
Non-capital losses available for future periods	**$ 5,145,000**	$ 12,416,490	2027 to 2038

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

19. FINANCIAL INSTRUMENTS

Financial assets and liabilities as at December 31, 2020 and December 31, 2019 are as follows:

	Assets at fair value through profit and loss	Amortized cost	Other financial liabilities	Total
As at December 31, 2020				
Cash and cash equivalents	$ -	$ 17,068,469	$ -	$ 17,068,469
Marketable securities	3,368,947	-	-	3,368,947
Trade receivables	-	1,690	-	1,690
Payables and accruals	-	-	632,939	632,939
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

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS (continued)

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

As at December 31, 2020 and December 31, 2019, cash and cash equivalents and marketable securities 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.

20. SEGMENTED INFORMATION

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

Period ended December 31, 2020	Canada	Mexico	Argentina	Peru	Total
Exploration expenditures	$ -	$ 868,006	$ 2,340,046	$ 84,071	$ 3,292,123
General and administrative expenses	1,183,336	66,340	39,806	-	1,289,482
As at December 31, 2020					
Total assets	$ 22,319,640	$ 2,020,410	$ 317,293	$ -	$ 24,657,343
Total liabilities	669,724	919,559	7,781	-	1,597,064

Period ended December 31, 2019	Canada	Mexico	Argentina	Peru	Total
Exploration expenditures	$ -	$ 1,844,395	$ 1,619,653	$ 144,516	$ 3,608,564
General and administrative expenses	961,556	68,312	-	-	1,029,868
As at December 31, 2019					
Total assets	$ 3,311,969	$ 6,739,566	$ 203,805	$ 87,301	$ 10,342,641
Total liabilities	1,423,150	241,686	53,887	-	1,718,723

21. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the year ended December 31, 2020 and 2019:

- The Company incurred exploration costs in the amount of $57,031 (December 31, 2019 - $96,632) paid to Talisker Exploration Services Ltd., a private exploration services company with shared directors and officers. Included in payables and accruals at December 31, 2020 are $nil (December 31, 2019 - $3,781).

- The Company incurred general and administrative expenses in the amount of $3,436 (December 31, 2019 - $nil) paid to JDS Energy & Mining Inc., a Company with a shared director. Included in payables and accruals at December 31, 2020 are $369 (December 31, 2019 - $nil)

(Expressed in Canadian Dollars)

21. RELATED PARTY TRANSACTIONS (continued)

- The Company was remunerated for shared exploration and general and administrative costs of $41,090 (December 31, 2019 - $84,276) by Talisker Resources Ltd. ("Talisker"), a public company with shared directors and officers, for expenses relating to the Baker Project and shared administrative costs. Included in receivables at December 31, 2020 are $1,610 (December 31, 2019 - $36,007).

- The Company had an indemnification agreement for a reclamation obligation relating to the Baker Project with Talisker. The estimated liability was $846,566 (December 31, 2019 - $846,566). During the period, Talisker entered into a purchase and sale agreement with TDG Gold Corp., whereby TDG Gold acquired the Baker Project along with certain other mineral properties from Talisker and assumed the reclamation obligations of both Talisker and Sable (Note 14).

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.

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, 2020 and 2019 were as follows:

		2020		2019
Short term employee benefits	**$**	**1,043,243**	$	574,400
Share-based payments		**440,870**		240,700
	$	**1,484,113**	$	815,100

As at December 31, 2020, an amount of $158,142 (December 31, 2019 - $60,131) 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.

22. 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.

22. CAPITAL MANAGEMENT (continued)

The Company's capital consists of the following:

	December 31, 2020	December 31, 2019 (reclassification – note 27)
Working capital surplus	**$ 19,182,430**	$ 4,291,612
Share capital	**40,504,571**	31,313,479
Share-based payment reserve (included in contributed surplus)	**4,167,555**	2,565,809
Accumulated deficit	**(21,466,337)**	(25,874,751)
	$ 42,388,219	$ 12,296,149

23. 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.

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, 2020, the Company had a cash and cash equivalents balance of $17,068,469 (December 31, 2019 - $4,780,176) as well as marketable securities of $3,368,947 (December 31, 2019 - $20,586) to settle current liabilities of $1,479,513 (December 31, 2019 - $727,637). Working capital for the Company as at December 31, 2020 was $19,182,430 (December 31, 2019 - $4,291,612).

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. The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in US dollars, Argentinian Peso and the Mexican Peso.

Based on the foreign currency balances at December 31, 2020, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net comprehensive income by approximately $219,488. 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.

(Expressed in Canadian Dollars)

23. FINANCIAL RISK FACTORS (continued)

Other price risk

Other price risk is the risk arising from the effect of changes in market conditions on the Company's marketable securities (note 7). A 10% change in the share price would affect net comprehensive income by approximately $334,805.

24. SALE OF NET SMELTER ROYALTY

		December 31, 2020		December 31, 2019
Consideration received	**$**	**5,500,000**	$	5,000,000
Less: 1% of previously capitalized acquisition costs		**(54,481)**		(52,181)
	$	**5,445,519**	$	4,947,819

- 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.

- On October 13, 2020, the Company amended the agreement with Osisko Gold Royalties Ltd ("Osisko"), pursuant to which Osisko purchased an additional 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 $5,500,000 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 $54,481 and recognized a gain on sale of net smelter royalty of $5,445,519.

25. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items during the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2020		December 31, 2019
Receivables (note 8)	**$**	**137,999**	$	(307,893)
Prepaids and deposits		**111,289**		(121,776)
Payables and accruals		**(68,873)**		(315,849)
Income tax payable		**819,606**		-
	$	**1,000,021**	$	(745,518)

(Expressed in Canadian Dollars)

26. COMMITMENTS AND CONTINGENCIES

As of December 31, 2020, the Company is committed to spending approximately $156,419 over the next five years on its Toronto office lease (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.

27. SHAREHOLDER DISTRIBUTIONS RECLASSIFICATION

The Company has reclassified the shareholder distributions previously presented as an increase to accumulated deficit in the December 31, 2019 audited consolidated financial statements to share capital. The reclassification is a presentation change within shareholders' equity and has no impact on consolidated shareholders' equity, statement of net income and comprehensive income or statement of cash flows. The reclassification matches the legal form of the reduction of capital from the shareholder distributions.

The following table summarizes the effect of the restatement on the Company's previously reported Consolidated Statement of Financial Position and Changes in Shareholders' Equity:

As at December 31, 2019	As previously reported ($)	Reclassification ($)	As reported ($)
Share Capital	36,552,562	(5,239,083)	31,313,479
Accumulated Deficit	(31,113,834)	5,239,083	(25,874,751)

28. SUBSEQUENT EVENTS

Earn-in Agreement

On January 27, 2021, the Company and its wholly-owned subsidiary Olivares S.A. ("Olivares") signed an earn-in agreement (the "EIA") with a wholly-owned subsidiary of South32 Limited ("South32"), to jointly explore the Don Julio Project.

The EIA grants South32 the right to acquire 65% of the shares of Olivares by providing US$8.5 million in exploration funding over a period of five years (the "EIA Period") and assuming responsibility for paying 100% of the cash option payments due to the underlying owners of the Project during the EIA Period. At South32's election the EIA Period can be extended by one year to a total period of six years in consideration for South32 providing an additional US$1.5 million in exploration funding. The Company will operate all exploration programs during the EIA Period, and will receive a 7.5% operator fee on all qualifying exploration expenditures. Pursuant to the terms of the EIA, to maintain the option to acquire a 100% interest in the Project in good standing, the Company retains the obligation to issue shares to the underlying owners.

On satisfying the exploration funding and cash option payment requirements under the EIA, South32 may elect to subscribe for 65% of the shares of Olivares. The Company, Olivares and South32 would then enter into a Shareholders' Agreement, on terms agreed and appended to the EIA.

La Poncha

On March 15, 2021, the Company exercised its right under the letter of intent to enter into an option agreement for the La Poncha Project located in the San Juan Province of Argentina. The Company made the initial payment of US$20,000 on March 15, 2021.