PANORO MINERALS LTD.

Annual Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise stated)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Panoro Minerals Ltd. ("the Company") and related information presented in this financial report are the responsibility of the Company's management and have been approved by the Board of Directors. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of a majority of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by KPMG LLP on behalf of the shareholders and their report follows.

"Luquman A. Shaheen" (signed)
Luquman A. Shaheen
President and Chief Executive Officer

VANCOUVER, BRITISH COLUMBIA

"Shannon M. Ross" (signed)
Shannon M. Ross
Chief Financial Officer

VANCOUVER, BRITISH COLUMBIA

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Panoro Minerals Ltd.

Opinion

We have audited the consolidated financial statements of Panoro Minerals Ltd. (the "Entity"), which comprise:

– the consolidated statements of financial position as at December 31, 2020 and December 31, 2019

– the consolidated statements of loss and comprehensive loss, 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

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Entity has no current sources of revenue, incurred a loss during the year ended December 31, 2020, had a working capital deficiency and an accumulated deficit at December 31, 2020, and its ability to carry out its planned business objectives is dependent on its ability to raise adequate financing to continue the exploration and ultimate development of its mineral properties.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 the auditors' report.

We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Entity‘s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

– 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.

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

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Robert Ryan Owsnett.

Vancouver, Canada
April 29, 2021

PANORO MINERALS LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars, unless otherwise stated)
As at December 31, 2020 and 2019

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents		$ 752,453	$ 470,085
Marketable securities		933	300
Accounts and advances receivable		93,927	281,440
Agreement receivable, current	5	1,273,200	-
Prepaid expenses		22,161	31,790
Total current assets		2,142,674	783,615
Non-current assets			
Agreement receivable, non-current	5	1,064,674	-
Exploration and evaluation assets	6	74,653,664	75,666,265
Property and equipment	7	29,566	82,581
Total assets		$ 77,890,578	$ 76,532,461
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	12,13	$ 1,438,605	$ 1,498,002
Current portion of lease liabilities	8	17,950	78,827
Liabilities under Early Deposit Precious Metals Agreement	9	10,185,600	8,442,200
		11,642,155	10,019,029
Lease liabilities	8	-	17,965
Deferred income tax liability	11	851,648	-
Liabilities under Early Deposit Precious Metals Agreement	9	2,546,400	2,597,600
Total liabilities		15,040,203	12,634,594
Shareholders' equity			
Share capital	10(a)	94,035,125	94,000,125
Share-based expense reserve	10(b)	12,180,753	12,180,753
Accumulated other comprehensive loss		(9,067)	(9,700)
Deficit		(43,356,436)	(42,273,311)
Total shareholders' equity		62,850,375	63,897,867
Total liabilities and shareholders' equity		$ 77,890,578	$ 76,532,461

Going concern (Note 2)
Commitments (Note 13)
Subsequent events (Notes 9, 10(a))

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

Approved on behalf of the Board:

"Luquman A. Shaheen" **"William J. Boden"**

PANORO MINERALS LTD.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, unless otherwise stated)
For the years ended December 31, 2020 and 2019

	2020	2019
Expenses		
Amortization (Note 7)	$ 65,992	$ 113,175
Audit and tax	107,303	147,390
Communications	61,942	61,275
Conferences	24,826	18,653
Consulting	37,163	44,134
Directors' fees	75,113	199,407
Corporate development and shareholder relations	59,338	152,160
Legal	78,668	127,383
Office	31,564	41,865
Professional dues and training	2,723	10,927
Regulatory and transfer agent	83,757	88,746
Rental costs and insurance	63,691	43,386
Salaries and benefits (Notes 10(a) and 16)	652,216	959,567
Share-based expense (Note 10(b))	-	208,222
Travel	23,919	80,053
	1,368,215	2,296,343
Interest expense (Note 8)	4,386	15,101
Interest income (Note 5)	(83,466)	(9,593)
Hudbay milestone proceeds (Note 6)	-	(664,650)
Gain on disposal of property and equipment	(16,070)	-
Write-off of mineral property interest (Note 6)	488,556	4,033,509
Gain on disposition of mineral property interest (Note 5)	(1,398,084)	-
Foreign exchange loss	238,015	6,516
Change in fair value of Early Deposit Precious Metals Agreement financial liability (Note 9)	(370,075)	(495,750)
	(1,136,738)	2,885,133
Loss before income taxes	231,477	5,181,476
Deferred income tax expense (Note 11)	851,648	-
Loss for the year	1,083,125	5,181,476
Other comprehensive (income) loss, net of tax:		
Unrealized (gain) loss on marketable securities	(633)	1,367
Comprehensive loss for the year	$ 1,082,492	$ 5,182,843
Loss per share, basic and fully diluted (Note 17)	$ 0.00	$ 0.02
Weighted average number of common shares outstanding (Note 17)	263,993,835	263,837,522

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

PANORO MINERALS LTD.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars, unless otherwise stated)
For the years ended December 31, 2020 and 2019

	Number of shares	Share capital	Share-based expense reserve	Accumulated other compre-hensive loss	Deficit	Total
Balance, December 31, 2018	263,837,522	$ 94,000,125	$11,946,673	$(8,333)	$(37,062,705)	$68,875,760
Impact of adopting IFRS 16 on January 1, 2019 (Note 8)	-	-	-	-	(29,130)	(29,130)
Balance, January 1, 2019	263,837,522	94,000,125	11,946,673	(8,333)	(37,091,835)	68,846,630
Loss for the year	-	-	-	-	(5,181,476)	(5,181,476)
Other comprehensive loss	-	-	-	(1,367)	-	(1,367)
Stock option grant	-	-	234,080	-	-	234,080
Balance, December 31, 2019	263,837,522	94,000,125	12,180,753	(9,700)	(42,273,311)	63,897,867
Loss for the year	-	-	-	-	(1,083,125)	(1,083,125)
Shares issued in lieu of cash compensation (Note 10(a))	350,883	35,000	-	-	-	35,000
Other comprehensive income	-	-	-	633	-	633
Balance, December 31, 2020	**264,188,405**	**$ 94,035,125**	**$12,180,753**	**$(9,067)**	**$(43,356,436)**	**$62,850,375**

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

PANORO MINERALS LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise stated)
For the years ended December 31, 2020 and 2019

	2020	2019
Cash provided by (used for):		
Operating activities:		
Loss for the year	$ (1,083,125)	$ (5,181,476)
Items not involving the use of cash:		
Amortization (Note 7)	65,992	113,175
Salaries settled in shares and share-based expense (Note 10(a) and 10(b))	35,000	208,222
Change in fair value of Early Deposit Precious Metals Agreement financial liability	(370,075)	(495,750)
Interest income on Agreement Receivable (Note 5)	(83,131)	-
Interest expense on lease liabilities (Note 8)	4,386	15,101
Foreign exchange loss	233,593	6,516
Gain on disposal of property and equipment	(16,070)	-
Write-off of mineral property interest (Note 6)	488,556	4,033,509
Deferred income tax expense (Note 11)	851,648	-
Gain on disposition of mineral property interest	(1,398,084)	(664,650)
	(1,271,310)	(1,965,353)
Changes in non-cash operating working capital:		
Accounts and advances receivable	187,513	(168,672)
Prepaid expenses	9,629	(970)
Accounts payable and accrued liabilities	(34,312)	7,179
Cash used in operating activities	(1,108,480)	(2,127,816)
Investing activities:		
Redemption of short-term investments	-	1,732,530
Exploration and evaluation expenditures (Note 6)	(2,797,996)	(3,068,267)
Proceeds from sale of mineral property interest (Note 5)	611,595	664,650
Recovery of value-added taxes (Note 6)	7,540	416,199
Funds received on JOGMEC earn in agreement (Note 6)	1,669,343	547,957
Proceeds on disposal of property and equipment	16,070	-
Purchase of equipment	(13,280)	(655)
Cash (used in) provided by investing activities	(506,728)	292,414
Financing activities:		
Early Deposit Precious Metals Purchase Agreement (Note 9)	2,062,275	1,986,150
Interest payment on lease liabilities (Note 8)	(4,386)	(15,101)
Repayment of lease liabilities (Note 8)	(74,420)	(117,511)
Cash provided by financing activities	1,983,469	1,853,538
Effect of foreign exchange on cash held	(85,893)	(4,830)
Increase in cash and cash equivalents	282,368	13,306
Cash and cash equivalents, beginning of year	470,085	456,779
Cash and cash equivalents, end of year	$ 752,453	$ 470,085

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

1. Nature of operations

Panoro Minerals Ltd. is incorporated under the *Business Corporations Act* in the Province of British Columbia. The Company's principal place of business is located at Suite 1610 – 700 West Pender Street, Vancouver, BC, Canada V6C 1G8.

Panoro Minerals Ltd. and its subsidiaries are referred to as "Panoro" or the "Company."

The Company is an exploration-stage company engaged principally in the acquisition, exploration and development of mineral properties in Perú and trades on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the trading symbol "PML". The Company also trades on the Bolsa de Valores de Lima under the same trading symbol.

The Company's investment in its exploration and evaluation assets comprises a significant portion of the Company's assets. Recovery of the carrying value of the investment in these assets and the Company's ability to continue operations are dependent upon the existence of economically recoverable reserves, confirming and maintaining legal ownership of the resource properties, the ability of the Company to obtain necessary financing to complete the exploration and development, and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

2. Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge is liabilities in the normal course of business.

The Company has no operating revenue and incurred a loss of $1,083,125 for the year ended December 31, 2020 (2019 – $5,181,476). As at December 31, 2020, the Company has an accumulated deficit of $43,356,436 (2019 - $42,273,311), and a working capital deficiency of $9,499,481 (2019 – working capital deficiency of $9,235,414). Although the Company expects to have sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company will require further funding to fund exploration and evaluation activities, and ultimately develop its properties. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. These conditions create a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

2. Going concern (continued)

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders, and other investors and/or achieve operating profitability and generate positive cash flows. The Company is in the business of exploring and developing mineral property interests, and as such, must continually seek sources of financing to further develop and explore its mineral exploration and evaluation assets and to support general and administrative expenses.

The Company will continue to seek additional financing through the sale of mineral property interests, debt financing, equity financing, and optioning its other mineral property interests. However, it is not certain that such financing will be available. The Company may be adversely impacted by a lack of normal available financing, inability to maintain mining licenses, and continued uncertainty in the exchange and commodity markets.

At December 31, 2020, the Company has received US$10,000,000 from Wheaton Precious Metals International Ltd. ("Wheaton Metals") pursuant to the Wheaton Precious Metals Purchase Agreement ("Wheaton PMPA" - See Note 9) and will receive US$750,000 on a semi-annual basis if it meets the terms under which the funds will be advanced, up to US$14,000,000 pursuant to the Wheaton PMPA.

These consolidated financial statements do not reflect material adjustments to the carrying values of its assets and liabilities, which may be required should the Company be unable to continue as a going concern. These adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business, however, the impact of the pandemic could continue to impact our ability to obtain financing to fund exploration activities as well as the ability to conduct our exploration programs as efficiently as prior to the pandemic, due to delays in transportation, COVID-19 protocols, and other unanticipated delays.

3. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ended December 31, 2020.

3. Basis of presentation (continued)

(a) Statement of compliance (continued)

The consolidated financial statements of the Company for the year ended December 31, 2020, were approved and authorized for issuance by the Board of Directors on April 29, 2021.

(b) Functional and reporting currency

The functional and reporting currency of the Company and all its subsidiaries is the Canadian dollar. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of available-for-sale investments which are recognized in other comprehensive income.

(c) Critical accounting estimates

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates and assumptions relate to the review of asset carrying values and determination of impairment charges relating to non-current assets, if an indicator of impairment is identified and valuation of share-based expense (Note 10(b)). Actual results could differ from those estimates. Key estimates made by management with respect to the areas noted previously have been disclosed in the notes to these consolidated financial statements as appropriate.

(d) Use of judgements

Significant areas requiring judgement relate to the determination of functional currency and determining the appropriate accounting for the Wheaton PMPA with Wheaton Metals as disclosed in Note 4 and the criteria applicable to a going concern as discussed in Note 2.

In concluding that the Canadian dollar is the functional currency of the parent, and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained. Management considers funds on hand at year end, planned expenditures and strategic objectives in its assessment. Due to the nature of its business, management reviews and adjusts administrative and exploration expenditures based on available working capital. The Company focuses on its concessions in Perú and maintaining them in good standing by making annual concession payments due in June of each year.

4. Significant accounting policies

(a) Basis of consolidation

The subsidiaries of the Company at December 31, 2020, all of which are wholly-owned, are as follows:

Name of subsidiary	Country of Incorporation	Principal activity
Panoro Apurimac SA	Perú	Mineral exploration
Panoro Explora, SAC (formerly Minera Panoro Perú SAC)	Perú	Services company
Panoro Holdings Ltd.	Canada	Holding company
Antilla Copper SA	Perú	Mineral exploration
Apurimac Copper SA	Perú	Mineral exploration
Promesa Copper SA	Perú	Mineral exploration
Alto Copper SA	Perú	Mineral exploration
Panoro Gold SA	Perú	Mineral exploration
Panoro Copper Royalties Ltd.	Canada	Royalty company
Panoro Pacific Minerals Inc.	Philippines	Holding company
Panoro Trading (Caymans) Ltd.	Cayman Islands	Project financing

The consolidated financial statements of the Company comprise the financial statements of the parent and its wholly-owned subsidiaries as at December 31, 2020. All intercompany transactions and balances have been eliminated on consolidation. The assets and liabilities of a Canadian subsidiary were absorbed by the parent company during the year, and the company was dissolved, and three subsidiaries in Perú filed their final returns and were dissolved during the year.

(b) Foreign currency transactions and operations

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at a fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognized in profit or loss.

4. Significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits with original maturities of ninety days or less from the date of acquisition, and which are readily convertible into known amounts of cash.

(d) Short-term investments

Short-term deposits with original maturities greater than 90 days that are not readily convertible into known amounts of cash are classified as short-term investments. Interest from cash and cash equivalents and short-term deposits is recorded on an accrual basis.

(e) Exploration and evaluation expenditures

Expenditures incurred before legal rights to explore a specific area are obtained are expensed. All acquisition and exploration and evaluation costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or the recovery of costs is determined to be unlikely. The costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves.

Upon reaching commercial production, these capitalized costs will be amortized over the estimated reserves on a unit-of-production basis. For properties which do not yet have proven reserves, the amounts shown represent costs to date and are not intended to represent present or future values. The recovery of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete exploration and development of the properties, and on future profitable production or proceeds on disposition of the properties. The underlying value of all properties is dependent on the existence and economic recovery of mineral resources in the future which includes acquiring the necessary permits and approvals.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

4. Significant accounting policies (continued)

(f) Impairment of long-lived assets

Management periodically reviews the carrying value of its exploration and evaluation assets with internal mining related professionals. Impairment is determined for the properties by assessing the recoverable amount of each cash generating unit ("CGU"). The Company defines a CGU as each separate property which is the smallest identifiable group of assets that generates cash inflows that are independent of other assets or group of assets. A decision to abandon, reduce or expand a mineral property interest is based upon many factors including the future costs of exploring and developing a specific exploration asset, the expiration term and ongoing expense of maintaining leased mineral properties and the general likelihood that the Company will continue exploration.

The Company does not set a pre-determined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are recoverable.

Where a potential impairment is indicated, assessments are performed for each CGU. To the extent that the exploration and evaluation expenditures are not expected to be recovered, the excess of the carrying value over the recoverable amount is recorded as a write-down in the consolidated statement of comprehensive loss in the period impairment indicators are identified. When a concession is returned to the government, costs directly attributable to the concession are written off. Certain concessions within a CGU may be contiguous to other claims and therefore remain in exploration expenditures.

When the recoverable amount of a property is less than the carrying amount an impairment loss is recognized. Impairment losses relating to the CGUs can be reversed in future periods if circumstances change. The recoverable amount of a property is determined based on the fair value less costs to sell or value-in-use and based on plans to advance the property.

(g) Property and equipment

Property and equipment is recorded at cost and is amortized using a straight-line method over a period of three to five years. Amortization used in exploration and evaluation activities is classified within exploration expenditures, and right-of-use ("ROU") assets are amortized using a straight-line method over the term of the lease.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statement of loss and comprehensive loss.

4. Significant accounting policies (continued)

(h) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted or enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the substantive enactment date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets that are recognized are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Value added taxes recoverable

The Company incurs Impuesto General a las Ventas (“IGV”) in Perú (which is a Perúvian value-added tax). The Company has entered into an agreement with the Ministry of Energy and Mines to recover such amounts which relate to approved properties. IGV paid related to non-approved mineral property expenditures is only recoverable when future sales revenues are earned from the related mineral properties by offsetting the IGV otherwise payable at that time. As the IGV payments incurred on both approved and non-approved mineral property expenditures are uncertain of recovery, they have been included in mineral property exploration expenditures. Any future recoveries of these amounts are offset against the mineral property exploration expenditures.

(j) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a specified time in exchange for consideration. At lease commencement, the Company recognizes a ROU asset and a lease obligation.

An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Company has the right to control an identified asset if it obtains substantially all its economic benefits and either pre-determines or directs how and for what purpose the asset is used.

4. Significant accounting policies (continued)

(j) Leases (continued)

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date. The lease obligation is subsequently measured at amortized cost using the effective interest method. The present value of the lease payment is determined using the discount rate representing the weighted average incremental borrowing rate the Company could secure.

Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise.

The lease term determined by the Company comprises the non-cancellable period of lease contracts, the period covered by an option to extend the leases, if the Company is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease, if the Company is reasonably certain not to exercise that option.

The ROU assets are recognized initially at the value of lease liabilities at recognition with any prepaid payments, initial direct costs and dismantling costs less any lease incentives received. The amortization rate of ROU assets is based on the shorter of the useful life of the underlying asset or the lease term determined. There are no restrictions or covenants imposed by the Company's leases.

(k) Accounting for Early Deposit on Precious Metals Purchase Agreement (See Note 9)

Significant judgment was required in determining the appropriate accounting for the Wheaton PMPA with Wheaton Metals. The upfront cash deposits received from future stream transactions have been accounted for as financial liabilities measured at FVTPL, with the resulting foreign exchange gains and losses recorded through the statements of loss and comprehensive loss as "change in fair value of Early Deposit Precious Metals Agreement financial liability", on the basis that the deposit amounts received could become repayable under certain circumstances. Amounts that could become immediately repayable in the event the Wheaton PMPA is terminated are reflected within current liabilities.

(l) Site restoration costs

Where necessary, the Company recognizes an estimate of the liability associated with a site restoration provision in the consolidated financial statements at the time the liability is incurred. Drill sites are remediated and restored on an ongoing basis. The estimated fair value of the site restoration provision is recorded as a current liability, with a corresponding increase in the carrying amount of the related asset. The site restoration provision asset is depreciated in a manner consistent with the underlying asset. The Company has no site restoration liability at either December 31, 2020 or December 31, 2019.

4. Significant accounting policies (continued)

(m) Share-based expense

The Company has a stock option plan that is described in Note 10(b). Share-based expenses are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to share-based expense reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based expense reserve is transferred to share capital.

The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of share-based awards granted. Option pricing models require the input of highly subjective assumptions. The expected life of options considers such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise, expiry or cancellation and the vesting period of options granted. Volatility is estimated based on average daily volatility based on historical share price observations over the expected term of the option grant. Changes in the subjective input assumptions can materially affect the estimated fair value of options.

(n) Other comprehensive income (loss)

Other comprehensive income or loss is the change in shareholders' equity during a period from transactions and other events from non-owner sources. Gains and losses that would otherwise be recorded as part of net income or loss are presented in “other comprehensive income (loss)” until it is considered appropriate to recognize into net income or loss. The Company reports a consolidated statement of comprehensive loss and includes the account “accumulated other comprehensive loss” in the shareholders' equity section of the consolidated statement of financial position.

(o) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for shares held by the Company. Diluted loss per share is calculated using the treasury stock method.

Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year.

4. Significant accounting policies (continued)

(p) Financial instruments

<u>Financial assets</u>

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses from changes in the fair value of the asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI – 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 arising from changes in fair value recognized in other comprehensive income or loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following de-recognition of the investment.

Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss.

Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. If at the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures loss allowances on amounts receivable at an amount equal to the twelve months' expected credit loss ("ECL"). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

4. Significant accounting policies (continued)

(p) Financial instruments (continued)

Financial liabilities

The Company measures all its financial liabilities (other than liabilities under Early Deposit Precious Metals Agreement, which is measured at fair value through profit or loss), as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The following table shows the classification of liabilities under IFRS 9:

	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Marketable securities	FVTOCI
Accounts and advances receivable	Amortized cost
Agreement receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Liabilities under Early Deposit Precious Metals Agreement	FVTPL

(q) IFRS standards adopted

No new standards were effective at January 1, 2020, that had a material impact on the Company's consolidated financial statements. The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but that is not yet effective, nor has it identified any such standard or interpretation that is expected to have a material impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars, unless otherwise stated)

5. Agreement receivable

On June 10, 2020, the Company entered into an agreement for sale on the Cochasayhuas property in Perú (note 6) for an initial balance of US$2,450,000 payable in installments through 2023. A discount rate of 7.0% has been applied in determining the fair value of the proceeds receivable at the inception of the transaction.

Fair value of proceeds receivable from sale of Cochasayhuas on June 10, 2020	$	3,018,460
Payment received		(611,595)
Foreign exchange loss		(152,122)
Interest recorded on agreement receivable		83,131
Agreement receivable, December 31, 2020	$	2,337,874
Current portion of agreement receivable	$	1,273,200
Non-current portion of agreement receivable	$	1,064,674

The Company recognized a gain on disposition of $1,398,084 on the transaction, being the difference between the fair value of the proceeds receivable at the inception and the carrying value of the associated exploration and evaluation asset.

6. Exploration and evaluation assets

The investment in, and expenditures on, mineral interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership of the properties and the attainment of successful production from the properties or from the proceeds of their disposal. Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Antilla and Cotabambas are two of the Company's properties in an advanced exploration stage. As of December 31, 2020, the Company's other fully held mineral property interests are Humamantata, Promesa, Sancapampa, Anyo, and Morosayhuas, and are all in various stages of exploration. All property interests are 100% held by the Company through wholly owned direct and indirect subsidiaries of the Company that were created to hold the various mineral property interests. The Company also held the El Rosal property in Minera Panoro Perú, S.A.C. ("MPP SAC") until June 2019, when the Company determined that it would no longer explore such property and wrote off $4,033,509 of associated capitalized exploration and evaluation expenditures. The Company changed the name and purpose of MPP S.A.C. to Panoro Explora S.A.C. to enable the Company to perform services for the various companies and others, if required, after its restructuring effective January 1, 2020. The Company chose not to make the required mineral concession payments on its Checca property and recorded a write-off of $488,556 during the year ended December 31, 2020. The Company performs an ongoing review of its properties, and based on the analysis of the properties, there were no indicators of impairment as of December 31, 2020, other than as noted.

6. Exploration and evaluation assets (continued)

Humamantata

On October 2, 2018, the Company signed an earn-in agreement (the "Earn-in Agreement") with Japan Oil, Gas and Metals National Corporation ("JOGMEC") relating to the Humamantata property. Under the terms of the Earn-in Agreement, JOGMEC is committed to fund a minimum of US$3.0 million in exploration expenditures and fees by the end of the third anniversary of the agreement, with a minimum spend of $1.0 million per each annum, after which it will have earned the right to earn a 49% interest in the property.

JOGMEC has the option to earn an additional 11% interest in the Humamantata property (for a total of 60%) by spending an additional US$5.0 million in the three years following its completion of the initial funding commitments) with a minimum spend of $1.0 million per each annum. JOGMEC can withdraw from the agreement with no retained interest after having met a minimum spend of US$1.0 million, of which $1,669,343 was expended in the year ended December 31, 2020 (2019 - $547,957), by the Company. Management of the property will be carried out jointly by both the Company and JOGMEC, with the Company acting as the operator of the property.

Kusiorcco

On December 28, 2017, the Company entered into an agreement with a subsidiary of Hudbay Minerals Inc. ("Hudbay"), whereby Hudbay acquired the Company's concessions comprising the Kusiorcco Property. Pursuant to the terms of the agreement with Hudbay, the Company initially received US$3.0 million ($3.8 million) which was recorded as proceeds and the Company was scheduled to receive four milestone payments from Hudbay as follows: US$500,000 ($664,650) on the execution of agreements with local communities and surface titleholders necessary for Hudbay to access and carry out a drill program on the project (payment received in fiscal 2019); and three additional payments to be received as follows: US$500,000 upon completion of Hudbay's first drill hole; US$500,000 upon completion of Hudbay's fifth drill hole; and US$500,000 upon completion of Hudbay's tenth drill hole on the project, none of which have yet been received by the Company. If all of the above milestones are not achieved within five years of the acquisition, Hudbay will either pay the Company the remaining milestone payments or return the Kusiorcco mining concessions to the Company, free and clear of all encumbrances. The Company also retains a 2.0% net smelter returns royalty ("NSR") from mineral production on the project. Hudbay has the option to buy back one-half of the 2.0% NSR (reducing the NSR to 1.0%) for US$2.0 million within five years of the acquisition, and for US$5.0 million thereafter.

6. Exploration and evaluation assets (continued)

Cochasayhuas

During the year ended December 31, 2020, the Company entered into an agreement for sale of the Cochasayhuas Gold Project to Mintania S.A.C. ("Mintania") of Perú for a total of US$2.45 million to be paid in installments, plus a 5% NSR for 15 years from the commencement of commercial production.

The cash installments will be paid by Mintania to the Company according to the following schedule:

- US$450,000 in 2020 (received);
- US$1,000,000 in 2021;
- US$ 750,000 in 2022; and
- US$ 250,000 in 2023

(Expressed in Canadian dollars, unless otherwise stated)

6. Exploration and evaluation assets (continued)

Exploration and evaluation expenditures during 2020 are as follows:

	Antilla	Cotabambas	Other	Total
Acquisition costs:				
Balance, December 31, 2019	$ 7,319,722	$ 4,925,035	$ 1,136,413	$13,381,170
Less disposition of Cochasayhuas property	-	-	(249,568)	(249,568)
Less write-off of Checca property	-	-	(21,676)	(21,676)
Balance, December 31, 2020	7,319,722	4,925,035	865,169	13,109,926
Exploration and evaluation expenditures incurred in 2020				
Amortization (Note 7)	-	303	-	303
Assays and sampling	-	4,781	126,168	130,949
Camp and site	286	126,297	522,360	648,943
Community relations	1,157	143,803	172,262	317,222
Environmental	3,593	3,835	40,706	48,134
Geology	-	35,372	363,173	398,545
Geophysics	-	-	122,594	122,594
Legal	10,988	1,306	29,504	41,798
Recording and concession fees	255,787	415,854	334,980	1,006,621
Transportation	546	10,841	46,718	58,105
Recovery of value-added tax	-	(7,540)	-	(7,540)
Incurred during the year	272,357	734,852	1,758,465	2,765,674
Funds received on JOGMEC earn-in agreement on Humamantata	-	-	(1,669,343)	(1,669,343)
Disposition of capitalized exploration expenditures related to the Cochasayhuas property (Note 5)	-	-	(1,370,808)	(1,370,808)
Write-off of Checca property	-	-	(466,880)	(466,880)
Capitalized exploration and evaluation expenditures at December 31, 2019	10,174,889	46,232,528	5,877,678	62,285,095
Capitalized exploration and evaluation expenditures at December 31, 2020	10,447,246	46,967,380	4,129,112	61,543,738
Total exploration and evaluation assets at December 31, 2020	**$17,766,968**	**$51,892,415**	**$4,994,281**	**$74,653,664**

Salaries and benefits allocation:				
Camp and site	$ -	$ 63,805	$ 464,600	$ 528,405
Community relations	-	117,512	100,085	217,597
Geology	-	35,372	363,174	398,546
	$ -	$ 216,689	$ 927,859	$ 1,144,548

(Expressed in Canadian dollars, unless otherwise stated)

6. Exploration and evaluation assets (continued)

Exploration and evaluation expenditures during 2019 are as follows:

	Antilla	Cotabambas	Other	Total
Acquisition costs:				
Balance, December 31, 2019	$ 7,319,722	$ 4,925,035	$ 1,136,413	$13,381,170
Exploration and evaluation expenditures incurred in 2019:				
Amortization (Note 7)	$ -	$ 606	$ -	$ 606
Assays and sampling	-	17,554	366	17,920
Camp and site costs	33,305	374,700	192,627	600,632
Community relations	3,242	308,091	47,329	358,662
Drilling	-	294,323	-	294,323
Environmental, health, safety	1,582	112,961	63,617	178,160
Geology	4,561	294,078	105,195	403,834
Geophysics	-	47,448	28,434	75,882
Legal	12,188	13,579	3,631	29,398
Recording and concession fees	267,026	352,193	517,835	1,137,054
Recovery of value-added taxes	-	(416,199)	-	(416,199)
Share-based expense	-	25,858	-	25,858
Technical reports	1,879	13,306	-	15,185
Travel	1,258	26,404	15,250	42,912
Incurred during the year	325,041	1,464,902	974,284	2,764,227
Write-off of El Rosal Project	-	-	(4,033,509)	(4,033,509)
Funds received on JOGMEC earn-in agreement on Humamantata	-	-	(547,957)	(547,957)
Capitalized exploration expenditures at December 31, 2018	9,849,848	44,767,626	9,484,860	64,102,334
Capitalized exploration expenditures at December 31, 2019	10,174,889	46,232,528	5,877,678	62,285,095
Total exploration and evaluation assets at December 31, 2019	**$17,494,611**	**$51,157,563**	**$7,014,091**	**$75,666,265**

2019 Salaries and benefits allocation included above:	Antilla	Cotabambas	Other	Total
Camp and site costs	$ 30,400	$ 126,255	$ 63,846	$ 220,501
Community relations	-	237,309	31,764	269,073
Engineering and technical	1,879	13,306	-	15,185
Environmental, health, safety	-	21,636	-	21,636
Geology	4,561	294,219	105,195	403,975
	$ 36,840	$ 692,725	$ 200,805	$ 930,370

(Expressed in Canadian dollars, unless otherwise stated)

7. Property and equipment

	Computer and office furnishings	Equipment	Vehicles	Leasehold improvements	Right of use assets	Total
Cost:						
Balance at January 1, 2020	$ 155,755	$ 120,765	$ 112,071	$ 94,704	$ 380,425	$ 863,720
Additions during the year	13,280	-	-	-	-	13,280
Disposals during the year	-	-	(112,071)	-	-	(112,071)
Balance, December 31, 2020	169,035	120,765	-	94,704	380,425	764,929
Accumulated amortization:						
Balance at January 1, 2020	147,025	120,765	112,071	94,704	306,574	781,139
Amortization for the year	5,622	-	-	-	60,673	66,295
Reversal of amortization	-	-	(112,071)	-	-	(112,071)
Balance, December 31, 2020	152,647	120,765	-	94,704	367,247	735,363
Net book value:						
December 31, 2020	$ 16,388	$ -	$ -	$ -	$ 13,178	$ 29,566

	Computer and office furnishings	Equipment	Vehicles	Leasehold improvements	Right of use assets	Total
Cost:						
Balance at January 1, 2019	$ 155,100	$ 120,765	$ 112,071	$ 94,704	$ -	$ 482,640
Effect of adopting IFRS 16	-	-	-	-	380,425	380,425
Additions during the year	655	-	-	-	-	655
Balance, December 31, 2019	155,755	120,765	112,071	94,704	380,425	863,720
Accumulated amortization:						
Balance at January 1, 2019	143,729	119,916	112,071	94,704	-	470,420
Effect of adopting IFRS 16	-	-	-	-	196,938	196,938
Amortization for the year	3,296	849	-	-	109,636	113,781
Balance, December 31, 2019	147,025	120,765	112,071	94,704	306,574	781,139
Net book value:						
December 31, 2019	$ 8,730	$ -	$ -	$ -	$ 73,851	$ 82,581

Amortization of $303 for the year ended December 31, 2020 (2019 - $606) relates to exploration and evaluation expenditures and has been capitalized to the exploration and evaluation assets (Note 6).

(Expressed in Canadian dollars, unless otherwise stated)

8. Lease liabilities

During the year ended December 31, 2020, the Company had a lease agreement for the headquarter office space in Vancouver, British Columbia and a lease agreement for office space in Lima, Perú to May 31, 2020. Upon transition to IFRS 16, the Company recognized $183,487 of right of use ("ROU") assets and $212,617 of lease liabilities with the difference being recorded as an adjustment to opening deficit at January 1, 2019. No new office space has been leased in Lima.

The lease liability of January 1, 2019, can be reconciled to the operating lease obligations as of December 31, 2020 and 2019, as follows:

Lease liabilities due to initial application of IFRS 16 of January 1, 2019[1]	$ 212,617
Repayment of lease liabilities	(117,511)
Interest accrued on lease liabilities	15,101
Interest payment on lease liabilities	(15,101)
Unrealized foreign exchange gain	1,686
Lease liabilities recognized as of December 31, 2019	96,792
Repayment of lease liabilities	(74,420)
Interest accrued on lease liabilities	4,386
Interest payment on lease liabilities	(4,386)
Unrealized foreign exchange gain	(4,422)
Lease liabilities recognized as of December 31, 2020	17,950
Current portion of lease liabilities	$ 17,950
Long-term portion of lease liabilities	$ -

(1) The lease liabilities were discounted using an incremental rate as of January 1, 2019, of 9.57% per annum.

During the year ended December 31, 2020, the Company recognized occupancy expenses of $34,938 (December 31, 2019 - $39,561).

As of December 31, 2020, the remaining undiscounted lease payments, including non-lease components, are disclosed in Note 13 – Commitments

9. Early Deposit Precious Metals Agreement

On March 21, 2016, the Company entered into the Wheaton PMPA in respect of the Cotabambas project located in Perú. The term of the Wheaton PMPA continues in effect for 20 years and automatically renews for successive ten-year periods until Wheaton Metals terminates the Wheaton PMPA. The principal terms of the Wheaton PMPA are such that Wheaton Metals will pay the Company upfront cash payments totaling US$140.0 million (the "Deposit") for 25% of the payable gold production and 100% of the payable silver production (decreasing to 16.67% of the payable gold production and 66.67% of the payable silver production), after a certain production volume has been delivered to Wheaton Metals from the Company's Cotabambas Project in Perú.

9. Early Deposit Precious Metals Agreement (continued)

In addition, Wheaton Metals will make production payments to the Company of the lesser of the market price and US$450 per payable ounce of gold and US$5.90 per payable ounce of silver delivered to Wheaton Metals, increasing annually by 1%, four years after commencement of commercial production, over the life of the Company's Cotabambas Project. Any excess of the market price and the fixed payments will be credited against the Deposit ("Early Deposit") until the Early Deposit is nil. If, by the expiry of the term of the Wheaton PMPA, the Company has not delivered enough production to reduce the Early Deposit to nil, the uncredited balance will be repaid to Wheaton Metals. The Wheaton PMPA provides for the Company to receive US$14.0 million of the Early Deposit prior to the Company completing a feasibility study on the Cotabambas project.

Payments under the Early Deposit total US$2.0 million in the first year and instalments of US$750,000 semi-annually thereafter until the full US$14.0 million has been advanced. The Early Deposit also included a provision to accelerate payment of an amount equal to the amount of funds raised in any offering of equity securities for the purpose of exploration of the Cotabambas project during the period January 27, 2016, to March 21, 2018, up to a maximum of US$3.5 million for all such offerings. The Company received US$2.0 million from Wheaton Metals pursuant to offerings.

Under the Early Deposit provisions the Company must meet certain minimum working capital requirements. The balance of US$126.0 million is payable in instalments during construction of the Cotabambas Project, should Wheaton Metals elect to proceed with the Agreement. Wheaton Metals may terminate the Wheaton PMPA at any point up to 90 days following delivery of a feasibility study on the Cotabambas project upon giving the Company three months' notice, in which case all Early Deposit amounts advanced less US$2.0 million will become repayable. Wheaton Metals can elect to be repaid in cash or shares, with the deferral of cash payments under certain conditions for up to two years. If Wheaton Metals elects to terminate the Wheaton PMPA and be repaid with cash, interest will accrue at prime plus 8% per annum if repayment has not been made within two years of notice of termination. Wheaton Metals may also terminate the Wheaton PMPA at different points during the term of the Wheaton PMPA if certain production delays occur, in which case the uncredited deposit will be repayable to Wheaton Metals.

Following a change of control, subject to certain conditions, the Company has a one-time option to repurchase 50% of the precious metals stream with a payout based on the greater of: (i) a minimum fixed return (ii) a return based on appreciation of precious metals prices over the term of the Wheaton PMPA and (iii) a return based on appreciation of the share price of the Company over the term of the Wheaton PMPA. At December 31, 2020, the Company had received a total of US$10.0 million under the Early Deposit, including an accelerated payment of US$2.0 million after the successful completion of a private placement in August 2016.

(Expressed in Canadian dollars, unless otherwise stated)

9. Early Deposit Precious Metals Agreement (continued)

Liabilities under Precious Metals Purchase Agreement	Fair value balance, December 31, 2019	2020 Cash flow	Change in fair value – foreign exchange	Fair value balance, December 31, 2020
Current liabilities	$ 8,442,200	$ 2,062,275	$ (318,875)	$ 10,185,600
Long-term liabilities	2,597,600	-	(51,200)	2,546,400
	$ 11,039,800	$ 2,062,275	$ (370,075)	$ 12,732,000

Liabilities under Precious Metals Purchase Agreement	Fair value balance, December 31, 2018	2019 Cash flow	Change in fair value – foreign exchange	Fair value balance, December 31, 2019
Current liabilities	$ 6,821,000	$ 1,986,150	$ (364,950)	$ 8,442,200
Long-term liabilities	2,728,400	-	(130,800)	2,597,600
	$ 9,549,400	$ 1,986,150	$ (495,750)	$ 11,039,800

As a result of the weakening of the US Dollar against the Canadian Dollar, the Company recorded a change in fair value resulting from foreign exchange during the years ended December 31, 2020, and 2019.

Subsequent to December 31, 2020, the Company received the twelfth payment under the Early Deposit, bringing the total received to US$10.75 million.

10. Share capital

(a) Authorized:

Unlimited common shares without par value.

Issued and outstanding:

264,188,405 common shares (December 31, 2019 – 263,837,522 common shares).

During the year ended December 31, 2020 the Company issued 350,883 common shares with a fair value of $35,000 to settle certain salary amounts to a member of key management personnel.

Subsequent to December 31, 2020, 186,653 common shares were issued at a deemed price of $0.125, in consideration of certain services provided to the Company for the quarterly period from September 1, 2020 to December 31, 2020, using the volume-weighted average closing price of the Company's shares for each of the trading days in the four-month period, or $23,333. The shares are subject to a four-month plus one day hold period and may not be traded until June 4, 2021.

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital (continued)

(b) Stock options

Stock options to purchase common shares have been granted to directors, employees, contractors and consultants at exercise prices determined by reference to the market value on the date of the grant.

The number of shares available for options to be granted under the Company's rolling stock option plan is 10% of the number of shares outstanding (the "Plan"), as amended, at the Annual General Meeting held on June 20, 2019. Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

A summary of the Company's stock options as of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, are as follows:

	Number of Options	**Weighted average exercise price**
Balance, December 31, 2018	19,197,800	$ 0.28
Stock options granted during the year	4,300,000	$ 0.15
Stock options expired, unexercised during the year	(3,250,000)	$ 0.35
Balance, December 31, 2019	20,247,800	$ 0.24
Stock options forfeited and cancelled during the year	(150,000)	$ 0.34
Balance, December 31, 2020	20,097,800	$ 0.24

*All options at December 31, 2020 and 2019, are outstanding and exercisable.

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital (continued)

(b) Stock options (continued)

During the year ended December 31, 2020, the Company granted no stock options (December 31, 2019 - 4,300,000) stock options to directors, officers, senior management, and employees. The total fair value of the stock options granted in the year was $Nil (2019 - $234,080). The total value recorded of $Nil (2019: $234,080) was recognized as share-based expense in the year ended December 31, 2020, of which $Nil (2019: $25,858) was capitalized to exploration costs on the Cotabambas mineral property interest. The stock options granted in the 2019 were valued using the Black-Scholes method with the following assumptions - a volatility of 60%, an expected option life of 3.04 years, a risk-free interest rate of 1.43%, and an expected dividend yield of 0%.

Year of expiry	Number of options	Weighted average exercise price
2021	8,047,800	$ 0.20
2022	600,000	$ 0.20
2023	7,150,000	$ 0.34
2024	4,300,000	$ 0.15
	20,097,800	$ 0.24

The weighted average life of exercisable options outstanding as of December 31, 2020, is 1.9 years (December 31, 2019 – 2.9 years).

(Expressed in Canadian dollars, unless otherwise stated)

11. Income taxes

The Company's recognized net deferred tax assets and liabilities as at December 31, 2020 and 2019, are as follows:

	2020	2019
Deferred tax assets		
Mineral properties	$ 66,255	$ 343,437
Capital losses	-	48,080
Non-capital losses	57,855	18,889
	124,110	410,406
Deferred tax liabilities		
Mineral properties	(286,085)	(343,469)
Intercompany loan	-	(66,937)
Agreement receivable	(689,673)	-
	(975,758)	(410,406)
Net deferred tax liability	$ (851,648)	$ -

As at December 31, 2020, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	2020	2019
Exploration and evaluation assets	$ 5,086,965	$ 8,541,138
Property and equipment	136,848	101,158
Tax losses carried forward	24,380,223	24,990,089
Other	169,316	201,961
Unrecognized deductible temporary differences	$ 29,773,352	$ 33,834,346

The Company has non-capital losses of approximately $22.1 million (2019 - $21.0 million) and $2.5 million (2019 - $4.0 million) to reduce future income tax in Canada and Perú, respectively. The losses in Canada expire between 2026 and 2040 and the losses in Perú expire between 2021 and 2024.

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.0% (2019 – 27.0%) as follows:

(Expressed in Canadian dollars, unless otherwise stated)

11. Income taxes (continued)

	2020	2019
Loss before income taxes	$ (231,477)	$ (5,181,476)
Income tax benefit computed at Canadian statutory rates (27%)	(62,499)	(1,398,998)
Permanent and other differences	(19,018)	478,315
Foreign exchange	1,956,102	588,572
Expired losses	253,814	-
Others	15,200	113,893
Difference in foreign tax rates	(57,590)	(289,274)
Deferred income tax assets not recognized	(1,234,361)	507,492
Deferred income tax expense	$ 851,648	$ -

12. Related party transactions

At December 31, 2020, included in accounts payable and accrued liabilities, there was $23,333 in wages payable pursuant to an amended employment contract which was paid in common shares of the Company pursuant to the terms of the contract on a quarterly basis (see note 10(a)). As of December 31, 2019, there was $30,581 payable to three officers and/or directors of the Company, $29,000 for directors' fees and $1,581 for expenses incurred on behalf of the Company.

13. Commitments

The Company has the following commitments and payments due at December 31, 2020:

	2021	2022	2023	2024	2025	Total
Office lease (Vancouver)	$ 34,308	$ -	$ -	$ -	$ -	$ 34,308
Accrued vigencias	1,108,795	-	-	-	-	1,108,795
Accounts payable	267,654	-	-	-	-	267,654
Accrued liabilities	62,156	-	-	-	-	62,156

Vigencias (or recording fees) of US$3 per hectare are not commitments, but rather the annual payments required to maintain mineral concessions in good standing with the Perúvian government. The actual payment made in 2020 for the 2019 year was $1,032,952 (2019 - $967,194 relating to the 2018 year). The ultimate amount to be paid is based on a formula relating to exploration costs incurred, offset against the basic fee and penalty. After the 6th year, an annual penalty must be paid per hectare, starting at US$6 per hectare, until after 12 years, the additional fee increases to US$20 per hectare. The penalties are reduced, based on exploration activity on the concessions, and the reduction is determined each year by the Perúvian government. The Company estimates the annual costs to be approximately $1,036,228 for the 2020 year (2019 - $1,137,054) and is payable by June 2021. This balance is lower than the payment made in fiscal 2020 for the 2019 year, due to write-offs of mineral properties, or dispositions, but will continue to be higher for each property individually due to increases in penalties.

13. Commitments (continued)

In fiscal 2020, the Company did not make the payments for the vigencias on the Checca property (2019 – the El Rosal property), and as a result, the acquisition and exploration costs of the property were written off. Commencing in 2019, and in the following years, vigencia payments will increase by an annual inflation adjustment to be determined by the government on an annual basis. The Vigencias are accrued monthly and are included in accounts payable and accrued liabilities.

The Company currently has no office space under lease in Lima, leases for warehouses in Cusco, and an office lease in Vancouver, Canada, which is expiring June 30, 2021. The Company has entered into a new office lease effective July 1, 2021. The leases for the warehouses are renewed annually.

14. Financial instruments and capital management

(a) Fair value of financial instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payable and other liabilities approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's agreement receivable is estimated to approximate the carrying value given the discount rate applied.

At December 31, 2019 and 2020, the Company held 6,667 common shares in Fidelity Minerals Corp. ("Fidelity"), at a book value of $10,000 and a fair value of $933 (2019 - $300). These shares have been recognized at fair value in the consolidated statement of financial position with gains or losses on revaluation recognized in other comprehensive income (loss).

IFRS 13 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Marketable securities are determined based on a market approach reflecting the closing price of each particular security at the reporting date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security. As a result, these financial assets have been included in Level 1 of the fair value hierarchy.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, for substantially the full contract term. Liabilities under the Early Deposit Precious Metals Agreement are valued using Level 2 inputs.

Level 3: Inputs for the financial asset or liability are not based on observable market data. The Company has no financial assets or liabilities included in Level 3 of the fair value hierarchy.

14. Financial instruments and capital management (continued)

(b) Financial risks

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and certain market risks including foreign currency and interest rate risk.

Credit risk

The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts, short-term investments, and accounts and advances receivable, and agreements receivable. Bank accounts and short-term investments are primarily with Canadian Schedule 1 banks and Banco de Credito in Perú. The Company has accounts and advances receivable primarily related to IGV receivable from the Perúvian government. The Company's agreement receivable related to its sale of the Cochasayhuas project is secured by the project in the event of default. The total of cash and cash equivalents, short-term investments, agreement receivable and accounts and advances receivable of $3,184,254 (2019 - $751,525) represent the maximum credit exposure. The Company has not identified any significant increase in credit risk with respect to its financial assets at December 31, 2020. The Company has incurred no credit losses, nor has it recorded any allowances for credit losses, during the years ended December 31, 2020 or 2019.

Liquidity risk

The Company manages its liquidity risk by ensuring that there is sufficient liquidity in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash and cash equivalents are primarily invested in bank accounts, bankers' acceptances, and Guaranteed Investment Certificates ("GIC"), which are available on demand.

Contractual commitments that the Company is obligated to pay in future years are disclosed in Note 13. Accounts payable and accrued liabilities require payment within one year. See also Note 2.

Market risk

The significant market risks to which the Company is exposed are foreign currency risk and interest rate risk.

Foreign currency risk

The Company maintains its financial statements in Canadian dollars. The Company is exposed to foreign currency fluctuations to the extent mineral interests, exploration expenditures and operating expenses incurred by the Company are not denominated in Canadian dollars.

(Expressed in Canadian dollars, unless otherwise stated)

14. Financial instruments and capital management (continued)

Foreign currency risk (continued)

The Company does not use derivatives or other instruments to manage the foreign currency risk. The Company's operations in Perú make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows are affected to varying degrees by changes in the Canadian dollar exchange rate vis-a-vis the Perúvian Nuevo Sol ("PEN" or "S/.") and the US Dollar ("US$").

The Company purchases foreign currencies as the need arises in order to fund its exploration activities. Corporate expenditures are primarily incurred in Canadian and US dollars.

As at December 31, 2020, the Company's significant exposures to foreign currency risk, based on the statement of financial position carrying values, were to the Perúvian Nuevo Sol and the US Dollar, as follows:

	December 31, 2020		December 31, 2019	
	PEN	US$	PEN	US$
Cash	S/. 43,754	US$562,634	S/. 48,556	US$311,059
Accounts and advances receivable	221,318	1,832,908	644,345	9,653
Accounts payable and accrued liabilities	(2,832,461)	(275,406)	(3,079,174)	(138,624)
Precious Metals Purchase Agreement	-	(10,000,000)	-	(8,500,000)
Leases	-	-	-	(32,079)
Net exposure	S/.(2,567,389)	US$(7,879,864)	S/.(2,386,273)	US$(8,349,991)
Canadian dollars	$(902,694)	$(10,032,643)	$(935,180)	$(10,844,968)

The following sensitivity analysis assumes all other variables remain constant and are based on the above net exposures. A 10% appreciation or depreciation of the Perúvian Nuevo Sol vis-a-vis the Canadian Dollar would result in a $90,269 (2019 - $93,518) increase or decrease, respectively, in net loss and shareholders' equity. A 10% appreciation or depreciation of the US Dollar vis-a-vis the Canadian Dollar would result in a $1,003,264 (2019 - $1,084,497) increase or decrease, respectively, in net loss and shareholders' equity.

Interest rate risk

The Company's cash and cash equivalents and short-term investments earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates; however, based on the cash and cash equivalent balance at December 31, 2020, a 1% change in interest rates would not have a significant impact on the Company's financial results.

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(Expressed in Canadian dollars, unless otherwise stated)

14. Financial instruments and capital management (continued)

(c) Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to pursue the exploration and development of its mineral property interests, while maintaining a flexible capital structure. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended December 31, 2020.

15. Segmented disclosures

The Company has one operating segment, mineral exploration. All of the Company's exploration and evaluation assets are located in Perú and are disclosed in Note 6. Property and equipment are distributed geographically as follows.

	2020	2019
Perú	$ 4,608	$ 40,618
Canada	24,958	41,963
	$ 29,566	$ 82,581

16. Key management personnel compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company's directors and members of the senior management group and consisted of eleven individuals in 2020 and 2019.

Details of key management personnel compensation is as follows:

	2020	2019
Salary, fees and benefits	$ 1,093,160	$ 1,233,498
Share-based compensation	35,000	212,305
	$ 1,128,160	$ 1,445,803

(Expressed in Canadian dollars, unless otherwise stated)

17. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2020, was based on the loss attributable to common shareholders of $ 1,083,125 (2019 - $5,181,476) and the weighted average number of common shares outstanding of 263,993,835 (2019 – 263,837,522) respectively. For the years ended December 31, 2020 and 2019, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options (see Note 10(b)) on loss per share would be anti-dilutive. Anti-dilutive instruments have not been included in the determination of fully-diluted loss per share.

	2020	**2019**
Issued common shares, beginning of year	263,837,522	263,837,522
Effect of shares issued for services rendered	156,313	-
Weighted average number of common shares, end of year	263,993,835	263,837,522

18. Supplementary cash flow information

Non-cash activities:	**2020**	**2019**
Amortization capitalized to exploration and evaluation assets	303	606
Share-based expense capitalized to exploration and evaluation assets	-	25,858
Share-based expense included in salary and benefits	35,000	-
Change in accounts payable and accrued liabilities associated with exploration and evaluation expenditures	(25,085)	85,695