CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Financial Statements

(Unaudited by the Company's Independent Auditors)

Three-month and nine-month periods ended September 30, 2020 and 2019

CERRO DE PASCO RESOURCES INC.
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Unaudited
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Condensed Interim Consolidated Financial Statements

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

Unaudited

As at September 30, 2020 and December 31, 2019

(in Canadian dollars)

	Note	September 30 2020	December 31 2019
		$	$
Assets			
Current assets:			
Cash and cash equivalents	5	779,108	275,466
Short-term investments		15,000	15,000
Marketable securities in a quoted company		143,747	143,747
Other receivables	6	53,324	41,671
Prepaid expenses		188,168	68,552
Total current assets		1,179,347	544,436
Non-current assets:			
Property and equipment		58,515	67,953
Right-of-use assets		61,801	140,180
Mining properties		1,427,404	1,389,843
Exploration and evaluation assets		192,230	187,171
Total non-current assets		1,739,950	1,785,147
Total assets		2,919,297	2,329,583
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and other liabilities	7	1,299,628	739,392
Obligation under capital lease		869	2,676
Lease liabilities		117,087	116,095
Income tax payable		-	26,415
Total current liabilities		1,417,584	884,578
Non-current liabilities:			
Trade accounts payable and other liabilities	7	-	45,857
Lease liabilities		-	58,669
Loan	9	21,898	-
Deferred income tax		36,462	35,503
Total non-current liabilities		58,360	140,029
Total liabilities		1,475,944	1,024,607
Equity:			
Share capital	10	25,212,754	21,888,502
Warrants	10	1,122,542	414,887
Share options	11	1,929,737	1,094,087
Contributed surplus		355,077	355,077
Deficit		(27,187,331)	(22,511,673)
Accumulated other comprehensive income		10,574	64,096
Total equity attributable to owners of the parent company		1,443,353	1,304,976
Non-controlling interest		-	-
Total equity		1,443,353	1,304,976
Total liabilities and equity		2,919,297	2,329,583

Going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on November 25 2020.

(S) John Booth	(S) Steven Zadka
Director	Director

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

Unaudited

Three-month and nine-month periods ended September 30, 2020 and 2019

(in Canadian dollars)

		Three-month period ended		Nine-month period ended	
	Note	September 30 2020	September 30 2019	September 30 2020	September 30 2019
		$	$	$	$
Expenses:					
General and administrative expenses	12	2,552,884	646,745	4,687,708	3,813,121
Operating loss before other expenses (revenues) and income tax		2,552,884	646,745	4,687,708	3,813,121
Other expenses (revenues):					
Finance expenses		14,663	2,271	57,393	7,370
Non-receverable sales taxes		18,184	-	56,560	36,551
Change in fair value of marketable securities in a quoted company		-	-	-	-
Write-off of equipment		-	-	2,032	-
Government assistance		(19,299)	-	(19,299)	-
Exchange loss (gain)		115,963	65,813	(108,736)	132,503
		129,511	68,084	(12,050)	176,424
Loss before income taxes		2,682,395	714,829	4,675,658	3,989,545
Income taxes recovery		-	-	-	-
Net loss		2,682,395	714,829	4,675,658	3,989,545
Other comprehensive (income) loss					
Currency translation adjustment		(81,522)	(64,556)	53,522	(60,324)
Other comprehensive (income) loss net of tax		(81,522)	(64,556)	53,522	(60,324)
Total comprehensive loss		2,600,873	650,273	4,729,180	3,929,221
Net loss attributable to:					
Shareholders of Cerro de Pasco Resources Inc.		2,682,395	714,829	4,675,658	3,989,545
Non-controlling interests		-	-	-	-
		2,682,395	714,829	4,675,658	3,989,545
Other comprehensive loss attributable to:					
Shareholders of Cerro de Pasco Resources Inc.		(81,522)	(64,556)	53,522	(60,324)
Non-controlling interest		-	-	-	-
		(81,522)	(64,556)	53,522	(60,324)
Total comprehensive loss attributable to:					
Shareholders of Cerro de Pasco Resources Inc.		2,600,873	650,273	4,729,180	3,929,221
Non-controlling interest		-	-	-	-
		2,600,873	650,273	4,729,180	3,929,221
Weighted average number of common shares outstanding		262,229,277	253,272,206	257,733,373	248,657,129
Basic and diluted loss per share:		0.01	0.00	0.02	0.02

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

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited

Nine-month periods ended September 30, 2020 and 2019

(in Canadian dollars)

	Note	Number of shares outstanding	Share capital	Warrants	Share options	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total attributable to the owners of the parent company	Non-controlling interest	Total equity
			$	$	$	$	$	$	$	$	$
Balance as at December 31 2019		253,532,206	21,888,502	414,887	1,094,087	355,077	(22,511,673)	64,096	1,304,976	-	1,304,976
Shares and units issued:											
Private placements	10	12,443,498	3,294,388	673,011					3,967,399	-	3,967,399
As payment of consuting fees	10	274,590	87,177						87,177	-	87,177
Share issuance costs			(85,022)	38,353					(46,669)	-	(46,669)
Warrants exercised		60,000	27,709	(3,709)					24,000	-	24,000
Share options granted					835,650				835,650	-	835,650
Transactions with owners		12,778,088	3,324,252	707,655	835,650	-	-	-	4,867,557	-	4,867,557
Net loss and comprehensive loss for the period							(4,675,658)	(53,522)	(4,729,180)	-	(4,729,180)
Balance as at September 30 2020		266,310,294	25,212,754	1,122,542	1,929,737	355,077	(27,187,331)	10,574	1,443,353	-	1,443,353
Balance as at December 31 2018		242,198,878	18,472,710	1,061,616	2,608	218,000	(17,413,308)	49,676	2,391,302	-	2,391,302
Shares issued:											
As payment of consuting fees		600,000	176,000						176,000	-	176,000
Warrants exercised		10,473,328	3,130,592	(512,260)					2,618,332	-	2,618,332
Warrants expired				(134,469)		134,469			-	-	-
Share options granted					1,337,905				1,337,905	-	1,337,905
Share options forfeited					(2,608)	2,608			-	-	-
Transactions with owners		11,073,328	3,306,592	(646,729)	1,335,297	137,077	-	-	4,132,237	-	4,132,237
Net loss and comprehensive loss for the period							(3,989,545)	60,324	(3,929,221)	-	(3,929,221)
Balance as at September 30 2019		253,272,206	21,779,302	414,887	1,337,905	355,077	(21,402,853)	110,000	2,594,318	-	2,594,318

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

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows

Unaudited

Nine-month periods ended September 30, 2020 and 2019

(in Canadian dollars)

	Note	Nine-month period ended September 30 2020	September 30 2019
		$	$
Operating activities:			
Net loss		(4,675,658)	(3,989,545)
Adjustments for:			
Consulting fees paid through issuance of shares		87,177	176,000
Share-based compensation		835,650	1,337,905
Change in fair value of marketable securities in a quoted company		-	-
Write-off of equipment		2,032	-
Interest on lease liabilities		16,680	-
Effective interest on loan		(8,102)	-
Depreciation of right-of-use assets		82,562	-
Depreciation of property and equipment		17,880	5,699
Operating activities before changes in working capital items		(3,641,779)	(2,469,941)
Change in other receivables		(11,341)	(125,928)
Change in prepaid expenses		(119,196)	(71,160)
Change in trade accounts payable and accrued liabilities		595,529	(247,706)
Change in income tax payable		(27,536)	-
Change in working capital items		437,456	(444,794)
Cash flows used for operating activities		(3,204,323)	(2,914,735)
Financing activities:			
Proceeds from private placements	10	3,967,399	50,000
Proceeds from warrants exercised	10	24,000	2,618,332
Proceeds from promissory note	8	399,570	-
Repayment of promissory note	8	(399,570)	-
Proceeds from a loan	9	30,000	-
Capital lease repayments		(1,808)	(1,644)
Lease liabilities repayments		(62,498)	-
Interest paid on lease liabilities		(16,680)	-
Share issuance costs	10	(40,723)	(20,448)
Cash flows from financing activities		3,899,690	2,646,240
Investing activities:			
Acquisition of equipment		(12,895)	(43,632)
Acquisition of mining property		(97,966)	-
Cash flows used for investing activities		(110,861)	(43,632)
Net change in cash and cash equivalents		584,506	(312,127)
Cash and cash equivalents, beginning of period		275,466	1,349,140
Effect of exchange rate fluctuations on cash held in foreign currencies		(80,864)	95,052
Cash and cash equivalents, end of period		779,108	1,132,065
Interest paid		44,473	300

Additional disclosures of cash flows information (Note 13).

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

1. Reporting entity and nature of operations:

Cerro de Pasco Resources Inc. and its subsidiaries (hereafter the “Company” or “Cerro de Pasco” or “CDPR”) is engaged in the acquisition and exploration of mineral properties.

Cerro de Pasco Resources Inc. is a company domiciled in Canada. The Company was incorporated on June 6, 2003 under the *Business Corporations Act (Alberta).*

On November 9, 2017, Genius Properties Ltd. entered into a merger agreement with Cerro de Pasco Resources S.A., whereby Genius Properties Ltd. agreed to acquire all of the issued and outstanding shares of Cerro de Pasco Resources S.A. (the “Transaction”). The Transaction closed on October 4, 2018 in exchange of the issuance of common shares of Genius Properties Ltd.

Following the closing of the Transaction, Genius Properties Ltd. changed its name to Cerro de Pasco Resources Inc. and is trading on the Canadian Securities Exchange (“CSE”) under symbol "CDPR". In addition, on August 31, 2018, in order to complete the transaction and comply with Peru's legal and tax rules, Cerro de Pasco Resources S.A transferred its net asset to a new entity named Cerro de Pasco Resources Sucursal del Perú which is fully owned by the Company after Transaction.

The Company's head office, which is also the main establishment is located at 22 Lafleur Avenue North, suite 203, Saint-Sauveur, Québec, Canada J0R 1R0 and its web site is www.pascoresources.com.

The Company is in pre-operative stage. Operational activities are estimated to start as projects reach the level of economic feasibility and have the environmental impact study approved by the competent authority.

2. Going concern:

The accompanying condensed interim consolidated financial statements have been prepared on the basis of the on going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt on the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the nine-month period ended September 30, 2020, the Company recorded a net loss of $4,675,658 ($3,989,545 for the nine-month period ended September 30, 2019) and has an accumulated deficit of $27,187,331 as at September 30, 2020 ($22,511,673 as at December 31, 2019). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. As at September 30, 2020, the Company had a negative working capital of $238,237 (a negative working capital of $340,142 as at December 31, 2019) consisting of cash and cash equivalents of $779,108 ($275,466 as at December 31, 2019). Management believes that these funds will not be sufficient to meet the obligations and liabilities of the Company. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets. During the nine-month period ended September 30, 2020, the Company has raised $3,991,399 from warrants exercised and private placements consisting of common shares to fund exploration works and working capital ($2,668,332 during the year ended December 31, 2019). While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future.

3. Basis of preparation:

3.1 Statement of compliance:

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board ("IASB") in accordance with IAS 34, Interim Financial Reporting.

Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim consolidated financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2019.

3. Basis of preparation (continued):

3.2 Basis of measurement:

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for where IFRS requires recognition at fair value.

3.3 Reporting global event:

During the nine-month period ended September 30, 2020, the 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, capital markets and the Company’s financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company’s ability to carry out its plans and raise capital.

The Company has implemented the health measures recommended by the Canadian and Peruvian authorities to reduce physical contact: significant reduction in travel, teleworking and video conferences and others. The Company is continuing its activities to further the Company’s objectives during this uncertain and rapidly evolving time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods. Due to market uncertainty the Company may be restricted in its ability to raise additional funding.

3.4 Basis of consolidation:

A subsidiary is an entity over which the Company has control. The Company controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is acquired and de-consolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The subsidiaries have a reporting date of December 31. The Company attributes total comprehensive loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. All intra-group transactions and balances are eliminated in full on consolidation.

Subsidiary	**Status**	**Jurisdiction of Incorporation**	**% of Ownership**
Cerro de Pasco Resources Sucursal del Perú	Active	Peru	100%
Subsidiary 1 - Zippler Inc. (“Zippler”)	Inactive	Canada	100%
Subsidiary 2 - Zencig Corp. (“Zencig”)	Inactive	USA	70%

3.5 Functional and presentation currency:

The condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of Cerro de Pasco Resources Inc. and the Subsidiary 1 is the Canadian dollars. The functional currency of Cerro de Pasco Resources Sucursal del Perú and the Subsidiary 2 is the US dollars.

3.6 Use of estimates and judgements:

Critical judgments in applying the accounting policies of the Company in the preparation of these condensed interim consolidated financial statements and key assumptions related to these estimation uncertainties are the same as the ones listed and described in Note 3.5 of the annual audited consolidated financial statements of the Company as at December 31, 2019.

4. Significant accounting policies:

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in Note 5 of the audited financial statements for the year ended December 31, 2019.

4.1 Adoption of new accounting standard:

The following new standard has been applied in preparing the condensed interim financial statements as at September 30, 2020.

(i) *IAS 1 Presentation of Financial Statements (Amendment):*

On January 1, 2020, the Company adopted IAS 1 Presentation of Financial Statements (Amendment). Issued by the IASB in October 2018, the amendments clarify the definition of material and how it should be applied, as well as align the definition of material across IFRS standards and other publications. The amended definition of material states:

(in Canadian dollars)

4. Significant accounting policies (continued):

4.1 Adoption of new accounting standard (continued):

(i) *IAS 1 Presentation of Financial Statements (Amendment) (continued):*

- 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 amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. Earlier application is permitted. The adoption of this new amendments did not have significant impact on the Company's financial statements.

4.2 New standards and interpretations that have not yet been adopted:

Since the issuance of the Company's audited consolidated financial statements for the year ended December 31, 2019, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

5. Cash and cash equivalents:

	September 30 2020	December 31 2019
	$	$
Cash	775,661	270,647
Cash in trust	3,447	4,819
	779,108	275,466

6. Other receivables:

	September 30 2020	December 31 2019
	$	$
Sales tax receivable [(1)]	27,723	21,505
Other receivable		
Amount receivable from Genius Metals Inc. / Professional Fee Sharing	24,097	12,279
Others	1,504	7,887
	53,324	41,671

(1) Sales tax receivable includes only receivables in Canada.

7. Trade accounts payable and other liabilities:

Trade accounts payable and other liabilities recognized in the consolidated statements of financial position can be analyzed as follows:

	September 30 2020	December 31 2019
	$	$
Current		
Trade accounts payable	577,785	287,877
Accrued liabilities	721,843	451,515
	1,299,628	739,392

	September 30 2020	December 31 2019
	$	$
Non-current		
Accrued liabilities	-	45,857
	-	45,857

(in Canadian dollars)

7. Trade accounts payable and other liabilities (continued):

As at September 30, 2020, the accrued liabilites include an amount of $91,869 ($183,428 as at December 31, 2019) relating to agreements with the communities. This amount does not bear interest and must be paid before May 2021.

Trade accounts payable and other liabilities recognized in the consolidated statements of financial position can be analyzed as follows:

	September 30 2020	December 31 2019
	$	$
Trade accounts payable and accrued liabilities:		
To directors	35,000	5,000
To officers	183,719	-
To a company controlled by a director and officer	9,337	-
Other	901,673	591,173
Source deductions and contributions	169,899	189,076
	1,299,628	785,249

8. Promissory note:

On February 6, 2020, the Company entered into a promissory note agreement with Alpha Capital Anstalt for USD $300,000 (CAD $399,570), which bears interest at 12% annually until the maturity date (April 2020) and 18% annually after the maturity date. On June 19, 2020 and September 30, 2020, the Company repaid the full principal amount of USD $300,000 (CAD $402,135). As at September 30, 2020, an amount of CAD $2,565 was recognized in the P&L as exchange loss. The interest paid amounted to USD $21,009 (CAD $27,663) and was recognized in the P&L as finance expense.

9. Loan:

On May 6, 2020, the Company received $40,000 from the Canada Emergency Business Account (“CEBA”). The Government of Canada has launched the new CEBA, which has been implemented by eligible financial institutions in cooperation with Export Development Canada. The CEBA program has approved an interest-free loan of up to $40,000 to the Company to help cover operating costs, due to the economic impacts of the COVID-19 virus. The outstanding balance of the CEBA must be repaid by December 31, 2022. Repayment of CEBA on or before the due date will result in loan forgiveness of 25% (up to $10,000).

For purposes of determining the fair value of the liability, an effective interest rate of 15% was used which is the estimated market rate that the Company would have obtained for a similar financing. The liability is accreted up to the face value of the loan over the term of the loan as an interest expense. As the issuance, the loan was $20,701, the effective interest was $9,299 and the government assistance was $19,299 which included the loan forgiveness of $10,000 plus the effective interest of $9,299. During the nine-month period ended September 30, 2020, an effective interest expense of $1,197 was recorded in the P&L.

10. Share capital and warrants:

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares, without par value, issuable in series.

(b) Issued and outstanding:

2020:

On February 28, 2020, the Company concluded a private placement by issuing 1,291,000 units at a price of $0.40 per unit for net proceeds of $509,173 after deducting share issuance costs of $7,227. A commission of $3,684 was paid in connection with this private placement. Each unit onsists of one common share and one warrant for a total of 1,291,000 common shares and 1,291,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.65 until February 28, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $77,413 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placement, the Company also issued a total of 9,210 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.65 per share until February 28, 2022. These warrants have been recorded at a value of $601 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $7,828 including the fair value of the broker warrants of $601.

10. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2020 (continued):

On March 6, 2020, the Company concluded a private placement by issuing 1,052,500 units at a price of $0.40 per unit for net proceeds of $407,141 after deducting share issuance costs of $13,859. A commission of $11,300 was paid in connection with this private placement. Each unit onsists of one common share and one warrant for a total of 1,052,500 common shares and 1,052,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.65 until March 28, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $62,294 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placement, the Company also issued a total of 28,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.65 per share until March 6, 2022. These warrants have been recorded at a value of $1,799 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $15,658 including the fair value of the broker warrants of $1,799.

On March 30, 2020, the Company issued to service providers 30,000 common shares valued at $9,900 for business development consultancy.

On May 15, 2020, the Company issued to service providers 30,000 common shares valued at $9,000 for business development consultancy.

On June 15, 2020, the Company concluded a private placement by issuing 3,626,500 units at a price of $0.30 per unit for net proceeds of $1,075,420 after deducting share issuance costs of $12,530. A commission of $6,060 was paid in connection with this private placement. Each unit onsists of one common share and one warrant for a total of 3,626,500 common shares and 3,626,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until June 15, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $182,374 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placement, the Company also issued a total of 84,590 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.50 per share until June 15, 2022. These warrants have been recorded at a value of $5,111 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $17,641 including the fair value of the broker warrants of $5,111.

On June 15, 2020, the Company issued to service providers 84,590 common shares valued at $25,377 for business development consultancy.

On June 16, 2020, the Company concluded a private placement by issuing 200,000 units at a price of $0.30 per unit for net proceeds of $60,000 after deducting share issuance costs of $Nil. No commission was paid in connection with this private placement. Each unit onsists of one common share and one warrant for a total of 200,000 common shares and 200,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until June 16, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $11,627 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)).

On July 2, 2020, the Company concluded a private placement by issuing 1,812,034 units at a price of $0.30 per unit for net proceeds of $532,504 after deducting share issuance costs of $11,106. A commission of $5,994 was paid in connection with this private placement. Each unit onsists of one common share and one warrant for a total of 1,812,034 common shares and 1,812,034 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until July 2, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $93,260 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)).

On August 19, 2020, the Company issued to service providers 130,000 common shares valued at $42,900 for business development consultancy and consulting fees.

On August 21, 2020, the Company concluded a private placement by issuing 1,128,130 units at a price of $0.30 per unit for net proceeds of $337,295 after deducting share issuance costs of $1,145. No commission was paid in connection with this private placement. Each unit onsists of one common share and one warrant for a total of 1,128,130 common shares and 1,128,130 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until Augsut 21, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $57,107 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)).

(in Canadian dollars)

10. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2020 (continued):

On August 28, 2020, the Company concluded a private placement by issuing 3,333,334 units at a price of $0.30 per unit for net proceeds of $999,198 after deducting share issuance costs of $803. No commission was paid in connection with this private placement. Each unit onsists of one common share and one warrant for a total of 3,333,334 common shares and 3,333,334 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until August 28, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $188,936 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placement, the Company also issued a total of 250,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.365 per share until August 28, 2022. These warrants have been recorded at a value of $30,842 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $31,645 including the fair value of the broker warrants of $30,842.

2019:

On February 14, 2019, the Company issued to a service provider 200,000 common shares valued at $50,000 for business development consultancy.

On March 13, 2019, the Company issued to a service provider 200,000 common shares valued at $63,000 for business development consultancy.

On May 13, 2019, the Company issued to a service provider 200,000 common shares valued at $63,000 for business development consultancy.

On December 9, 2019, the Company issued to service providers 260,000 common shares valued at $109,200 for business development consultancy.

(c) Warrants:

The changes to the number of outstanding warrants granted by the Company and their weighted average exercise price are as follows:

		September 30 2020		December 31 2019
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		$		$
Outstanding at beginning	6,633,640	0.40	19,856,226	0.30
Granted	12,815,298	0.53	-	-
Exercised	(60,000)	0.40	(10,473,328)	0.25
Expired	-	-	(2,749,258)	0.25
Outstanding at end	19,388,938	0.48	6,633,640	0.40

The following table provides outstanding warrants information as at September 30, 2020:

		Outstanding warrants	
Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	(years)
December 17, 2020	716,000	0.40	0.2
December 21, 2020	5,857,640	0.40	0.2
February 28, 2022	1,300,210	0.65	1.4
March 6, 2022	1,080,500	0.65	1.4
June 15, 2022	3,711,090	0.50	1.7
June 16, 2022	200,000	0.50	1.7
July 2, 2022	1,812,034	0.50	1.8
August 21, 2022	1,128,130	0.50	1.9
August 28, 2022	3,333,334	0.50	1.9
August 28, 2022	250,000	0.365	1.9
	19,388,938	0.48	1.2

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

The following table provides outstanding warrants information as at December 31, 2019:

			Outstanding warrants
Expiry date	**Number of outstanding warrants**	**Exercise price**	**Remaining life**
		$	**(years)**
December 17, 2020	716,000	0.40	1.0
December 21, 2020	5,917,640	0.40	1.0
	6,633,640	0.40	1.0

2020:

On February 28, 2020, the Company issued 1,291,000 warrants to shareholders who subscribed to 1,291,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.65 per share until February 28, 2022. The value of the warrants was estimated at $77,413 at the grant date using the Black-Scholes option pricing model.

On February 28, 2020, the Company issued 9,210 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.65 per share until February 28, 2022. The value of the warrants has been estimated at $601 using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.37
Expected volatility (1)	61.51%
Risk-free interest rate	1.14%
Expected life	2.0 years

On March 6, 2020, the Company issued 1,052,500 warrants to shareholders who subscribed to 1,052,500 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.65 per share until March 6, 2022. The value of the warrants was estimated at $62,294 at the grant date using the Black-Scholes option pricing model.

On March 6, 2020, the Company issued 28,000 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.65 per share until March 6, 2022. The value of the warrants has been estimated at $1,799 using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.37
Expected volatility (1)	61.42%
Risk-free interest rate	0.70%
Expected life	2.0 years

On June 15, 2020, the Company issued 3,626,500 warrants to shareholders who subscribed to 3,626,500 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 per share until June 15, 2022. The value of the warrants was estimated at $182,374 at the grant date using the Black-Scholes option pricing model.

On June 15, 2020, the Company issued 84,590 warrants to brooker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 per share until June 15, 2022. The value of the warrants has been estimated at $5,111 using the Black-Scholes option pricing model.

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

2020 (continued):

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.30
Expected volatility (2)	64.37%
Risk-free interest rate	0.29%
Expected life	2.0 years

On June 16, 2020, the Company issued 200,000 warrants to shareholders who subscribed to 200,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 per share until June 16, 2022. The value of the warrants was estimated at $11,627 at the grant date using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.30
Expected volatility (2)	71.28%
Risk-free interest rate	0.29%
Expected life	2.0 years

On July 2, 2020, the Company issued 1,812,034 warrants to shareholders who subscribed to 1,812,034 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 per share until July 2, 2022. The value of the warrants was estimated at $93,260 at the grant date using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.32
Expected volatility (2)	64.97%
Risk-free interest rate	0.29%
Expected life	2.0 years

On August 21, 2020, the Company issued 1,128,130 warrants to shareholders who subscribed to 1,128,130 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 per share until Augsut 21, 2022. The value of the warrants was estimated at $57,107 at the grant date using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.335
Expected volatility (2)	59.41%
Risk-free interest rate	0.28%
Expected life	2.0 years

On August 28, 2020, the Company issued 3,333,334 warrants to shareholders who subscribed to 3,333,334 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 per share until Augsut 28, 2022. The value of the warrants was estimated at $188,936 at the grant date using the Black-Scholes option pricing model.

On August 28, 2020, the Company issued 250,000 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.365 per share until August 28, 2022. The value of the warrants has been estimated at $30,842 using the Black-Scholes option pricing model.

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

2020 (continued):

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.37
Expected volatility [(2)]	59.67%
Risk-free interest rate	0.28%
Expected life	2.0 years

(1) The volatility was determined as per an average of the volatility of comparable publicly traded companies and the volatility of the Company.
(2) The volatility was determined as per the volatility of the Company.

11. Share-based compensation:

(a) Share option plan:

The Company has a stock option plan whereby the Board of Directors, may grant to directors, officers or consultants of the Company, options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions of the grant of options. The Board of Directors approved a "Rolling" stock option plan reserving a maximum of 10% of the shares of the Company at the time of the stock option grant, with a vesting period allowed of zero up to eighteen months, when the grant of option is made at market price, for the benefit of its directors, officers, employees and consultants. The Plan provides that no single person may hold options representing more than 5% of the outstanding common shares. The number of stock options granted to a beneficiary and the vesting period are determined by the Board of Directors.

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised while the beneficiary remains a director, an officer, an employee or consultant of the Company or up to twelve months after the beneficiary has left.

There were 4,700,000 share options granted during the nine-month period ended September 30, 2020.

The changes to the number of outstanding share options granted by the Company and their weighted average exercise price are as follows:

		September 30 2020		**December 31 2019**
	Number of outstanding share options	**Weighted average exercise price**	**Number of outstanding share options**	**Weighted average exercise price**
		$		**$**
Outstanding at beginning	5,668,500	0.40	80,000	0.25
Granted	4,700,000	0.40	5,668,500	0.40
Forfeited	-	-	(80,000)	0.25
Outstanding at end	10,368,500	0.40	5,668,500	0.40
Exercisable at end	10,368,500	0.40	5,668,500	0.40

The following table provides outstanding share options information as at September 30, 2020:

				Outstanding share options
Expiry date	**Number of granted share options**	**Number of exercisable share options**	**Exercise price**	**Remaining life**
			$	**(years)**
December 31, 2022	218,500	218,500	0.40	2.3
March 7, 2024	5,400,000	5,400,000	0.40	3.4
March 29, 2024	50,000	50,000	0.40	3.5
August 19, 2023	200,000	200,000	0.40	2.9
August 28, 2023	200,000	200,000	0.40	2.9
August 28, 2025	4,300,000	4,300,000	0.40	4.9
	10,368,500	10,368,500	0.40	4.0

(in Canadian dollars)

11. Share-based compensation (continued):

(a) Share option plan (continued):

The following table provides outstanding share options information as at December 31, 2019:

			Outstanding share options	
Expiry date	**Number of granted share options**	**Number of exercisable share options**	**Exercise price**	**Remaining life**
			$	**(years)**
December 31, 2022	218,500	218,500	0.40	3.0
March 7, 2024	5,400,000	5,400,000	0.40	4.2
March 29, 2024	50,000	50,000	0.40	4.2
	5,668,500	5,668,500	0.40	4.1

2020:

On August 19, 2020, the Company granted 200,000 share options to consultants at an exercise price of $0.40 per share, expiring on August 19, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.11 per share option at the grant date for a total of $21,900 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.33
Expected volatility (1)	58.42%
Risk-free interest rate	0.29%
Expected life	3.0 years

On August 28, 2020, the Company granted 200,000 share options to consultants at an exercise price of $0.40 per share, expiring on August 28, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.14 per share option at the grant date for a total of $27,280 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.37
Expected volatility (1)	58.86%
Risk-free interest rate	0.29%
Expected life	3.0 years

On Augsut 28, 2020, the Company granted 4,300,000 share options to directors, officers, consultants and employees at an exercise price of $0.40 per share, expiring on Augsut 28, 2025. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.18 per share option at the grant date for a total of $786,470 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.37
Expected volatility (1)	61.56%
Risk-free interest rate	0.40%
Expected life	5.0 years

2019:

On March 6, 2019, the Company granted 5,400,000 share options to directors, officers, consultants and an employee at an exercise price of $0.40 per share, expiring on March 7, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.19 per share option at the grant date for a total of $1,041,660 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

(in Canadian dollars)

11. Share-based compensation (continued):

(a) Share option plan (continued):

2019 (continued):

Expected dividend yield	0.0%
Share price at grant date	$0.32
Expected volatility (1)	79.97%
Risk-free interest rate	1.69%
Expected life	5.0 years

On March 28, 2019, the Company granted 50,000 share options to a consultant at an exercise price of $0.40 per share, expiring on March 29, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.17 per share option at the grant date for a total of $8,465 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.295
Expected volatility (1)	78.36%
Risk-free interest rate	1.45%
Expected life	5.0 years

On December 30, 2019, the Company granted 218,500 share options to a consultant at an exercise price of $0.40 per share, expiring on December 31, 2022. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.20 per share option at the grant date for a total of $43,962 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.42
Expected volatility (1)	69.37%
Risk-free interest rate	1.67%
Expected life	3.0 years

(1) The volatility was determined as per an average of the volatility of comparable publicly traded companies and the volatility of the Company.

12. General and administrative expenses by nature:

General and administrative expenses recognized in the net loss is as follows:

	Three-month period ended September 30 2020	Three-month period ended September 30 2019	Nine-month period ended September 30 2020	Nine-month period ended September 30 2019
	$	$	$	$
Selling and administrative expenses:				
Salaries and employee benefit expense	99,341	121,715	290,427	345,247
Management and consulting fees	1,064,469	285,306	2,033,708	977,051
Professional fees	102,590	120,778	378,779	498,204
Business development	248,197	53,351	664,445	441,567
Rent and office expenses	34,337	36,924	138,577	151,332
Registration, listing fees and shareholders information	58,581	17,161	101,278	37,498
Project implementation cost	78,480	9,416	144,402	18,618
Share-based compensation	835,650	-	835,650	1,337,905
Depreciation of right-of-use assets	25,502	-	82,562	-
Depreciation of property and equipment	5,737	2,094	17,880	5,699
	2,552,884	646,745	4,687,708	3,813,121

(in Canadian dollars)

13. Supplemental cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

	Nine-month period ended	
	September 30 2020	September 30 2019
	$	$
Non-cash financing activities:		
Shares issued as payment of consulting fees	87,177	176,000
Share issuance costs in trade accounts payable and accrued liabilities	5,946	-
Broker warrants issued as a finder's fee	38,353	-
Non-cash investing activities:		
Mining properties in trade accounts payable and accrued liabilities	91,869	
Exploration and evaluation assets in trade accounts payable and accrued liabilities	37,489	-

14. Related party transactions:

Related parties include the Company's joint key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

	Three-month period ended		Nine-month period ended	
	September 30 2020	September 30 2019	September 30 2020	September 30 2019
	$	$	$	$
Management and consulting fees	427,161	137,584	1,260,228	327,639
Salaries and director's fees	23,384	65,609	69,826	202,908
Share-based compensation	658,438	-	658,438	1,056,510
	1,108,983	203,193	1,988,492	1,587,057

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(in Canadian dollars)

15. Financial assets and liabilities:

The carrying amount and fair value of financial instruments presented in the consolidated statements of financial position related to the following classes of assets and liabilities:

		September 30 2020		December 31 2019
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Fair value through profit or loss (FVTPL)				
Marketable securities	143,747	143,747	143,747	143,747
	143,747	143,747	143,747	143,747
Financial assets				
Amortized cost				
Cash and cash equivalents	779,108	779,108	275,466	275,466
Short-term investment	15,000	15,000	15,000	15,000
Other receivables (excluding sales tax receivable)	25,601	25,601	20,166	20,166
	819,709	819,709	310,632	310,632
Financial liabilities				
Amortized cost				
Trade accounts payable and other liabilities (excluding sources deductions & contributions)	1,129,729	1,129,729	596,173	596,173
Loan	21,898	21,898	-	-
	1,151,627	1,151,627	596,173	596,173

The fair value of cash and cash equivalents, short-term investments, other receivables and trade accounts payable and other liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

The fair values of the marketable securities are $143,747 as at September 30, 2020 ($143,747 as at December 2019) and are determined by using the closing price for for September 30, 2020 and December 31, 2019.

The fair values of the loan is $21,898 as at September 30, 2020 ($Nil as at July 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The loan was classified under level 2 in 2020.

The techniques and evaluation methods used to measure fair value were not changed compared to previous years.

			September 30 2020
	Level 1	Level 2	Level 3
	$	$	$
Marketable securities			
Fair value through profit or loss (FVTPL)	143,747	-	-
Loan			
Amortized cost	-	21,898	-
	143,747	21,898	-

(in Canadian dollars)

15. Financial assets and liabilities (continued):

			December 31 2019
	Level 1	Level 2	Level 3
	$	$	$
Marketable securities			
Fair value through profit or loss (FVTPL)	143,747	-	-
Loan			
Amortized cost	-	-	-
	143,747	-	-

16. Capital management policies and procedures:

The Company considers the items included in equity and long term loan as capital components.

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods are presented in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

	September 30 2020	December 31 2019
	$	**$**
Obligation under capital lease	869	2,676
Loan	21,898	-
Equity	1,443,353	1,304,976
	1,466,120	1,307,652

17. Financial instrument risks:

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk, liquidity risk and foreign currency risk.

The Company manages risks in close cooperation with the board of directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

(a) Credit risk:

Credit risk is the risk that the other party to a financial instrument fails to honour one of its obligations and, therefore, causes the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date.

Credit risk of other receivables, cash and cash equivalents and short term investments is considered negligible, since the counterparty which holds the cash and cash equivalents is a reputable bank with excellent external credit rating and the amount of other receivables is guaranteed.

None of the Company's financial assets are secured by collateral or other credit enhancements.

17. Financial instrument risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

During the nine-month period ended September 30, 2020 and the year ended December 31, 2019, the Company has financed working capital needs through the exercise of warrants and private financings consisting of issuance of shares. Management estimates that the cash and cash equivalents as at September 30, 2020 will not be sufficient to meet the Company's needs for cash during the coming year.

Contractual maturities of financial liabilities (including capital and interest) are as follows:

				September 30 2020
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
	$	$	$	$
Trade accounts payable and other liabilities	1,129,729	-	-	1,129,729
Loan	-	30,000	-	30,000

				December 31 2019
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
	$	$	$	$
Trade accounts payable and other liabilities	550,316	45,857	-	596,173
Loan	-	-	-	-

(c) Foreign currency risk:

The Company operates in Canada and Peru. The functional currency of the parent company is the Canadian dollar. The assets, liabilities, revenues and expenses of Peru operations are denominated in USD. The Company has purchase contracts denominated in US dollars (“USD”). The Company is exposed to foreign exchange risks arising from the fluctuation of exchange rates between US dollar and the Canadian dollar. The Company does not enter into arrangements to hedge its foreign exchange risk.

As at September 30, 2020 and December 31, 2019, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

	September 30 2020	**December 31 2019**
	$	**$**
Financial instruments denominated in USD		
Cash and cash equivalents	16,926	18,310
Other receivables	667	6,743
Prepaid expenses	21,376	-
Trade accounts payable and other liabilities	(657,228)	(589,733)
Net exposure	(618,259)	(564,680)

Based on the above net exposure as at September 30, 2020 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against USD would result in a change of $61,826 ($56,468 in 2019) in the Company’s comprehensive loss and changes in equity.

17. Financial instrument risks (continued):

(d) Price risk:

The Company is exposed to fluctuations in the market prices of its marketable securities in a quoted mining exploration company. The fair value of the marketable securities represents the maximum exposure to price risk. For the marketable securities in quoted mining exploration companies, an average volatility of 49.71% has been observed during the nine-month period ending September 30, 2020 (51.71% for the year ended December 31, 2019).

This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If quoted stock price for these securities had increased or decreased by the same amount, profit and loss would have changed by $71,457 as at September 30, 2020 ($74,332 as at December 31, 2019).

18. Contingency:

On October 5, 2018, before the RTO (see Note 6 of the audited financial statements for the year ended December 31, 2019), Genius Properties Ltd. completed an Asset Transfer Agreement pursuant to which the Company transferred to Genius Metals Inc. ("Genius Metals") the ownership of all mining rights and titles, a part of its trade accounts payable and other liabilities and the other liability related to flow-through shares estimated at $29,781. In consideration for such transfer, Genius Metals issued to the Company 9,797,970 Genius Metals common shares for a consideration of $3,463,660. The transfer was recorded at the carrying amount of the assets and liabilities transferred. Notwithstanding that the liabilities related to the flow-through shares were transferred to Genius Metals, the Company retains the ultimate responsibility for the tax liability related to these financings. Genius Metals has indemnified the Company for any such liability.

19. Subsequent events:

On October 15, 2020, the Company completed a convertible debentures financing of $1,000,000. The maturity of the convertible debentures is one year and bear interest at 10% per year. Interest and capital are payable on October 16, 2021. The convertible debentures are convertible, at the option of the lender, into common shares of the Company, at $0.60 per share. As part of this financing, the Company also issued a total of 1,857,143 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.60 per share until October 15, 2022. The Company is currently analyzing the accounting treatment of the debentures.

On November 16, 2020, the Company issued to service providers 30,000 common shares valued at $11,550 for business development consultancy.