VANGOLD
MINING

Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the shareholders of Vangold Mining Corp.:

Opinion

We have audited the consolidated financial statements of Vangold Mining Corp. [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of December 31, 2020, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $49,608,136. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Aaron D. Oye.

/s/ Lancaster & David

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 28, 2021

VANGOLD MINING CORP.

Consolidated statements of financial position
As at December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 5,321,927	$ 544,279
Amounts receivable	106,531	28,294
Prepaid expenses and deposits	274,212	3,045
Total current assets	5,702,670	575,618
Non-current assets		
Advance receivable (note 6)	251,408	251,408
Deposit (note 7)	638,750	–
Property, plant and equipment (note 4)	209,260	3,182
Exploration and evaluation assets (note 5)	3,440,135	1,539,490
Total assets	$ 10,242,223	$ 2,369,698
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	$ 247,161	$ 330,931
Current portion of loan payable (note 8)	8,181	–
Total current liabilities	255,342	330,931
Loan payable (note 8)	19,519	–
Total liabilities	274,861	330,931
Shareholders' equity		
Share capital (note 10)	44,241,396	38,468,898
Equity reserves	13,298,138	10,977,644
Share subscriptions received	2,035,964	–
Deficit	(49,608,136)	(47,407,775)
Total shareholders' equity	9,967,362	2,038,767
Total liabilities and shareholders' equity	$ 10,242,223	$ 2,369,698

Nature of operations and going concern (note 1)
Commitments and contingent liabilities (note 16)
Subsequent events (note 18)

Approved and authorized for issuance on behalf of the Board on April 28, 2021:

"James Anderson"
James Anderson, Chairman, CEO and Director

"Richard Silas"
Richard Silas, Director

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

VANGOLD MINING CORP.
Consolidated statements of loss and comprehensive loss
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
Expenses		
Depreciation (note 4)	$ 15,922	$ 3,639
Foreign exchange loss	65,168	6,403
Advertising and promotion	237,375	27,390
Management and consulting fees (note 9)	295,950	202,113
Exploration and evaluation expenditures (note 5)	397,721	14,787
Office and miscellaneous (note 9)	311,384	58,607
Professional fees	259,025	159,970
Rent	20,398	11,387
Share based compensation (note 12)	522,654	12,497
Transfer agent and regulatory fees	42,625	46,957
Travel and meals	60,681	43,554
Total expenses	2,228,903	587,304
Loss before other income (expense)	(2,228,903)	(587,304)
Other income (expense)		
Interest income	9,413	18
Settlement of claim (note 16(b))	(30,000)	–
Gain on settlement of debt (note 16(a))	49,129	77,510
Total other income (expenses)	28,542	77,528
Net loss and comprehensive loss for the year	$ (2,200,361)	$ (509,776)
Basic and diluted loss per share	$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	80,921,448	41,021,918

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

VANGOLD MINING CORP.
Consolidated statements of changes in shareholders' equity
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Share capital		Share			
	Number of shares	Amount	Share subscriptions received	Equity reserves	Deficit	Total
Balance, December 31, 2018	33,854,659	$ 37,561,359	$ –	$ 10,613,659	$ (46,897,999)	$ 1,277,019
Share consolidation adjustment	(70)	–	–	–	–	–
Shares issued for cash	25,809,500	944,262	–	346,213	–	1,290,475
Share issuance costs	–	(36,723)	–	5,275	–	(31,448)
Share-based compensation	–	–	–	12,497	–	12,497
Net loss for the year	–	–	–	–	(509,776)	(509,776)
Balance, December 31, 2019	59,664,089	38,468,898	–	10,977,644	(47,407,775)	2,038,767
Units issued for cash	25,641,902	2,867,253	–	1,107,241	–	3,974,494
Shares and warrants issued for finders' fees	214,665	39,387	–	119,542	–	158,929
Share issuance costs	–	(296,052)	–	–	–	(296,052)
Share issued pursuant to the exercise of warrants	21,363,055	2,279,228	–	(269,528)	–	2,009,700
Units issued for option to acquire royalties	3,750,000	862,500	–	840,585	–	1,703,085
Shares issued for settlement of debt	403,640	20,182	–	–	–	20,182
Share-based compensation	–	–	–	522,654	–	522,654
Share subscriptions received	–	–	2,035,964	–	–	2,035,964
Net loss for the year	–	–	–	–	(2,200,361)	(2,200,361)
Balance, December 31, 2020	111,037,351	$ 44,241,396	$ 2,035,964	$ 13,298,138	$ (49,608,136)	$ 9,967,362

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

VANGOLD MINING CORP.
Consolidated statements of cash flows
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
Operating activities		
Net loss for the year	$ (2,200,361)	$ (509,776)
Items not involving cash and cash equivalents:		
Depreciation	15,922	3,639
Gain on settlement of debt	(49,129)	(77,510)
Interest expense	883	–
Share-based compensation	522,654	12,497
Changes in non-cash operating working capital:		
Amounts receivable	(78,237)	1,654
Prepaid expenses and deposits	(271,167)	2,389
Accounts payable and accrued liabilities	(14,459)	(21,255)
Net cash and cash equivalents used in operating activities	(2,073,894)	(588,362)
Investing activities		
Deposit on acquisition of the El Cubo mine and mill complex	(638,750)	–
Advance receivable	–	(167,408)
Acquisition of property, plant and equipment	(194,043)	–
Proceeds from sale of mineral stockpile	8,283	–
Option payments to acquire royalties	(200,000)	–
Payment to acquire surface land	(5,843)	–
Net cash and cash equivalents used in investing activities	(1,030,353)	(167,408)
Financing activities		
Proceeds from issuance of units	3,974,494	1,290,475
Share issuance costs	(137,123)	(31,448)
Proceeds from the exercise of warrants	2,009,700	–
Share subscriptions received	2,035,964	–
Repayment of loan payable	(2,108)	–
Net cash and cash equivalents provided by financing activities	7,880,927	1,259,027
Effect on cash and cash equivalents of foreign exchange	968	–
Change in cash and cash equivalents	4,777,648	503,257
Cash and cash equivalents, beginning of year	544,279	41,022
Cash and cash equivalents, end of year	$ 5,321,927	$ 544,279
Cash and cash equivalents are consisted of:		
Cash	$ 5,210,387	$ 544,279
Redeemable guaranteed investment certificate (“GIC”)	111,540	–
Total cash and cash equivalents	$ 5,321,927	$ 544,279
Non-cash investing and financing activities:		
Shares issued for settlement of debt	$ 20,182	$ –
Units issued for option to acquire royalties	1,703,085	–
Shares and warrants issued for finders’ fees	158,929	5,275
Vehicle acquired with loan payable	$ 27,957	$ –
Supplemental disclosures:		
Interest paid	$ –	$ –
Income taxes paid	$ –	$ –

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

1. Nature of Operations and Going Concern

Vangold Mining Corp. (the "Company" or "Vangold") is in the business of the acquisition, exploration and evaluation of mining assets. The Company currently holds exploration and evaluation asset interests located in Canada and Mexico.

The head office and registered records of the Company is located at 2820 - 200 Granville Street, Vancouver, BC, V6C 1S4. Vangold is a publicly listed company incorporated under the Business Corporations Act of British Columbia and is listed on the TSX Venture Exchange ("TSX.V") under the symbol "VGLD".

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2020, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $49,608,136. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a global pandemic. This has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. As at December 31, 2020, we have not observed any material impairments of our assets or a significant change in the fair value of assets, due to the COVID-19 pandemic.

The management team continues to follow the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. These impacts could include the ability of the Company to raise capital, and the impairment in the value of our long-lived assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

2. Significant Accounting Policies

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention and are presented in Canadian dollars, which is the Company's presentation currency.

2. Significant Accounting Policies (continued)

(a) Statement of Compliance (continued)

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(b) Approval of the Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2020, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 28, 2021.

(c) Basis of Measurement and Principles of Consolidation

These consolidated financial statements have been prepared using the historical cost basis except for financial instruments classified as fair value through profit or loss, and available-for-sale, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

Subsidiary	Location	Ownership Interest	Status
CanMex Silver S.A. de C.V. ("CanMex")	Mexico	98%	Consolidated
Obras Mineras El Pinguico S.A. de C.V. ("Obras")	Mexico	100%	Consolidated

Subsidiaries are those entities which Vangold controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Vangold controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Vangold and are deconsolidated from the date that control ceases.

All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

(d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, and that are subject to an insignificant risk of changes in value.

(e) Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation of the following property, plant and equipment is provided using the straight-line method, less the estimated residual value:

Computer equipment	3 years straight-line
Field equipment	3 years straight-line
Office equipment	3 years straight-line
Vehicle	3 years straight-line

Included in property, plant and equipment is mine development costs, which are amortized on a unit of production basis (refer to Note 2(h)).

2. Significant Accounting Policies (continued)

(f) Exploration and Evaluation Assets

Exploration and evaluation assets include any cash consideration and the fair market value of shares issued, if any, on the acquisition of exploration and evaluation asset interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition and option payments represent actual expenditures incurred and are not intended to reflect present or future values. Option payments received on properties, are offset against the historical costs deferred on those properties.

Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the conveyance history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge title to its properties is in good standing.

(g) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Exploration and evaluation expenditures are expensed as incurred unless management determines that probable future economic benefits will be generated as a result of the expenditures. Once the technical feasibility and commercial viability of a program or project has been demonstrated with a prefeasibility study, and reserves have been recognized in accordance with the Canadian Securities Administrators' National Instrument 43-101 - Standards of Disclosure for Mineral Projects, future expenditures incurred in the development of that program or project are capitalized and will be amortized against production following commencement of commercial production.

(h) Underground Mine Development Costs

Underground mine development costs are costs incurred to build new shafts, drifts and ramps that will enable the Company to physically access ore underground. The time over which the Company will continue to incur these costs depends on the mine life. These underground development costs are capitalized as incurred.

Capitalized underground development costs are depreciated on a unit of production basis, based on the estimated proven and probable reserves and the portion of resources considered probable of economic extraction.

2. Significant Accounting Policies (continued)

(i) Impairment of Long-Lived Assets

At each reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in net loss.

For the purposes of impairment testing, property, plant and equipment, and exploration and evaluation assets, are allocated to cash generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in net loss.

(j) Decommissioning, Restoration and Similar Liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of property, plant and equipment, and exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. At December 31, 2020, and 2019, the Company has not identified any decommissioning liabilities requiring the recognition of a provision.

(k) Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees 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 offset to the recorded cost is to equity reserves. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve is transferred to share capital. When stock options are forfeited prior to becoming fully vested, any expense relating to the unvested options previously recorded, is reversed.

2. Significant Accounting Policies (continued)

(l) Foreign Currency Translation

The functional currency of the Company and its wholly-owned subsidiaries, CanMex and Obras, is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 – *The Effects of Changes in Foreign Exchange Rates* ("IAS 21").

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(m) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in net loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(n) Unit Financings

The Company uses a pro-rata method for the measurement of shares and warrants issued as units in financing arrangements. Under the pro-rata method, the gross proceeds are allocated to the common shares and the warrants based on the relative fair value of each component. The fair value of the warrants is based on the closing price on the closing date of the transaction using the Black-Scholes Option Pricing Model. The value attributed to the warrants is recorded to equity reserves. If the warrants are exercised, the value attributable to the warrants is transferred to common shares. When terms of warrants are modified subsequent to initial issuance without any services being provided to the Company, the modification of the warrants continues to qualify as equity and therefore no adjustment is made on modification.

2. Significant Accounting Policies (continued)

(o) Basic Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the consolidated statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the year. In years where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive. As at December 31, 2020, the Company had 150,342,863 (2019 – 110,326,501) potentially dilutive shares outstanding.

(p) Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net loss. As at December 31, 2020, and 2019, the Company had no items that represent comprehensive income or loss.

(q) Recent Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact to the Company in the current or future reporting periods and have not been discussed or presented.

3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is as follows:

Carrying Value and Recoverability of Exploration and Evaluation Assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the assets and properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets. To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

3. Critical Accounting Estimates and Judgments (continued)

Exploration and Evaluation Assets and Expenditures

Judgment is required in evaluating whether expenditures meet the criteria to be capitalized, including the probability that future economic benefits will be generated. Determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained through evaluation activities, including metallurgical testing, resource and reserve estimates and the economic assessment of whether the ore body can be mined economically.

Fair Value of Stock Options and Warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

Income Taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

Functional Currency

The preparation of these financial statements requires management to make judgments regarding the determination of functional currency as discussed in Note 2(l).

Going Concern

Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

(Expressed in Canadian dollars)

4. Property, Plant and Equipment

	Computer equipment $	Field equipment $	Mine development costs $	Office equipment $	Vehicle $	Total $
Cost:						
Balance, December 31, 2018	3,765	1,776	–	5,100	–	10,641
Additions	–	–	–	–	–	–
Balance, December 31, 2019	3,765	1,776	–	5,100	–	10,641
Additions	4,044	104,769	70,698	4,888	37,601	222,000
Balance, December 31, 2020	7,809	106,545	70,698	9,988	37,601	232,641
Accumulated depreciation:						
Balance, December 31, 2018	1,290	628	–	1,902	–	3,820
Additions	1,255	623	–	1,761		3,639
Balance, December 31, 2019	2,545	1,251	–	3,663	–	7,459
Additions	3,277	3,789	–	2,589	6,267	15,922
Balance, December 31, 2020	5,822	5,040	–	6,252	6,267	23,381
Carrying amounts:						
As at December 31, 2019	1,220	525	–	1,437	–	3,182
As at December 31, 2020	1,987	101,505	70,698	3,736	31,334	209,260

5. Exploration and Evaluation Assets

Exploration and evaluation assets consist of:

	Mexican Silver Belt $	El Pinguico $	Total $
Acquisition Costs:			
Balance, December 31, 2018 and 2019	360,000	1,179,490	1,539,490
Additions	–	1,908,928	1,908,928
Sale of mineral stockpile	–	(8,283)	(8,283)
Balance, December 31, 2020	360,000	3,080,135	3,440,135

Exploration and evaluation expenditures consist of*:*

	Year ended December 31, 2020 $	Year ended December 31, 2019 $
General exploration	150,588	9,370
Geological	119,164	1,075
Field supplies and equipment rentals	127,969	4,342
	397,721	14,787

5. Exploration and Evaluation Assets (continued)

Mexican Silver Belt Property, Mexico

On April 28, 2017, the Company entered into asset acquisition agreements for seven mining claims strategically situated within the high-grade Mexican Silver Belt and all within close proximity to the Company's operations office in Guanajuato, Mexico. Under the terms of the agreements, the Company paid $10,000 and issued 3,125,000 common shares with a fair value of $343,750. The Company also recognized additional acquisition costs of $6,250. The vendors retain a 2.5% Net Smelter Royalty ("NSR") of which 1.25% (one-half) may be repurchased for $500,000.

El Pinguico Property, Guanajuato State, Mexico

On April 27, 2017, the Company completed an acquisition of a 100% interest in the El Pinguico property, located in Guanajuato State, Mexico. Under the terms of the agreement, the Company paid consideration of $136,240 (USD$100,000) and issued 5,000,000 common shares with a fair value of $900,000. The Company also issued 662,500 common shares with a fair value of $119,250 as a finder's fee. The Company also recognized additional acquisition costs of $24,000. The vendors retain a 4% NSR and a 15% Net Profits Interest ("NPI") on minerals recovered from an existing surface and underground stockpiles of mineralized rock and a 3% NSR and 5% NPI on all newly mined mineralization. The Company may repurchase 1% (one-third) of the 3% NSR on all newly mined mineralization for USD$1,000,000.

In October 2017, the Company executed a Surface Land Purchase Agreement with two private landowners for 302 hectares. The surface land includes the Company's El Pinguico property and provides significant land area for mining infrastructure, development and construction.

The first Land Use Agreement signed with a local landowner encompasses a total of 89.6 hectares covering portions of the surface of the El Pinguico mining claims. This is a two-year agreement that allows the Company to build additional roads and do what is necessary to build or re-establish a mine. Under this agreement, the Company made an initial payment of $1,693. After the first 12 months, the Company commenced making monthly payments of approximately $141. The agreement also gives the Company an option to purchase the land outright after the two-year term for a total consideration of $18,816 calculated as $210 per hectare. Subsequent to December 31, 2020 the Company exercised its option to purchase the land for $18,860 plus 15% inflation for a total purchase price of $21,680 (Note 18).

The second Land Use Agreement also signed with a local landowner encompasses a total of 212.98 hectares covering portions of the surface of the El Pinguico mining claims. Like the first agreement, this is a two-year agreement that allows the Company to do what is necessary for the Company's operations. Under this agreement, the Company made an initial payment of $4,549. After the first 12 months, the Company commenced making monthly payments of approximately $335. The agreement also gives the Company an option to purchase the land outright after the two-year term for a total consideration of $44,727 calculated as $220 per hectare.

On February 2020, the Company signed a Surface Land Access Agreement for the mine with the Ejido Calderones, the local Ejido group. The Land Access Agreement allows for unrestricted road access for exploration and mining equipment and personnel to El Pinguico through the community of Calderones. The agreement is for a period of 15 years. Under the terms of the agreement, the Company paid $7,100 (MXP 100,000) and will make annual payments of MXP 50,000 (approximately Can$3,200) adjusted for yearly inflation. During the year ended December 31, 2020, the Company made an annual payment of $3,735 (MXP 58,000).

On June 22, 2020, the Company sold a portion the existing mineral stockpile to Endeavour Silver Corp. ("Endeavour") at a discounted price of $8,290 (MXP 137,300). In return for the discounted price, Endeavour agreed to process the mineral stockpile and provide the Company with an analysis of the data obtained.

5. Exploration and Evaluation Assets (continued)

El Pinguico Properties, Guanajuato State, Mexico (continued)

On August 18, 2020, as amended on November 8, 2020, the Company entered into a royalty purchase option agreement to acquire 3 of the 4 underlying royalties on its El Pinguico property from the original vendor of the property, Exploraciones Mineras Del Bajio S.A. de C.V. ("EMBSA"), a company controlled by a director of the Company. Under the option agreement, the Company has the option to repurchase the following royalties from EMBSA:

1. a 4% NSR on all 'broken material' within both the above ground and underground stockpiles;
2. a 3% NSR on all newly established in-situ material discovered on the El Pinguico property; and
3. a 5% NPI on all newly established in-situ material discovered on the El Pinguico property.

Under the terms of the option agreement the Company's will pay a total of $1,680,000 and issue 3,750,000 units to EMBSA as follows:

a) $200,000 cash (paid) and 3,750,000 units on or before November 20, 2020 (issued – Note 10(c));
b) $325,000 cash on or before February 22, 2021 (paid subsequent to year end – Note 18);
c) $525,000 cash on or before February 22, 2022; and
d) $625,000 cash on or before February 22, 2023.

Each unit consists of one common share and one non-transferable share purchase warrant, which is exercisable at $0.175 per share for a term of 5 years.

Upon exercise of the option, the Company will own an undivided 100% interest in the El Pinguico silver and gold project free and clear from the royalties purchased in this agreement. EMBSA will retain a 15% NPI on the existing above ground and underground stockpiles of mineralized material. Other than the remaining 15% NPI, there will be no other royalties on the El Pinguico project including the existing stockpiled material.

Rossland Properties, British Columbia, Canada

South Belt

At December 31, 2020, and 2019, the Company holds a 25% interest in certain mineral claims within the historic Rossland gold camp in southeastern British Columbia.

The Company entered into an Option and Joint Venture Agreement with a private company, Rossland Resources Inc. ("RRI") that entitled RRI to earn up to a 100% interest in the property. RRI has fulfilled its commitments to earn a 75% interest, and its option to earn a final 25% interest expired on June 1, 2013. In addition, RRI granted the Company a 1.5% Net Smelter Royalty on the claims. RRI can purchase the NSR granted to the Company for a total of $1,500,000 at any time. RRI is operator of the project.

6. Advance Receivable

During the year ended December 31, 2018, the Company entered into a Letter of intent ("LOI") whereby the Company agreed to acquire all of the issued and outstanding shares of Aventura Gold Ltd. ("Aventura"), a private company which holds an option to acquire 100% of the right, title and interest to a gold property in Guyana ("Tassawini Property"). During the year ended December 31, 2019 the Company elected not to pursue the acquisition of Aventura and terminated its letter of intent.

6. Advance Receivable (continued)

As at December 31, 2019, the Company had made refundable advances totaling $238,048 and incurred expenditures totaling approximately $12,000 in connection with the acquisition of Aventura. On February 18, 2020, and as amended on August 14, 2020, the Company entered into a settlement agreement with Astor Holdings Inc. ("Astor"), a Guyana corporation, and Shooting Star Acquisition Corp. ("Star"), a Capital Pool Company listed for trading on the TSX.V, whereby the Company assigned all rights, title, and interest in a draft NI 43-101 technical report commissioned by the Company on the Tassawini Property, in consideration for Astor agreeing to assume the total refundable advances and expenditures owing to the Company of $251,408. Pursuant to the settlement agreement, Astor agreed to pay the Company $50,000 and issue 1,400,000 common shares of Star upon closing of Star's qualifying transaction to settle the amount owing of $251,408. As at December 31, 2020, Star had not completed its qualifying transaction.

7. Deposits

On December 18, 2020, the Company signed a binding letter agreement with Endeavour Silver Corp. to acquire the El Cubo mine and mill complex (the "El Cubo Complex") located 8 kilometres northeast of the Company's El Pinguico silver-gold project near Guanajuato, Mexico (the "Endeavour Agreement").

As consideration, the Company will pay the following:

a) An upfront non-refundable down payment of $638,750 (US$500,000) cash (paid December 18, 2020);
b) US$7,000,000 cash on closing (paid subsequently – Note 18);
c) 21,331,058 common shares of the Company on closing (issued subsequently – Note 18); and
d) A US$2,500,000 unsecured, non-interest bearing promissory note due 12 months from closing.

The Company also agreed to pay an additional US$3,000,000 in contingent payments as follows:

a) US$1,000,000 upon the Company producing 3,000,000 ounces of silver and/or gold-equivalent silver from the El Cubo Complex, of which US$500,000 may be paid by the issuance of common shares of the Company;
b) US$1,000,000 if the spot price of gold closes at or above US$2,000 per ounce for 20 consecutive days within two years after closing; and
c) US$1,000,000 if the spot price of gold closes at or above US$2,200 per ounce for 20 consecutive days within three years after closing.

On March 16, 2021, the Company signed a definitive asset purchase agreement with Endeavour to acquire the El Cubo Complex, which closed on April 9, 2021 (Note 18).

(Expressed in Canadian dollars)

8. Loan Payable

On September 18, 2020, the Company entered into a 3 year loan agreement with a principal of $28,905 (MXP451,645) related to the purchase a vehicle. The loan is secured by the vehicle, bears interest at 18.5% per annum and is repayable in monthly installments of $1,052 (MXP16,441) plus tax.

Balance, December 31, 2018 and 2019	$	-
Additions		27,957
Interest expense		883
Loan payments		(2,108)
Foreign exchange loss		968
Balance, December 31, 2020	$	27,700
Which consists of:		
Current portion of loan	$	8,181
Non-current portion of loan		19,519
	$	27,700

9. Related Party Transactions

(a) For the year ended December 31, 2020, the Company incurred management fees of $141,000 (2019 - $87,500) to a company controlled by the Chief Executive Officer (“CEO”) of the Company. As at December 31, 2020, the Company owed $nil (2019 - $10,000) to a company controlled by the CEO of the Company, which was included in accounts payable and accrued liabilities. The amount was non-interest bearing, unsecured and due on demand.

(b) For the year ended December 31, 2020, the Company incurred management fees of $nil (2019 - $45,000) to the former CEO and a company controlled by the former CEO of the Company.

(c) For the year ended December 31, 2020, the Company incurred administrative fees of $35,000 (2019 - $nil) to a company controlled by a director of the Company, which is included in office and miscellaneous expenses.

(d) For the year ended December 31, 2020, the Company incurred directors fees totalling $7,500 (2019 - $nil) to three directors of the Company. As at December 31, 2020, the Company owed $2,500 (2019 - $nil) to a director of the Company, which is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing and due on demand.

(e) For the year ended December 31, 2020, the Company incurred share-based compensation of $198,499 (2019 - $4,833) to directors and officers of the Company.

10. Share Capital

The authorized share capital of the Company consists of the following:

(a) Common Shares: unlimited common shares without par value;
(b) Class A Common Shares: unlimited common shares without par value;
(c) Class B Common Shares: unlimited common shares without par value;
(d) Class A Preferred Shares: unlimited preferred shares with a par value of $0.2947; and
(e) Class B Preferred Shares: unlimited preferred shares without par value.

Share Issuances for the Year Ended December 31, 2020:

(a) On March 18, 2020, the Company issued a total of 403,640 common shares with a fair value of $20,182 to settle accounts payable of $10,182 owed to a vendor and $10,000 owed to a company controlled by the CEO of the Company.

10. Share Capital (continued)

(b) On August 5, 2020, and August 11, 2020, the Company completed non-brokered private placements for total gross proceeds of $3,974,494, consisting of a total of 25,641,902 units at $0.155 per unit. Each unit consists of one common share and one-half of one share purchase warrant, where each whole warrant is exercisable at $0.25 per share for a period of 2 years. The proceeds were allocated between the common shares ($2,867,253) and warrants ($1,107,241) based on their relative fair values. In connection with the private placement, the Company incurred $137,123, issued 214,665 shares with a fair value of $39,387, and issued 821,011 finders' warrants with a fair value of $119,542 as finders' fees. The fair value of the warrants and finders' warrants were calculated using the Black-Scholes option pricing model assuming the following weighted-average assumptions: a risk-free rate of 0.27%, no expected dividends or forfeiture rate, volatility of 181.64% and an expected life of 2 years.

(c) On November 30, 2020, the Company issued 3,750,000 units with a fair value of $1,703,085 pursuant to an option to acquire royalties (Note 5), consisting of common shares with a fair value of $862,500 and warrants with a fair value of $840,585. Each unit consists of one common share and one non-transferable share purchase warrant, which is exercisable at $0.175 per share for a term of 5 years. The fair value of the warrants was determined using the Black-Scholes option pricing model assuming a risk-free rate of 0.43%, no expected dividends or forfeiture rate, volatility of 194.65% and an expected life of 5 years.

(d) During the year ended December 31, 2020, the Company adopted a warrant acceleration bonus program for its outstanding share purchase warrants granted in connection with the Company's 2019 non-brokered private placement financing. Under the program, holders would receive one bonus share for every 10 warrants exercised if exercised on or before June 26, 2020. During the year ended December 31, 2020, the Company issued a total of 21,363,055 common shares, which included 1,266,055 bonus shares under the warrant acceleration bonus program, pursuant to the exercise of 20,097,000 warrants at $0.10 per share for total proceeds of $2,009,700.

(e) As at December 31, 2020, the Company received share subscriptions of $2,035,964 related to a subsequent private placement (Note 18).

Share Issuances for the Year Ended December 31, 2019:

(a) On March 26, 2019, Company completed the first tranche of its private placement for gross proceeds of $335,000, consisting of 6,700,000 units at $0.05 per unit. Each unit consists of one common share and one share purchase warrant exercisable at $0.10 per share for a period of 2 years. The proceeds were allocated between the common shares ($241,098) and warrants ($93,902) based on their relative fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.59%, no expected dividends or forfeiture rate, volatility of 114% and an expected life of 2 years. A finder's fee of $9,450 was paid with respect to this tranche.

(b) On May 9, 2019, Company completed the second tranche of its private placement for gross proceeds of $247,975, consisting of 4,959,500 units at $0.05 per unit. Each unit consists of one common share and one share purchase warrant exercisable at $0.10 per share for a period of 2 years. The proceeds were allocated between the common shares ($179,128) and warrants ($68,847) based on their relative fair values. A finder's fee of $21,248 cash and 284,950 finders' warrants with a fair value of $5,275 was paid with respect to this tranche. The fair value of the warrants and finders' warrants was calculated using the Black-Scholes option pricing model assuming the following weighted average assumptions: a risk-free rate of 1.58%, no expected dividends or forfeiture rate, volatility of 113% and an expected life of 2 years.

(Expressed in Canadian dollars)

10. Share Capital (continued)

(c) On November 28, 2019 the Company completed the third and final tranche of its private placement for gross proceeds of $707,500, consisting of 14,150,000 units at $0.05 per unit. Each unit consists of one common share and one share purchase warrant exercisable at $0.10 per share for a period of 2 years. The proceeds were allocated between the common shares ($524,036) and warrants ($183,464) based on their relative fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.63%, no expected dividends or forfeiture rate, volatility of 107% and an expected life of 2 years.

(d) During the year ended December 31, 2019, the Company completed a 2 old for 1 new share consolidation. All share numbers in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

11. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2018	21,105,462	0.50
Issued	26,094,450	0.10
Balance, December 31, 2019	47,199,912	0.36
Issued	17,391,962	0.23
Exercised	(20,097,000)	0.10
Expired	(11,601,862)	0.50
Balance, December 31, 2020	32,893,012	0.29

As at December 31, 2020, the following share purchase warrants were outstanding:

Expiry date	Exercise price $	Warrants outstanding	Remaining life (years)
March 25, 2021*	0.10	1,000,000	0.23
May 8, 2021	0.10	1,997,450	0.35
November 9, 2021	0.50	4,075,000	0.86
November 27, 2021	0.10	3,000,000	0.91
January 18, 2022	0.50	5,428,600	1.05
August 5, 2022	0.25	12,673,251	1.59
August 11, 2022	0.25	968,711	1.61
November 30, 2025	0.18	3,750,000	4.92
		32,893,012	1.61

* exercised subsequently

12. Stock Options

The Company has established a stock option plan (“Plan”) whereby the Company’s Board may from time-to-time grant stock options to employees and non-employees. The Plan is a 10% rolling stock option plan in accordance with the policies of the TSXV pursuant to which the number of Shares issuable under the plan shall not exceed, on a rolling basis, 10% of the Company’s issued and outstanding shares at the time of grant.

(Expressed in Canadian dollars)

12. Stock Options (continued)

The number of Shares subject to each option is determined by the Board, or if appointed, by a special committee of directors appointed from time to time by the Board, provided, at the time the options are granted, that:

a) the number of Shares subject to option, in the aggregate, shall not exceed 10% of the Company's then issued shares;
b) no more than 5% of the issued Shares of the Company may be granted to any one optionee in any 12-month period (unless the Company has obtained "disinterested" shareholder approval);
c) no more than 2% of the issued Shares of the Company may be granted to any one consultant in any 12-month period;
d) no more than an aggregate of 2% of the issued Shares of the Company may be granted to persons employed to provide "investor relations activities" in any 12-month period; and
e) The options shall be subject to such vesting requirements as determined by the Board provided that options granted to consultants performing "investor relations activities" must vest in stages over at least 12 months with no more than 1/4 of the options vesting in any three month period.

The exercise price of the options cannot be set at less than the last closing price of the Company's Shares on the stock exchange on which the Shares of the Company are then listed before the date on which the options are granted by the Company, less the maximum allowable discount from market as may be permitted under the policies of such exchange, if any, or such other minimum exercise price as may be required by such exchange. The options may be exercisable for a period of up to 10 years.

A continuity schedule of the incentive stock options is as follows:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2018, and 2019	3,462,500	0.24
Granted	5,075,000	0.17
Expired	(2,125,000)	0.28
Outstanding, December 31, 2020	6,412,500	0.19
Exercisable, December 31, 2020	3,979,167	0.17

Additional information regarding stock options outstanding as at December 31, 2020 is as follows:

Expiry date	Range of exercise prices $	Number of options outstanding	Remaining life (years)
August 18, 2022	0.40	262,500	1.63
March 30, 2023	0.075	2,700,000	2.24
May 31, 2023	0.10	150,000	2.41
June 27, 2023	0.20	1,075,000	2.49
October 12, 2023	0.30	2,225,000	2.78
		6,412,500	

(Expressed in Canadian dollars)

12. Stock Options (continued)

During the year ended December 31, 2020, the Company recorded share-based compensation expense of $522,654 (2019 - $12,497) in equity reserves, of which $198,499 (2019 - $4,833) pertains to directors and officers of the Company. The weighted average fair value of stock options granted during the year ended December 31, 2020, was $0.16 (2019 - $nil) per share. The fair values of options granted during the year was estimated on the date of grant using the Black-Scholes option pricing model assuming no expected dividends and with the following weighted-average assumptions:

	2020	2019
Risk-free interest rate	0.33%	N/A
Estimated annualized volatility	158.5%	N/A
Expected life (years)	2.86	N/A
Expected dividend yield	Nil	N/A

At December 31, 2020, there was $269,840 (2019 - $nil) of unrecognized share-based compensation related to unvested stock options.

13. Segmented Information

The Company is primarily engaged in mineral exploration in British Columbia, Canada and Guanajuato, Mexico. The Company operates the mineral exploration of its properties in Mexico through its 100% owned subsidiaries, Obras and CanMex.

	December 31, 2020		
	Canada $	Mexico $	Total $
Property, plant and equipment	1,987	207,273	209,260
Advance receivable	251,408	–	251,408
Deposit	638,750	–	638,750
Exploration and evaluation assets	–	3,440,135	3,440,135
Total non-current assets	892,145	3,647,408	4,539,553

	December 31, 2019		
	Canada $	Mexico $	Total $
Property, plant and equipment	1,220	1,962	3,182
Advance receivable	251,408	–	251,408
Exploration and evaluation assets	–	1,539,490	1,539,490
Total non-current assets	252,628	1,541,452	1,794,080

14. Fair Value Measurement

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

14. Fair Value Measurement (continued)

The carrying value of cash and cash equivalents is measured at fair value using level 1 inputs as the basis for measurement in the fair value hierarchy. The carrying value of amounts receivable, advance receivable, deposit, and accounts payable and accrued liabilities, all of which are carried at amortized cost, approximate their fair value given their nature.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, currency risk, liquidity risk, and market price risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, advance receivable and deposit. The Company deposits its cash and cash equivalents with high credit quality major Canadian and Mexican financial institutions as determined by ratings agencies. The advance receivable is due upon an event which has not yet occurred, and the deposit will be applied as part of the purchase price towards as subsequent transaction. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of December 31, 2020, the Company had cash and cash equivalents of $5,321,927 to settle current liabilities of $255,342. Subsequent to December 31, 2020, the Company completed a private placement of shares for gross proceeds of $16,950,000 (Note 18).

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in a bank account at a Canadian bank. Fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2020.

The Company's interest rate risk principally arises from the interest rate impact on interest charged on its loan payable. The Company's loan payable is subject to a fixed interest rate thus any change in external interest rates would not result in a significant impact on the Company's net loss.

Foreign Currency Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company operates in Canada and Mexico, but has the majority of its cash and equivalents held in Canada in Canadian dollars. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. As at December 31, 2020, the Company is exposed to currency risk as some transactions and balances are denominated in Mexican Pesos, as well as United States dollars. As at December 31, 2020, a 10% change of the Canadian dollar relative to the Mexican Peso would have net financial impact of approximately $27,000 (2019 - $600) and a 10% change of the Canadian dollar relative to US dollar would have net financial impact of approximately $69,000 (2019 - $1,250). The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

14. Fair Value Measurement (continued)

Price Risk

The Company is exposed to price risk with respect to equity and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. Management of Capital

The Company considers its capital to consist of its share capital, equity reserves and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of exploration and evaluation assets. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits;
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

The properties in which the Company currently holds an interest in are in the exploration stage and the Company is dependent on external financing to fund its activities in order to carry out planned exploration and pay for administrative costs. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In addition, the Company may issue new equity, incur additional debt, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the year ended December 31, 2020, compared to the year ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

16. Commitments and Contingent Liabilities

(a) During the year ended December 31, 2014, the Company negotiated debt settlements with two creditors. An agreement was reached to settle payables of $282,007 with the two creditors for a total of $70,501, resulting in a gain on settlement of payables of $211,506. During the year ended December 31, 2019, the Company negotiated to settle $49,867 of the above amount with the first lender for a total payment of $20,000 resulting in a gain on settlement of $29,867. During the year ended December 31, 2020, the Company completed a private placement of more than $2,500,000 and made the required payment of $20,634 owed under the agreement to the second vendors. As a result, at December 31, 2020, the Company has fulfilled all obligations under the debt settlement agreements.

(Expressed in Canadian dollars)

16. Commitments and Contingent Liabilities (continued)

(b) During the year ended December 31, 2019, the Company received a letter of claim whereby an investor who took part in a private placement of the Company claims the right of restitution of up to $119,000 claiming that he had entered into an agreement with the Company whereby if the Company issued a private placement at a lower price, he would have a right of restitution. During the year ended December 31, 2020, the Company reached an agreement and paid a total of $30,000 as settlement of the claim. Upon payment, the Company was released of all and any claims by the investor.

17. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020 $	2019 $
Statutory enacted rates in Canada	27.00%	27.00%
Expected tax recovery at statutory rate	(594,000)	(138,000)
Adjustments:		
Non-deductible items and other	106,000	(60,000)
Foreign tax rate differences	(21,000)	(3,000)
Change in unrecognized deductible temporary differences	509,000	201,000
Income tax recovery	–	–

The significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	December 31, 2020 $	Expiry date range	December 31, 2019 $	Expiry date range
Share issue costs	160,000	2021 to 2026	84,000	2021 to 2025
Non-capital loss carry forwards	12,999,000	2027 to 2040	11,322,000	2027 to 2039
Exploration and evaluation and oil and gas assets	15,617,000	No Expiry	15,566,000	No Expiry
Equipment	10,000	No Expiry	6,000	No Expiry
Marketable securities	166,000	No Expiry	166,000	No Expiry

Tax attributes are subject to review, and potential adjustment, by tax authorities.

18. Subsequent Events

(a) On January 4, 2021, the Company granted incentive stock options to a financial consultant entitling them to purchase 150,000 common shares at a price of $0.30 per share for a period of 3 years. The stock options vest 33% on grant, 33% on July 4, 2021, and 33% on January 4, 2022.

(b) On February 6, 2021, the Company granted incentive stock options to a consultant entitling them to purchase 150,000 common shares at a price of $0.30 per share for a period of 3 years. The stock options vest 33% on grant, 33% on August 6, 2021, and 33% on February 6, 2022.

(c) On February 17, 2021, the Company granted incentive stock options to an investor relations firm entitling them to purchase 150,000 common shares at a price of $0.30 per share for a period of 3 years. The stock options vest 25% on grant, 25% on June 17, 2021, 25% on October 17, 2021, and 25% on February 17, 2022.

(d) On March 9, 2021, the Company incorporated a subsidiary, Compania Minera Nivel 7, S.A. de C.V., under the laws of Mexico.

18. Subsequent Events (continued)

(e) On March 11, 2021, the Company completed a private placement for gross proceeds of $16,950,000, consisting of 56,500,000 units at $0.30 per unit. Each unit consists of one common share and one half of a share purchase warrant, with each whole warrant being exercisable at $0.45 per share for a period of 3 years. In connection with the private placement, the Company paid $395,152, issued 518,139 common shares and issued 1,648,669 warrants as finders' fees. The warrants issued as finders' fees have the same terms as the warrants issued under the private placements.

(f) On March 16, 2021, the Company signed a definitive asset purchase agreement with Endeavour to acquire the El Cubo Complex, finalizing the binding letter agreement entered into December 18, 2020 (Note 7). On April 9, 2021, the Company closed the acquisition of the El Cubo Complex and paid US$7,000,000, plus value-added tax, and issued 21,331,058 common shares of the Company and a US$2,500,000 promissory note with a term of 12 months to Endeavour.

(g) On March 24, 2021, the Company granted incentive stock options to directors, consultants and an officer of the Company entitling them to purchase 6,100,000 common shares at $0.51 per share for a period of 5 years. The stock options vest 33% on grant, 33% on March 24, 2022, and 33% on March 24, 2023.

(h) On March 24, 2021, the Company granted incentive stock options to an investor relations firm entitling them to purchase 350,000 common shares at a price of $0.51 per share for a period of 5 years. The stock options vest 25% on grant, 25% on July 24, 2021, 25% on November 24, 2021, and 25% on March 24, 2022.

(i) Subsequent to December 31, 2020, the Company issued 5,826,790 common shares on exercise of warrants for total proceeds of $1,158,705.

(j) Subsequent to December 31, 2020, the Company issued 771,667 common shares on exercise of options for total proceeds of $110,875.

(k) Subsequent to December 31, 2020, the Company paid $325,000 to EMBSA pursuant to an option agreement to acquire royalties on its El Pinguico property (Note 5).

(l) Subsequent to December 31, 2020, the Company exercised its option to purchase land pursuant to a Land Use Agreement encompassing 89.6 hectares for $21,680 (Note 5).