METALLUM RESOURCES INC

FINANCIAL REVIEW

Fiscal Year Ended December 31, 2020

METALLUM RESOURCES INC

(formerly CROPS Inc.)

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF METALLUM RESOURCES INC. (FORMERLY CROPS INC.)

Opinion

We have audited the consolidated financial statements of Metallum Resources Inc. and its' subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the 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 ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has accumulated losses of $48,690,995 since inception. As stated in Note 1, this condition, 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 information included in the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our 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 audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Herve Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2021

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

METALLUM RESOURCES INC. (formerly CROPS INC.)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

As at:	2020	2019
ASSETS		
Current assets		
Cash	$ 20,801	$ 32,423
Taxes receivable	20,858	204,455
Other receivables (Note 15)	-	91,407
Prepaid expenses and deposits (Note 15)	10,895	52,454
	52,554	380,739
Non-current assets		
Long-term deposits (Note 15)	61,000	61,000
Property and equipment (Note 7)	535	14,027
Deferred acquisition costs (Note 9)	329,410	-
	390,945	75,027
TOTAL ASSETS	**$ 443,499**	**$ 455,766**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	$ 1,272,453	$ 1,023,858
Convertible debenture interest payable (Note 11)	651,846	325,477
Convertible debentures – liability component (Note 11)	4,388,595	-
Convertible debentures – derivative liability (Note 11)	169,949	-
	6,482,843	1,349,335
Non-current liabilities		
Long-term payable (Note 15)	272,002	-
Convertible debentures – liability component (Note 11)	-	4,140,175
Convertible debentures – derivative liability (Note 11)	-	52,321
Asset retirement obligation (Note 12)	-	59,775
Total liabilities	6,754,845	5,601,606
Shareholders' equity (deficiency)		
Share capital (Note 13)	38,704,356	38,704,356
Obligation to issue shares (Note 11)	261,891	211,754
Other equity reserve (Note 13)	3,265,301	3,265,301
Accumulated other comprehensive income	148,101	154,917
Deficit	(48,690,995)	(47,543,207)
Deficiency attributed to shareholders of the Company	(6,311,346)	(5,206,879)
Non-controlling interest (Note 5)	-	61,039
Total shareholders' deficiency	(6,311,346)	(5,145,840)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**$ 443,499**	**$ 455,766**

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

"Kerem Usenmez" , Director *"Simon Ridgway"* , Director
Kerem Usenmez Simon Ridgway

See accompanying notes to these consolidated financial statements

METALLUM RESOURCES INC. (formerly CROPS INC.)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF LOSS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Gypsum Revenue (Note 15)	$ -	$ 536,968
Gypsum Production Costs (Note 15)	(129,400)	(855,207)
	(129,400)	(318,239)
Phosphate Exploration Expenditures (Note 10)	(40,463)	(420,750)
General and Administrative Expenses		
Accounting and legal	65,731	60,398
Amortization (Note 7)	7,465	7,186
Consulting fees (Note 15)	24,000	-
Finance expense (Note 11)	624,926	589,925
Interest and bank charges	3,923	2,535
Management fees (Note 15)	40,000	42,000
Office and miscellaneous (Note 15)	21,731	42,488
Regulatory and stock exchange fees (Note 15)	12,926	10,627
Rent and utilities (Note 15)	19,390	17,063
Salaries and benefits (Note 15)	46,321	52,889
Shareholder communication (Note 15)	5,570	40,655
Travel and accommodation (Note 15)	4,679	2,203
	(876,662)	(867,969)
Loss from operations	(1,046,525)	(1,606,958)
Interest and other income	-	26
Foreign exchange gain (loss)	30,703	(30,001)
Fair value adjustment on derivative liability (Note 11)	(117,628)	469,902
Loss on disposal of equipment	(1,084)	-
Loss on disposal of subsidiary (Note 5)	(55,883)	-
Gain on sales tax reassessment (Note 5)	-	667,817
Write-off of inventory	-	(232,196)
Write-off of exploration and evaluation assets (Note 9)	-	(9,677,404)
Gain on change in estimate of long-term debt (Note 11)	-	163,725
Asset retirement obligation accretion (Note 12)	-	(1,200)
Recovery of accounts payables and accrued liabilities	-	10,000
Loss before income taxes	(1,190,417)	(10,236,289)
Deferred income tax recovery	-	2,862,897
Net loss	**$ (1,190,417)**	**$ (7,373,392)**
Loss attributable to:		
Equity shareholders of the Company	$ (1,147,788)	$ (5,428,867)
Non-controlling interest (Note 5)	(42,629)	(1,944,525)
	$ (1,190,417)	$ (7,373,392)
Loss per share attributable to equity shareholders of the Company		
- basic and diluted	$(0.16)	$(0.78)
Weighted average number of shares outstanding		
- basic and diluted	6,989,073	6,936,991

See accompanying notes to these consolidated financial statements

METALLUM RESOURCES INC. (formerly CROPS INC.)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Net loss	$ (1,190,417)	$ (7,373,392)
Other comprehensive income:		
Currency translation adjustment of foreign operation	(25,226)	(211,764)
Total comprehensive loss	$ (1,215,643)	$ (7,585,156)
Comprehensive loss attributable to:		
Equity shareholders of the Company	$ (1,154,604)	$ (5,577,102)
Non-controlling interest (Note 5)	(61,039)	(2,008,054)
	$ (1,215,643)	$ (7,585,156)

See accompanying notes to these consolidated financial statements

METALLUM RESOURCES INC. (formerly CROPS INC.)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

		Equity attributed to shareholders of the Company								
	Number of common shares	**Share capital**	**Obligation to issue shares**	**Share subscriptions received (receivable)**	**Other equity reserve**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**	**Non-controlling interest**	**Total**
Balance, December 31, 2018	5,871,073	$ 38,317,051	$ 161,754	$ 459,000	$ 3,097,601	$ 303,152	$ (42,114,340)	$ 224,218	$ 2,689,631	$ 2,913,849
Loss for the year	-	-	-	-	-	-	(5,428,867)	(5,428,867)	(1,944,525)	(7,373,392)
Shares issued for private placement	1,118,000	391,300	-	(459,000)	167,700	-	-	100,000	-	100,000
Obligation to issue shares	-	-	50,000	-	-	-	-	50,000	-	50,000
Share issuance costs	-	(3,995)	-	-	-	-	-	(3,995)	-	(3,995)
Equity returned to non-controlling interest	-	-	-	-	-	-	-	-	(620,538)	(620,538)
Currency translation adjustment	-	-	-	-	-	(148,235)	-	(148,235)	(63,529)	(211,764)
Balance, December 31, 2019	6,989,073	38,704,356	211,754	-	3,265,301	154,917	(47,543,207)	(5,206,879)	61,039	(5,145,840)
Loss for the year	-	-	-	-	-	-	(1,147,788)	(1,147,788)	(42,629)	(1,190,417)
Obligation to issue shares	-	-	50,137	-	-	-	-	50,137	-	50,137
Currency translation adjustment	-	-	-	-	-	(6,816)	-	(6,816)	(18,410)	(25,226)
Balance, December 31, 2020	**6,989,073**	**$ 38,704,356**	**$ 261,891**	**$ -**	**$ 3,265,301**	**$ 148,101**	**$ (48,690,995)**	**$ (6,311,346)**	**$ -**	**$ (6,311,346)**

See accompanying notes to these consolidated financial statements

METALLUM RESOURCES INC. (formerly CROPS INC.)
(An Exploration Stage Company)
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	$ (1,190,417)	$ (7,373,392)
Items not involving cash:		
Amortization	7,465	7,186
Accretion of asset retirement obligation	-	1,200
Finance expense	624,926	589,926
Unrealized foreign exchange loss	(6,271)	(20,535)
Fair value adjustment on derivative liability	117,628	(469,902)
Loss on disposal of equipment	1,084	-
Loss on disposal of subsidiary	55,883	-
Gain on change in estimate of long-term debt	-	(163,725)
Gain on sales tax reassessment	-	(620,538)
Recovery of accounts payable and accrued liabilities	-	(10,000)
Deferred income tax recovery	-	(2,862,897)
Write-off of exploration and evaluation asset	-	9,677,404
Write-off of inventory	-	232,196
	(389,702)	(1,013,077)
Changes in non-cash working capital items:		
Taxes receivable	134,152	15,874
Prepaid expenses and deposits	(6,607)	42,746
Other receivables	74,031	(34,651)
Inventory	-	330,505
Accounts payable and accrued liabilities	517,355	533,698
Net cash provided by (used in) operating activities	329,229	(124,905)
FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	-	100,000
Share issuance costs	-	(3,995)
Net cash provided by financing activities	-	96,005
INVESTING ACTIVITIES		
Proceeds from disposal of equipment	3,261	-
Deferred mineral property acquisition costs	(329,410)	-
Net cash used in investing activities	(326,149)	-
Effect of change in foreign currency	(14,702)	(16,306)
Decrease in cash	(11,622)	(45,206)
Cash, beginning of year	32,423	77,629
Cash, end of year	**$ 20,801**	**$ 32,423**

Supplemental disclosure with respect to cash flows (Note 18)

See accompanying notes to these consolidated financial statements

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

CROPS Inc. (the "Company") was incorporated in British Columbia on April 30, 1993 and continued to the Yukon Territory on April 23, 2018. Its common shares are publicly traded on the TSX Venture Exchange ("TSX-V").

Subsequent to December 31, 2020, in conjunction with a mineral property acquisition (Note 9), the Company completed the following:

i) continued from the Yukon Territory to British Columbia;
ii) changed its name to Metallum Resources Inc.;
iii) changed its trading symbol on the TSX-V to "MZN"; and
iv) completed a consolidation of the issued shares, warrants and stock options outstanding at March 30, 2021 on a one new for ten old basis. As a result, the Company's issued shares as at December 31, 2020 were reduced to 6,989,073. All references to common shares, warrants, stock options, and per share amounts in these consolidated financial statements have been updated to reflect the share consolidation.

The Company is engaged in the acquisition and exploration of mineral properties. The Company's corporate office and principal place of business is #650 – 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2020, the Company had not yet achieved profitable operations, has accumulated losses of $48,690,995 since inception, and is expected to incur further losses in the development of its business, and has a working capital deficiency of $6,430,289, all of which raises significant doubt about its ability to continue as a going concern. The Company will periodically have to raise additional financing in order to acquire and conduct work programs on mineral properties and meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. In April 2021, in conjunction with the mineral property acquisition (Note 9), the Company raised gross proceeds of $3,300,000 as part of two private placements.

At the time these consolidated financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing at the properties, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease.

2. BASIS OF PREPARATION

Statement of Compliance

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

2. BASIS OF PREPARATION – cont'd

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are stated at their fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars ("CDN").

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiaries. A subsidiary is an entity in which the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's principal subsidiary at December 31, 2020 is as follows:

Name	Place of incorporation	Ownership %	Principal activity
Agrifos Peru S.A.C.	Peru	100%	Exploration company

b) Non-Controlling Interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Total comprehensive loss of the Company's subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. For the years ended December 31, 2020 and 2019, 30% of the results of operations of the Company's formerly held subsidiary, Juan Paulo Quay S.A.C. ("JPQ"), were attributable to its non-controlling interest.

If a change in ownership interest of a subsidiary occurs and the parent company retains control, the transaction is accounted for as a transaction with equity holders in their capacity as equity holders. No gain or loss is recognized in profit or loss; instead it is recognized in equity. In addition, no change in the carrying amounts of assets (including goodwill) or liabilities is recognized.

The Company adjusts the non-controlling interest by attributing a proportionate amount of the subsidiaries net identifiable assets (excluding goodwill). The Company also adjusts other comprehensive loss to reflect the new ownership interest. These adjustments are also recognized in equity. Pursuant to the disposition of JPQ, the Company has no continuing non-controlling interests (Note 5).

3. SIGNIFICANT ACCOUNTING POLICIES – cont'd

c) Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the reporting date with exchange differences on monetary items being recognized in profit or loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. For the Company and its subsidiary Agrifos Peru S.A.C., the functional currency is the Canadian dollar. For JPQ, the functional currency was the Peruvian Sol. For the purposes of presenting consolidated financial statements, the assets and liabilities of JPQ's operations were translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items were translated at the average exchange rates for period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions were used. Exchange differences arising, if any, were recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

d) Earning / Loss per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

e) Income Taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for those taxable temporary differences arising on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES – cont'd

f) Property, Equipment and Amortization

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not amortized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

Amortization

Amortization is recognized in profit or loss to amortize property and equipment over their estimated useful lives using the following methods:

Vehicles	5 year straight-line
Computer equipment	30% declining balance and 5 year straight-line
Furniture and equipment	20% declining balance and 10 year straight-line
Leasehold improvements	7 - 8 years straight-line

g) Mineral Interests

Mineral interests include interests in producing mining properties and related plant and equipment. Producing mining interests are carried at cost less accumulated depletion and amortization and accumulated impairment losses. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

h) Exploration and Evaluation Assets and Expenditures

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, at the earlier of the date the counterparty's performance is complete or the share issuance date. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. On transfer to mineral properties, capitalized exploration and evaluation assets are assessed for impairment. Proceeds from the sale of minerals recovered during the exploration stage are recorded when title to the minerals passes, the proceeds are reasonably determinable and the collectability is assured.

3. SIGNIFICANT ACCOUNTING POLICIES – cont'd

h) Exploration and Evaluation Assets and Expenditures – cont'd

Where the Company has entered into option agreements to acquire interests in exploration and evaluation assets that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are recorded as exploration and evaluation assets when the payments are made or received and the share issuances are recorded as exploration and evaluation assets using the fair market value of the Company's common shares at the earlier of the date the counterparty's performance is complete or the share issuance date. Property interests granted to others under an option agreement where payments to be made to the Company are at the sole discretion of the optionee, and payments to the Company resulting from royalty interests sold to others under a royalty agreement are recorded as recoveries against the acquisition costs at the time of receipt. Any excess recoveries are recorded as income when they are received.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals would be when the actual environmental disturbance occurs.

The Company is in the process of exploring and developing its exploration and evaluation assets and has not yet determined the amount of reserves available. Management reviews the carrying value of exploration and evaluation assets on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company will test the asset for impairment based upon a variety of factors, including current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the asset or from the sale of the asset. Amounts shown for exploration and evaluation assets represent costs incurred to date, net of write-downs and recoveries, and are not intended to represent present or future values.

3. SIGNIFICANT ACCOUNTING POLICIES – cont'd

i) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets and mineral interests where goodwill has been allocated are to be tested for impairment annually, otherwise are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

j) Provisions

Rehabilitation Provision

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reliable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

k) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "Unit"), and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The fair value of the Units components sold is measured using the residual value approach.

3. SIGNIFICANT ACCOUNTING POLICIES – cont'd

l) Share-based Payments

Where equity-settled share options are awarded to employees, or others providing similar services, the fair value of the options at the date of grant is charged to the profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received profit or loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in other equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Financial Instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES – cont'd

m) Financial Instruments – cont'd

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company and operating advances provided to the Company prior to the end of the period which are unpaid. Accounts payable and accrued liability amounts related to goods and services provided are unsecured and are usually paid within forty-five days of recognition. Operating advances made to the Company are unsecured and due on demand.

The Company has made the following designations of its financial instruments:

Cash	FVTPL
Receivables	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debenture interest payable	Amortized cost
Convertible debentures – liability component	Amortized cost
Long-term payable	Amortized cost
Convertible debentures – derivative liability	FVTPL

3. SIGNIFICANT ACCOUNTING POLICIES – cont'd

n) Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debentures in Canadian dollars that can be converted to common shares at the option of the holder. The convertible debenture is allocated into corresponding debenture and derivative liability components at the date of issue. The liability component is initially recognized at the difference between the fair value of the convertible debenture as a whole and the fair value of derivative liability, using the Black-Scholes option pricing method. The liability component is subsequently accreted to the face value of the liability portion of the convertible debenture at the effective interest rate. The derivative liability is re-measured at fair value at each reporting period.

o) Value Added Taxes

The Company incurred value added tax (VAT) in Peru and Canada. An amount equal to the expected amount refundable has been recorded as Taxes Receivable except for certain operations in Peru where the collection of VAT payments is uncertain, and therefore has been expensed and included in Exploration Expenditures.

p) Revenue Recognition

The Company earns revenues from contracts with customers related to the sale of gypsum. Revenue is recognized when the customer obtains control of the gypsum and the Company has satisfied its performance obligation which is generally when the product is delivered to the customer. The Company considers the terms of the contract which determines the transaction price and the probability that the customer will be able to pay based on terms stipulated in the contract. The transaction price of a contract is allocated to each performance obligation based on its stand-alone selling price.

q) Standards, Amendments and Interpretations Not Yet Effective

The Company will be required to adopt the following standards and amendments issued by the IASB as described below.

IFRS 17 Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

Effective for the Company's annual period beginning January 1, 2021. The Company has assessed that the impact of IFRS 17 on its consolidated financial statements would not be significant.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The effect of a change in an accounting estimate is recognized prospectively by including it in loss and comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

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

b) Judgment is required in the determination that the Company will continue as a going concern for the next year (Note 1).

c) Judgment is required in the determination of preliminary expenditures that are considered deferred acquisition costs towards an eventual exploration and evaluation asset acquisition (Note 9).

d) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

   Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

e) The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

f) Judgment is applied in determining whether disposal groups represent a component of the entity, the results of which should be recorded as discontinued operations in the consolidated statements of operations and comprehensive loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – cont'd

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The Company may be subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business and on dispositions of mineral property or interests therein, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events, and interpretation of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

b) The fair value of the derivative liability is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the conversion feature, expected volatility, expected life of the derivative, expected dividends and the risk-free rate. Changes in the input assumptions could affect the liability and derivative liability components recognized in the consolidated statements of financial position and the accretion expense and fair value change recognized in profit or loss.

5. NON-CONTROLLING INTEREST

JPQ, a 70% owned subsidiary of the Company, which was disposed of during the year ended December 31, 2020, had material non-controlling interests ("NCI") in the Company. JPQ was the titleholder of the Bayovar 12 phosphate mining concession (the "Bayovar 12 Project") located in Northern Peru.

During the 2019 fiscal year, a $667,817 gain on sales tax reassessment was recorded and the amount entirely allocated to the NCI as they funded the original sales tax assessment. Of this gain, $620,538 was returned to the NCI and recorded as a return of contributed equity.

During the year ended December 31, 2020, JPQ relinquished its interest in the Bayovar 12 Project and the Company disposed of JPQ (Note 9) and recorded a loss on the disposition of $55,883.

5. NON-CONTROLLING INTEREST – cont'd

Summarized financial information in relation to JPQ, before intra-group eliminations, is presented below together with amounts attributed to NCI:

Year ended		2020		2019
Revenue and other income	$	-	$	536,968
Gypsum production expenses		(129,400)		(855,207)
Amortization		(2,963)		(3,289)
Foreign exchange loss		(8,651)		(5,515)
Loss on disposal of equipment		(1,084)		-
Gain from sales tax reassessment		-		667,817
Write-down of inventory		-		(232,196)
Write-down of mineral interest		-		(10,893,788)
Loss before tax		(142,098)		(10,785,210)
Deferred income tax recovery		-		2,862,897
Net loss after tax	$	(142,098)	$	(7,922,313)
Loss allocated to NCI	$	(42,629)	$	(1,944,525)
Other comprehensive income allocated to NCI:				
Currency translation adjustment		(18,410)		(63,529)
Total comprehensive loss allocated to NCI	$	(61,039)	$	(2,008,054)
Dividends paid to NCI	$	-	$	-
Cash flows from operating activities	$	(138,051)	$	344,063
Cash flows from investing activities		-		-
Cash flows from financing activities		11,733		(470,872)
Net cash outflows	$	(126,318)	$	(126,809)

As at December 31		2020		2019
Current assets	$	-	$	334,887
Non-current assets		-		8,650
		-		343,537
Current liabilities		-		(80,299)
Non-current liabilities		-		(59,775)
		-		(140,074)
Net assets	$	-	$	203,463
Non-controlling interests at 30%	$	-	$	61,039
Non-controlling interest non-reciprocal contribution		-		-
Accumulated non-controlling interests	$	-	$	61,039

6. GYPSUM PRODUCTION AND INVENTORY

Gypsum was produced on the Bayovar 12 Project in compliance with the requirements of the Peru mining authority for maintaining the Bayovar 12 concession in good standing, with minimum production set at 80,000 tonnes for each twelve-month period ended June 30th. In early 2019, the Bayovar 12 Project region experienced heavy rainfall resulting in flooding which impacted the Company's ability to access the property and perform extraction activities. As a result, JPQ was unable to meet the minimum production requirements for the twelve-month period ended June 30, 2019. Management of the Company was in discussions with the mining authority regarding the annual minimum production requirements until such time that the Company decided to relinquish the Bayovar 12 Project during the year ended December 31, 2020 (Note 9).

During the year ended December 31, 2020, there was no gypsum sold or produced and JPQ donated its remaining 118,679 tonnes of gypsum inventory to the Fundacion Comunal San Martin de Sechura in Peru for $Nil proceeds. The $232,196 carrying cost of the inventory was written down to its net recoverable value of $Nil during the 2019 fiscal year.

During the 2019 fiscal year, Company sold 59,105 tonnes of gypsum for gross proceeds of $536,968 and produced 4,125 tonnes of gypsum.

7. PROPERTY AND EQUIPMENT

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost					
Balance, December 31, 2018	$ 45,185	$ 35,913	$ 30,536	$ 19,060	$ 130,694
Additions	-	-	-	-	-
Balance, December 31, 2019	45,185	35,913	30,536	19,060	130,694
Disposals	-	(744)	(949)	-	(1,693)
Balance, December 31, 2020	**$ 45,185**	**$ 35,169**	**$ 29,587**	**$ 19,060**	**$ 129,001**
Accumulated amortization					
Balance, December 31, 2018	$ 35,844	$ 33,104	$ 23,648	$ 16,885	$ 109,481
Charge for year	2,656	822	1,533	2,175	7,186
Balance, December 31, 2019	38,500	33,926	25,181	19,060	116,667
Charge for year	2,351	708	4,406	-	7,465
Recaptured	4,334	-	-	-	4,334
Balance, December 31, 2020	**$ 45,185**	**$ 34,634**	**$ 29,587**	**$ 19,060**	**$ 128,466**
Carrying amounts					
At December 31, 2019	$ 6,685	$ 1,987	$ 5,355	$ -	$ 14,027
At December 31, 2020	**$ -**	**$ 535**	**$ -**	**$ -**	**$ 535**

8. GYPSUM MINERAL INTEREST

The Company's mineral interest was comprised of the gypsum mineral portion of the Bayovar 12 Project interest the Company acquired in 2015.

During the 2016 fiscal year, the carrying value of the mineral interest was determined to be impaired and as a result, written down to $Nil. During the year ended December 31, 2020, JPQ relinquished its interest in the Bayovar 12 Project (Note 9).

9. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs on mineral properties as at December 31, 2020:

		Bayovar
Balance, December 31, 2018	$	9,981,135
Cumulative translation adjustment		(303,731)
Write-off of exploration and evaluation asset		(9,677,404)
Balance, December 31, 2019		-
Balance, December 31, 2020	**$**	**-**

Bayovar 12 Project - Peru

During the year ended December 31, 2020, JPQ relinquished its interest in the Bayovar 12 Project. During the 2019 fiscal year, management determined there were indicators of impairment and wrote off the capitalized cost of $9,677,404 as at December 31, 2019 to its recoverable value of $Nil based on level 3 of the fair value hierarchy.

Superior Lake Zinc Project - Canada

On September 9, 2020, the Company entered into an agreement to purchase (the "Acquisition") 100% of the Superior Lake Zinc Project (the "Project") from Superior Lake Resources Limited ("Superior Lake") through the purchase of 100% of the common shares of its wholly-owned subsidiary, Pick Lake Mining Limited ("Pick Lake"), a company incorporated under the laws of Nova Scotia, which at closing will hold all of Superior Lake's interest in the Project.

The Acquisition was completed on April 1, 2021. In conjunction with the Acquisition, in addition to the corporate restructuring activities listed in Note 1, the Company conducted the following transactions:

- Settled in full the principal amount of its existing Secured and Unsecured debentures (Note 11), plus accrued interest, by issuing 20,960,789 post-consolidation common shares of the Company.
- Raised $2,700,000 via a private placement of 27,000,000 post-consolidation common shares at $0.10 per share and $600,000 via a flow-through private placement of 5,454,546 post-consolidation common shares at $0.11 per share (the "Financings").
- In consideration for the transfer to the Company of 100% of the issued shares of Pick Lake, which at closing held the rights to the Project:
  - issued 128,920,000 post-consolidation shares to Superior Lake;
  - made cash payments of $192,040 (AUD$200,000) and $525,000 to Superior Lake, in addition to an initial non-refundable amount of $25,000 which was paid to Superior Lake in 2020; and
  - assumed the rights and obligations of the underlying purchase and option agreements regarding the Pick Lake and Winston Lake deposits.
- Issued 3,200,000 post-consolidation shares as an advisory fee in connection with the Acquisition.

9. EXPLORATION AND EVALUATION ASSETS – cont'd

Upon completion of the foregoing transactions, the Company had 192,524,408 common shares issued and outstanding, of which Superior Lake owns approximately 67% but management and board control remains with the Company.

As at December 31, 2020, the Company has recorded $329,410 in deferred acquisition costs relating to the Acquisition.

10. PHOSPHATE PROPERTY EXPENDITURES

During the years ended December 31, 2020 and 2019, the Company incurred the following exploration expenditures relating to the Bayovar 12 Project which were expensed as incurred:

		2020		2019
Geological and other consulting (Note 15)	$	28,321	$	175,714
Office and administration		12,142		75,043
Salaries		-		159,876
Travel		-		8,355
Value added tax		-		1,762
Exploration expenditures	**$**	**40,463**	**$**	**420,750**

11. CONVERTIBLE DEBENTURES

		Debt liability component		Derivative liability component		Total
Balance, December 31, 2018	$	4,089,452	$	522,223	$	4,611,675
Fair value adjustment		-		(469,902)		(469,902)
Accretion of interest		(113,002)		-		(113,002)
Gain on change in estimate		163,725		-		163,725
Balance, December 31, 2019		4,140,175		52,321		4,192,496
Fair value adjustment		-		117,628		117,628
Accretion of interest		248,420		-		248,420
Balance, December 31, 2020	**$**	**4,388,595**	**$**	**169,949**	**$**	**4,558,544**

Secured Debentures

On August 23, 2018, the Company issued secured convertible debentures for the total principal sum of $4,068,466 and 2,542,791 share purchase warrants to Sprott Resource Lending Partnership and its affiliate ("Sprott") to repay in full the Loan (Note 12). The debentures had a term of three years, and were convertible, at the election of the holder, into common shares of the Company at the rate of $0.80 per share (for a maximum of 5,085,582 shares) if converted on or before August 23, 2019, or at the rate of $1.00 per share (for a maximum of 4,068,466 shares) if converted after August 23, 2019. The share purchase warrants were exercisable at a price of $0.80 per share for up to three years.

The debentures bore interest which to be paid quarterly in cash at the rate of 8% per annum or in common shares of the Company at the rate of 10% per annum.

The debentures issued to Sprott are secured by a first charge on all assets of the Company.

11. CONVERTIBLE DEBENTURES – cont'd

Secured Debentures – cont'd

For accounting purposes, the secured convertible debentures were hybrid financial instruments and were allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue. Due to the varying conversion prices of the debentures, the conversion feature is accounted for as a derivative liability. The Company used the fair value of the derivative liability and warrants issued using Black Scholes option pricing model and calculated the present value of the cash-flows, which consists of interest and principal payment, to calculate the total consideration paid for the debt component. The debt component is subsequently accreted to the face value of the debt portion of the convertible debenture at the effective interest rate of 14.7%. The derivative liability component is re-measured at fair value at each reporting period. Upon issuance of the secured debenture, the Company recorded a debt component of $3,604,004, a derivative component of $495,679, and warrant balance of $352,635.

During the year ended December 31, 2020, accretion of interest of $225,473 on the secured convertible debentures was charged to profit or loss and is included in finance expense (2019: $194,808).

During the year ended December 31, 2020, the Company accrued a liability of $326,369 pertaining to interest owing on the secured debentures (2019: $325,477).

During the 2019 fiscal year, the Company recorded a $163,725 gain on change of estimate of long-term debt as a result of changing the interest rate used in the calculation of interest accrued on the Secured Debentures from a rate of 10% for interest paid by the issuance of common shares to 8% for interest paid by cash.

Subsequent to December 31, 2020, the Company settled all debt related to the Secured Debentures (Note 9) and the share purchase warrants held by Sprott expired unexercised.

Unsecured Debentures

On August 30, 2018, the Company issued unsecured convertible debentures for total proceeds of $500,000 and a total of 312,500 share purchase warrants to a former director of the Company and to a company controlled by the Chief Executive Officer of the Company. The debentures had a term of three years, and were convertible, at the election of the holders, into common shares of the Company at the rate of $0.80 per share (for a maximum of 625,000 shares) if converted on or before August 30, 2019, or at the rate of $1.00 per share (for a maximum of 500,000 shares) if converted after August 30, 2019. The share purchase warrants are exercisable at a price of $0.80 per share for up to three years.

The debentures bore interest which is to be paid quarterly in common shares of the Company at the rate of 10% per annum.

For accounting purposes, the convertible debentures of $500,000 are hybrid financial instruments and were allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue. Due to the varying conversion prices of the debenture, the conversion feature is accounted for as a derivative liability. The Company used the residual value method, which allocated value first to the derivative component, based on the calculated fair value using the Black-Scholes option pricing model then to the debt component calculated at the present value of the cash-flows, which consists of interest and principal payment and then the residual to the warrants. The debt component is subsequently accreted to the face value of the debt portions of the convertible debentures at the effective interest rate of 15.5%. The derivative liability component is re-measured at fair value at each reporting period. Upon issuance of the unsecured debentures, the fair value was separated into a debt component of $439,119 and a derivative component of $60,881. No fair value was attributed to the warrants.

During the year ended December 31, 2020, accretion of $22,947 on the unsecured convertible debentures was charged to profit or loss and is included in finance expense (2019: $19,640).

11. CONVERTIBLE DEBENTURES – cont'd

Unsecured Debentures – cont'd

During the year ended December 31, 2020, the Company recorded $50,137 in obligation to issue common shares pertaining to the interest accrued on the unsecured debentures (2019: $50,000).

Subsequent to December 31, 2020, the Company settled all debt related to the unsecured debentures and the share purchase warrants held by the unsecured debenture holders expire unexercised (Note 9).

12. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation related to the restoration and rehabilitation of JPQ's gypsum mining operation. Although the ultimate amount of the asset retirement provision was uncertain, the fair value of this obligation was based on information then available, including closure plans and the Company's interpretation of current regulatory requirements.

The asset retirement obligation represented the present value of the restoration and rehabilitation costs relating to mining activities that had occurred to date. Over time, the discounted liability was increased for the changes in present value based on current market discount rates and liability specific risks. Due to the Company disposing of JPQ, the entity that owned an interest in the Bayovar 12 Project, during the year ended December 31, 2020, there are no rehabilitation expenditures expected to be incurred after December 31, 2020.

	December 31, 2020	December 31, 2019
Balance, beginning of year	$ 59,775	$ 79,109
Disposal of JPQ	(53,504)	-
Change in liability estimate	-	(15,953)
Accretion of interest	-	1,200
Foreign exchange adjustment	(6,271)	(4,581)
Balance, end of year	**$ -**	**$ 59,775**

As at December 31, 2020, the Company has determined that it has a rehabilitation provision of $Nil regarding its formerly held Bayovar 12 Project.

13. SHARE CAPITAL AND RESERVES

(a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

There was no share capital activity during the year ended December 31, 2020.

During the year ended December 31, 2019, the Company closed a private placement of 1,118,000 units at $0.50 per unit for gross proceeds of $559,000, of which $459,000 was received in the 2018 fiscal year. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for one year at a price of $0.50. The Company paid $250 cash as finders' fees in connection with the financing. Other share issuance costs associated with this financing totalled $3,745. Of the $559,000 gross proceeds of the private placement, $391,300 was recorded to share capital and $167,700 allocated to the warrants and recorded in other equity reserve.

13. SHARE CAPITAL AND RESERVES – cont'd

(b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2019 to December 31, 2020:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	5,877,445	$2.60
Issued	1,118,000	$0.50
Balance, December 31, 2019	6,995,445	$2.40
Expired	(1,584,800)	$2.71
Balance, December 31, 2020	**5,410,645**	**$2.31**

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

Expiry date	Number of warrants	Exercise price
August 23, 2021[(1)]	2,542,791	$0.80
August 30, 2021[(2)]	312,500	$0.80
March 22, 2022	2,555,354	$4.00
	5,410,645	

(1) The expiry date for these warrants may be accelerated to immediately upon the debentures issued on August 23, 2018 being repaid or converted in full. The warrants expired subsequently on April 1, 2021 upon the settlement of debentures.

(2) The expiry date for these warrants may be accelerated to immediately upon the debentures issued on August 30, 2018 being repaid or converted in full. The warrants expired subsequently on April 1, 2021 upon the settlement of debentures.

14. SHARE-BASED PAYMENTS

Option Plan Details

The Company has a stock option plan (the "Plan") which allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

The following is a summary of changes in options for the year ended December 31, 2020:

				During the year				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Expired / forfeited**	**Closing balance**	**Vested and exercisable**
Jun 29, 2011	Jun 28, 2021	$12.00	1,875	-	-	-	1,875	1,875
Jun 20, 2012	Jun 19, 2022	$8.40	32,625	-	-	(1,875)	30,750	30,750
Jul 11, 2012	Jul 10, 2022	$8.40	3,750	-	-	(1,250)	2,500	2,500
Dec 18, 2013	Dec 17, 2023	$8.80	56,500	-	-	(2,875)	53,625	53,625
Jan 15, 2014	Jan 14, 2024	$8.80	1,125	-	-	(1,125)	-	-
Jun 5, 2014	Jun 4, 2024	$10.40	375	-	-	(375)	-	-
			96,250	**-**	**-**	(7,500)	**88,750**	**88,750**
	Weighted average exercise price		**$8.70**	**-**	**-**	**$8.71**	**$8.72**	**$8.72**

The following is a summary of changes in options for the year ended December 31, 2019:

				During the year				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Expired**	**Closing balance**	**Vested and exercisable**
Jan 15, 2009	Jan 14, 2019	$7.60	18,000	-	-	(18,000)	-	-
Jun 29, 2011	Jun 28, 2021	$12.00	1,875	-	-	-	1,875	1,875
Jun 20, 2012	Jun 19, 2022	$8.40	32,625	-	-	-	32,625	32,625
Jul 11, 2012	Jul 10, 2022	$8.40	3,750	-	-	-	3,750	3,750
Dec 18, 2013	Dec 17, 2023	$8.80	56,500	-	-	-	56,500	56,500
Jan 15, 2014	Jan 14, 2024	$8.80	1,125	-	-	-	1,125	1,125
Jun 5, 2014	Jun 4, 2024	$10.40	375	-	-	-	375	375
			114,250	**-**	**-**	(18,000)	**96,250**	**96,250**
	Weighted average exercise price		**$8.50**	**-**	**-**	**$7.60**	**$8.70**	**$8.70**

Fair Value of Options Issued During the Period

There were no options granted during the years ended December 31, 2020 and 2019.

The weighted average remaining contractual life of the options outstanding at December 31, 2020 is 2.35 years (2019: 3.36 years).

15. RELATED PARTY TRANSACTIONS

The Company had transactions during the years ended December 31, 2020 and 2019 with related parties who consisted of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office, administrative, and personnel costs
Mill Street Services Ltd. ("Mill Street")	Management services
Puerto de Bayovar SAC ("Puerto de Bayovar")	Gypsum Sales

Related party transactions for the years ended December 31, 2020 and 2019, in addition to related party transactions disclosed elsewhere in the consolidated financial statements, comprise the following:

a) The Company reimbursed Gold Group, a company controlled by the Chairman of the Company, for shared administration costs consisting of the following:

		2020		2019
Office and miscellaneous	$	15,922	$	17,937
Regulatory and stock exchange fees		3,986		1,824
Rent and utilities		19,390		17,063
Salaries and benefits		46,321		52,889
Shareholder communication		1,754		592
Travel and accommodation		2,176		2,005
	$	**89,549**	**$**	**92,310**

Gold Group is reimbursed by the Company for these shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salary and benefits include those for the Chief Financial Officer and Corporate Secretary.

b) During the year ended December 31, 2020, the Company had no gypsum sales to Puerto de Bayovar, a company controlled by the NCI (2019: $248,817).

Other receivables as of December 31, 2020 include $Nil (2019: $91,407) owing from Puerto de Bayovar for gypsum sales.

Prepaid expenses and deposits as of December 31, 2020 include $1,045 (2019: $2,113) paid to Gold Group.

Long term deposits as of December 31, 2020 consists of $61,000 (2019: $61,000) paid to Gold Group and are related to the shared administrative services agreement with Gold Group. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.

Accounts payable and accrued liabilities as of December 31, 2020 includes $1,899 (2019: $239,860) owing to Gold Group, $85,500 (2019: $44,800) owing to Mill Street, a company controlled by Simon Ridgway, the Chairman and former Chief Executive Officer of the Company, $24,000 (2019: $Nil) to James Walchuck, the President of the Company as at December 31, 2020; $71,121 (2019: $70,000) owing to Gordon Tainton, a former President of the Company for project management fees, and $518,585 (2019: $353,197) owing to a director of the Company for advances made to the Company. The amount owing to Gold Group is partially secured by a deposit and is interest bearing if not paid within a certain period. The amounts owing to Mill Street and other current and former Directors and/or Officers are non-interest bearing and due upon demand.

15. RELATED PARTY TRANSACTIONS – cont'd

Long-term payables as of December 31, 2020 includes $272,002 (2019: $Nil) owing to Gold Group. The amount owing to Gold Group is subject to an interest rate of 1% per month, compounded annually, and due by June 30, 2022.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

		2020		2019
Management fees	$	40,000	$	42,000
Geological and other consulting fees		24,000		70,000
Salaries and benefits		13,567		13,292
	$	**77,567**	**$**	**125,292**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2020 and 2019.

16. INCOME TAXES

Taxation in the Company and its subsidiaries' operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The difference between tax expense and the expected income taxes based on the statutory tax rate arises as follows:

	2020	2019
Loss before income tax	$ (1,190,417)	$ (10,236,289)
Tax recovery based on the statutory rate of 27.00% (2019: 27.00%)	(321,000)	(2,764,000)
Differential in tax rates in other jurisdictions	(16,000)	(246,000)
Effect of change in tax rates	-	(2,000)
Share issue costs and other	(1,000)	(1,000)
Under provided in prior years	-	(231,000)
Changes in unrecognized deferred tax assets	338,000	450,000
Total income tax recovery	**$ -**	**$ (2,794,000)**

The British Columbia provincial tax rate and the Canadian Federal corporate tax rate is 12% and 15% respectively.

The tax rate of 0.0% represents the federal statutory rate applicable for the 2020 taxation year for the Cayman Islands, and 29.5% for Peru.

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will be generated to allow the deferred tax asset to be recovered:

	December 31, 2020	December 31, 2019
Loss carry forwards	$ 5,356,000	$ 5,055,000
Exploration and evaluation assets	2,390,000	1,891,000
Financing costs	-	13,000
Property and equipment and other	-	9,000
Asset retirement obligation	-	20,000
Capital loss	977,000	977,000
Deferred tax assets	**$ 8,723,000**	**$ 7,965,000**

As at December 31, 2020, the Company has estimated non-capital losses of $12,504,000 (2019: $11,404,000) for Canadian income tax purposes that may be carried forward to reduce taxable income expiring in various amounts starting from 2027 to 2040.

17. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to precious metals exploration. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby exploration managers are responsible for business results and regional corporate offices provide support to the exploration programs in addressing local and regional issues. The Company's operations are therefore segmented on a district basis. The Company's assets are located in Canada and Peru.

Details of financial performance by geographical segments are as follows:

Year ended December 31, 2020	Canada	Peru	Total
Gypsum production costs	$ -	$ 129,400	$ 129,400
Phosphate exploration expenditures	-	40,463	40,463
Amortization	231	7,234	7,465
Net loss	(1,035,273)	(155,144)	(1,190,417)

Year ended December 31, 2019	Canada	Peru	Total
Gypsum revenue	$ -	$ 536,968	$ 536,968
Gypsum production costs	-	855,207	855,207
Phosphate exploration expenditures	-	420,750	420,750
Amortization	2,503	4,683	7,186
Interest and other income	26	-	26
Inventory written off	-	232,196	232,196
Exploration and evaluation assets written off	-	9,677,404	9,677,404
Net loss	(210,485)	(7,162,907)	(7,373,392)

*Capital expenditures consists of additions of property and equipment

17. SEGMENTED INFORMATION – cont'd

Details of identifiable assets and liabilities by geographical segments are as follows:

As at December 31, 2020	Canada	Peru	Total
Total current assets	$ 44,118	$ 8,436	$ 52,554
Total non-current assets	390,945	-	390,945
Total assets	**$ 435,063**	**$ 8,436**	**$ 443,499**
Total current liabilities	$ 6,479,905	$ 2,938	$ 6,482,843
Total non-current liabilities	272,002	-	272,002
Total liabilities	**$ 6,751,907**	**$ 2,938**	**$ 6,754,845**

As at December 31, 2019	Canada	Peru	Total
Total current assets	$ 26,797	$ 353,942	$ 380,739
Total non-current assets	61,766	13,261	75,027
Total assets	**$ 88,563**	**$ 367,203**	**$ 455,766**
Total current liabilities	$ 1,247,977	$ 101,358	$ 1,349,335
Total non-current liabilities	4,192,496	59,775	4,252,271
Total liabilities	**$ 5,440,473**	**$ 161,133**	**$ 5,601,606**

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the years ended December 31, 2020 and 2019, no cash was paid for income taxes or loan interest.

Non-cash transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the year ended December 31, 2020, the Company accrued $50,137 in convertible debenture interest charges to be settled with the issuance of common shares (2019: $50,000).

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk;
- Credit Risk; and
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2020, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in Canada and Peru. The Company monitors this exposure, but has no hedge positions.

As at December 31, 2020 and 2019, the Company was exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	2020		**2019**	
	Peruvian Soles (CDN equivalent)	**US Dollars** (CDN equivalent)	**Peruvian Soles** (CDN equivalent)	**US Dollars** (CDN equivalent)
Cash	$ 2,986	$ 1,795	$ 4,947	$ 17,619
Taxes receivable	7,266	-	202,961	-
Other receivables	-	-	-	91,328
Liabilities	(7,484)	(341,335)	(101,357)	(331,573)
	$ 2,768	**$ (339,540)**	**$ 106,551**	**$ (222,626)**

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – cont'd

Foreign Currency Risk – cont'd

Based on the above net exposures at December 31, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in an increase or decrease of approximately $33,700 (2019: $11,600) in the Company's after-tax net loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its convertible debenture debt and cash. As the Company's cash is currently held in an interest-bearing bank account and the Company's convertible debenture debt was subject to fixed interest rates, management considers the interest rate risk to be limited.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and other receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset based commercial paper. For other receivables, the Company estimates, on a continuing basis, the expected credit losses and provides an impairment provision as required.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2020, the Company had a working capital deficiency of $6,430,289 (2019: $968,596). All of the Company's short-term financial liabilities as of December 31, 2020 have contractual maturities between 30 days and 8 months and are subject to normal trade terms.

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2020:

	1 year	2 years	Total
Accounts payable and accrued liabilities	$ 1,272,453	$ 272,002	$ 1,544,455
Convertible debenture (Note 11)	5,220,312	-	5,220,312
	$ 6,492,765	$ 272,002	$ 6,764,767

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2019:

	1 year	2 years	Total
Accounts payable and accrued liabilities	$ 1,023,858	$ -	$ 1,023,858
Convertible debenture (Note 11)	325,477	4,242,989	4,568,466
	$ 1,349,335	$ 4,242,989	$ 5,592,324

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – cont'd

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statement of financial position carrying amounts for cash, receivables, and accounts payable and accrued liabilities approximates fair value due to their short-term nature. The derivative liability is measured at fair value and categorized in level 3. The fair value of the derivative liability is based on the Black-Scholes option pricing model. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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.

There were no transfers between Levels in the period.

20. CAPITAL MANAGEMENT

The Company monitors its cash, debt and convertible debenture debt, common shares, warrants and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore new mineral property opportunities. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it in order to effectively support the acquisition and exploration of mineral properties. In order to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2020. The Company's investment policy is to hold cash in interest bearing bank accounts and/or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company does not expect its capital resources as at December 31, 2020 to be sufficient to cover its corporate operating costs, administrative closure costs relating to its former operations in Peru, and new property acquisition or development programs through the next twelve months. As such, subsequent to December 1, 2020, the Company raised gross proceeds of $3,300,000 by way of private placements to provide capital for working capital purposes. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property development activity. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

21. CONTINGENT LIABILITY

In 2014, JPQ entered into an agreement with Fosfatos Del Pacifico, S.A. ("Fospac") to grant Fospac the right of easement on a strip of land located on the Bayovar 12 Project. The easement is valid from June 10, 2014 until the earlier of May 7, 2039 and the date JPQ relinquishes its rights to the Bayovar 12 Project.

As consideration, Fospac paid 1,800,000 Soles in 2014. Pursuant to the agreement, if JPQ returns or loses the concession or surface rights to the Bayovar 12 Project within the sixth to tenth years of the agreement, JPQ is to refund Fospac 50% of the consideration. There was no refund obligation after the tenth year.

During the year ended December 31, 2020, the Company disposed of JPQ and is no longer subject to this contingent liability.

22. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2020, the following events, which has not been disclosed elsewhere in these consolidated financial statements has occurred:

a) A total of 2,950,000 stock options with an exercise price of $0.15 per share and life of ten years were granted.

b) A total of 2,855,291 warrants with an exercise price of $0.80 per share were cancelled unexercised.

METALLUM RESOURCES INC

(the "Company")

(formerly CROPS Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the year ended December 31, 2020. The following information, prepared as of April 28, 2021, should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

The Company's public filings, including its most recent unaudited and audited consolidated financial statements can be reviewed on the SEDAR website www.sedar.com.

Forward-looking Statements

This MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation ("Forward-looking Statements"). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this MD&A may include, without limitation, statements relating to:

- the Company's plans for exploration or development of its properties;
- mineral reserves or resources as they involve the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated and can be profitably produced in the future; and
- the sufficiency of the Company's cash position, and its ability to raise equity capital or access debt facilities.

Often, but not always, these Forward-looking Statements can be identified by the use of words such as "anticipates", "believes", "plans", "estimates", "expects", "forecasts", "scheduled", "targets", "possible", "strategy", "potential", "intends", "advance", "goal", "objective", "projects", "budget", "calculates" or statements that events, "will", "may", "could" or "should" occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration;
- the Company's planned exploration activities for its mineral properties;
- uncertainty of mineral reserve and resource estimates;
- fluctuations in commodity prices, foreign exchange rates, and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters and local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- dilution from further equity financing;
- competition;
- uncertainties relating to general economic conditions; and
- risks relating to a global pandemic, including the coronavirus COVID-19, which unless contained could cause a slowdown in global economic growth and impact the Company's business, operations, financial condition and share price;

as well as those factors referred to in the "Risks and Uncertainties" section in this MD&A.

Forward-looking Statements contained in this MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company's properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matters;
- exploration activities proceeding on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Business of the Company

Due to restrictions on travel and for the safety of our employees because of the COVID-19 pandemic, the Company has curtailed certain operations during the current period. In our corporate offices, most staff are working from home. We will return to the field and office when it is safe and cost effective to do so.

Acquisition of Superior Lake Zinc Project and Related Transactions

On April 1, 2021, the Company completed the acquisition (the "Acquisition") of the Superior Lake Zinc Project from Superior Lake Resources Limited (ASX:SUP) through the purchase of 100% of the existing common shares of Pick Lake Mining Limited, a company incorporated under the laws of Nova Scotia.

As part of the Acquisition transaction, the Company has:

- changed its name to Metallum Resources Inc. and its trading symbol to "MZN",

- moved its jurisdiction from Yukon to British Columbia,
- consolidated its share capital on the basis of one new common share for every ten existing common shares (the "Consolidation"),
- appointed Kerem Usenmez as a director, President and Chief Executive Officer of the Company, and accepted the resignations of Mario Szotlender and Tim Osler as directors,
- issued 128,920,000 common shares, and made cash payments of CAD$525,000 and AUD$200,000, to Superior Lake,
- completed a private placement financing with the issuance of 27,000,000 common shares at $0.10 each (raising $2.7 million), and 5,454,546 flow-through common shares at $0.11 each (raising $600,000 in flow-through funds),
- converted its outstanding debentures with the issuance of 20,960,789 common shares, and
- issued 3,200,000 common shares as an advisory fee in relation to the Acquisition.

As a result of the completion of the foregoing transactions, the Company's post-consolidated issued capital is 192,524,408 common shares. Trading in the Company's common shares resumed under the new name and trading symbol on April 7, 2021.

Following acquisition of the Project, the Company appointed Dr. Mark Cruise and Mr. David Laing as technical advisors to the Company.

All references in this MD&A to loss per share, common shares, share purchase warrants, debentures, and stock options reflect the Consolidation.

Superior Lake Zinc Project

Highlights of the Superior Lake Zinc Project include:

- The Project package contains high-grade zinc ("Zn") deposits.
- Total tenement package covers 175km^2 and consists of two deposits – Pick Lake and Winston Lake deposits.
- The Project also contains several high potential exploration targets.
- The Project is located in the Province of Ontario, Canada approximately 200km east of Thunder Bay.

The following is a Mineral Resources Estimation of the Project, effective August 12, 2020, prepared for the Company by Marat Abzalov, Ph.D., FAusIMM in accordance with National Instrument 43-101 ("NI 43-101") and CIM Definition Standards:

Classification	Tonnes (Mt.)	Zn(%)	Cu(%)	Au(g/t)	Ag(g/t)
Indicated	2.07	17.9	0.8	0.4	33.6
Inferred	0.27	16.2	1.0	0.3	37.2

Notes to Mineral Resource Estimation:

1) *A cut-off of 3% Zn is used.*
2) *The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to an Indicated Mineral Resource.*
3) *The Mineral Resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.*

In 2019, Superior Lake published a Bankable Feasibility Study ("BFS") for the Project which incorporated Joint Ore Reserves Committee ("JORC") Probable Ore Reserves and the result of feasibility work carried out by Superior Lake since it acquired the Project in 2018. The BFS is based upon a JORC compliant mineral reserve and resource. The Company will complete its own studies for the Project that will comply with the requirements of CIM and NI 43-101.

The Company's rights to the Project consist of:

- 100% interest in the claims comprising Pick Lake deposit, subject to a 2% NRS royalty.
- Option to acquire a 100% interest in the claims comprising the Winston Lake deposit, subject to a 2% NSR royalty. To exercise the option, a letter of credit of $1.2 million issued by the current property owner in favour of the Ontario mining ministry must be replaced.
- 100% owned claims hosting exploration targets.

Drill Program

On March 26, 2021, the Company announced that it has mobilized a diamond drill rig to the Superior Lake Zinc Project, and a planned 2,000 metre drill program has commenced.

The drill program is designed to further define the extents of the high grade Lower Pick Lake massive sulphide deposit (LPD), which has had exceptional historic intercepts including zinc grades up to 40.6% over 0.51 metres and 13.4% over 13.4 metres. Table 1 shows composite assays of some of the most significant intercepts in the LPD to date.

Table 1: Historic Highlight Composite Assays from the LPD (not verified by the Company)

Hole ID	*From (m)*	*To (m)*	*Length (m)*	*True Thickness (m)*	*Zn %*	*Cu %*	*Ag ppm*	*Au ppm*
UP-0015	*46.9*	*48.3*	*1.4*	***0.51***	***40.60***	***0.35***	***16.2***	***0.16***
UP-0154	*29.7*	*43.1*	*13.4*	***13.39***	***30.47***	***1.44***	***57.7***	***0.22***
UP-0164	*58.1*	*63.8*	*5.6*	***4.33***	***30.01***	***1.06***	***49.9***	***0.48***
UP-0178	*18.9*	*22.8*	*3.9*	***3.51***	***36.35***	***1.25***	***64.4***	***0.33***

The LPD has not been closed off by drilling, leaving it open along strike and dip. This includes a large zone between the LPD and the past-producing Upper Pick Lake Deposit (UPD), which is still largely untested, and has great potential for undiscovered, high grade massive sulphide mineralization close to existing underground development. The boreholes planned in the initial phase of the exploration program will begin to test this area as well as further define the LPD. These boreholes were included in the NI 43-101 Mineral Resource Estimation technical report which was released in January 2021 and can be found on SEDAR.com

In addition, there have been multiple near-mine and regional exploration targets established using available historic data, and the team is evaluating all the potential targets for the upcoming summer 2021 exploration program. Phase 2 of the exploration program is planned to include additional drilling, as well as surface geophysics and geochemical programs to generate and further refine targets.

Technical Information

Robert Middleton, P.Eng., who is a Qualified Person as defined in NI 43-101, has reviewed and approved the scientific or technical information contained in this MD&A.

Selected Annual Information

The following table provides financial results for the years ended December 31, 2020, 2019 and 2018:

	2020 ($)	2019 ($)	2018 ($)
Gypsum revenue	-	536,968	173,322
Total interest and other income	-	26	1,780
Gypsum production expenses	129,400	855,207	393,196
Phosphate exploration expenditures	40,463	420,750	727,278
Write-off of exploration and evaluation assets	-	9,677,404	-
Loss attributed to equity shareholders of the Company			
Total	(1,147,788)	(5,428,867)	(2,694,103)
Basic & diluted loss per share	(0.16)	(0.78)	(0.46)
Exploration and evaluation assets	-	-	9,981,135
Total assets	443,499	455,766	11,075,963
Total current liabilities	6,482,843	1,349,335	500,160
Total long-term liabilities	272,002	4,252,271	7,661,954
Non-controlling interest	-	61,039	2,689,631
Cash dividends	-	-	-

Total assets decreased significantly during 2019 due to the Company relinquishing the Bayovar 12 phosphate project and thereby writing off the property's carrying value of $9,677,404. Total current liabilities for 2019 were higher than that for 2018 due to a portion of convertible debenture debt becoming a short-term liability and advances from a related party to fund operations during 2019. By the end of 2020, all debt relating to convertible debentures became classified as a current liability, thus resulting in significantly higher total current liabilities and significantly lower total long-term liabilities at the end of 2020.

Selected Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2020:

	Fourth Quarter ended Dec. 31, 2020 ($)	Third Quarter ended Sep. 30, 2020 ($)	Second Quarter ended June 30, 2020 ($)	First Quarter ended Mar. 31, 2020 ($)	Fourth Quarter ended Dec. 31, 2019 ($)	Third Quarter ended Sep. 30, 2019 ($)	Second Quarter ended June 30, 2019 ($)	First Quarter ended Mar. 31, 2019 ($)
Gypsum revenue	-	-	-	-	-	309,980	114,305	112,683
Gypsum production expenses	9,410	28,900	74,810	35,100	75,535	347,292	282,169	150,211
Phosphate exploration expenditures	4,951	8,162	7,516	19,834	78,417	45,027	142,982	154,324
Loss attributed to equity shareholders of the Company								
Total	(201,132)	(218,587)	(429,747)	(298,322)	(4,729,167)	(169,545)	(121,002)	(409,153)
Basic & diluted loss per share	(0.03)	(0.03)	(0.06)	(0.04)	(0.68)	(0.02)	(0.02)	(0.06)

Gypsum revenue and production expenses relate to the gypsum operation which consisted of extraction costs, costs that were needed to keep the formerly held Bayovar 12 project concession in good standing, and other operating costs. Gypsum extraction activity ceased during the quarter ended September 30, 2019 although expenses related to the gypsum operation could still be incurred during the periods since then. The loss attributable to equity shareholders of the Company during the quarter ended December 31, 2019 was higher than all quarters presented due to the write-down of the Bayovar 12 project carrying cost of $9,677,404.

Results of Operations

All references to 'net loss' in the results of operations discussion below refers to the loss attributed to equity shareholders of the Company.

Three months ended December 31, 2020

For the three-month period ended December 31, 2020, the Company had a net loss of $201,132 compared to a net loss of $4,729,167 for the three-month period ended December 31, 2019, a decrease of $4,528,035. The net loss for the comparative quarter was significantly higher due to an exploration and evaluation asset write-off of $9,677,404 and inventory write-off of $232,196 relating to the formerly held Bayovar 12 project whereas there were no such write-offs in the current quarter. These write-offs in the comparative quarter were partially offset by a deferred income tax recovery of $2,862,897. The comparative quarter also recorded a $667,817 gain on sales tax reassessment, but this had minimal impact on the Company's net loss as most of this gain was attributed to the Company's non-controlling interest in its formerly owned Peru subsidiary which owned the Bayovar 12 project, due to the assessment being related to a period several years ago.

General and administrative expenses during the current quarter were $292,604 compared to $290,744 for the comparative quarter, an increase of $1,860. Significantly impacting both the current and comparative quarters were finance expenses of $160,505 and $192,100, respectively. The finance expense is related to accretion of convertible debenture interest. Notable cost increases for the current quarter were in consulting fees and salaries and benefits. The consulting fees for the current quarter relate to James Walchuk who was the Company's President from October 2020 to January 2021. Salaries and benefits were higher due to increased corporate personnel requirements relating to the Acquisition. A notable cost decrease for the current quarter was in office and miscellaneous which was due to a reduction in costs associated with maintaining foreign subsidiaries.

Twelve months ended December 31, 2020

For the year ended December 31, 2020, the Company had a net loss of $1,147,788 compared to a net loss of $5,428,867 for the year ended December 31, 2019, a decrease of $4,281,079. As in the quarterly comparison, the comparative year included the same write-offs of the formerly held Bayovar 12 project and inventory that were partially offset with the deferred income tax recovery and gain on sales tax reassessment. The net loss for the current year included a fair value adjustment loss of $117,628 on derivative liabilities whereas the comparative year recorded a gain of $469,902, a difference of $587,530.

The current year recorded phosphate property expenditures of $40,463 compared to $420,750 for the comparative year, a decrease of $380,287. There was no revenue from the gypsum operation to offset $129,400 in operation expenses for the current year whereas the comparative year recorded revenue of $536,968 and operation costs of $855,207. The relinquishment of the Bayovar 12 project during the current year led to significantly less gypsum and phosphate-related costs.

General and administrative expenses during the current year were $876,662 compared to $867,969 for the comparative year, an increase of $8,693. Significantly impacting both the current and comparative years, as with the quarterly comparison, were finance expenses of $624,926 and $589,925, respectively. A notable cost increase for the current year was in consulting fees, as in the quarterly comparison, related to services by the Company's former President. Notable cost decreases for the current year were in office and miscellaneous and shareholder communications. Office and administration costs were lower for the current year due to less costs associated with maintaining foreign subsidiaries and a reduction in insurance costs. Shareholder communication costs were higher in the comparative year due to investor relations services used during that period but not the current year.

Financial Condition, Liquidity and Capital Resources

The Company had cash resources of $20,801 and a working capital deficiency of $6,430,289 as of December 31, 2020 compared to cash resources of $32,423 and a working capital deficiency of $968,596 as of December 31, 2019. The

working capital deficiency significantly increased during the current year due to all liabilities relating to outstanding convertible debenture debt becoming due within one year and reclassified as a current liability. As of December 31, 2020, total liabilities relating to the convertible debentures totaled $5,210,390.

In January 2019, the Company closed a non-brokered private placement of 1,118,000 units at $0.50 per unit for proceeds of $559,000. Each unit consisted of one common share of the Company and one share purchase warrant. The 1,118,000 share purchase warrants included in this placement expired unexercised during the current year.

During 2019, a related party advanced to the Company for general working capital purposes a total of $347,585, and an additional $171,000 during the current year for a total amount owing of $518,585. These advances were not interest-bearing and were due on demand. During the current year, the Company also received a loan of $60,000 for general working capital purposes. This loan was subject to an interest rate of 8% per annum and was due on demand.

Subsequent to December 31, 2020, with the completion of the Acquisition that included a private placement providing gross proceeds of $2.7 million that can be used towards general working capital purposes, the Company settled the aforementioned debts of $518,585 and $60,000. All debt relating to the convertible debentures was also settled at the time of the Acquisition with the issuance of 20,960,789 common shares.

With the non-flow through private placement proceeds received at the time of the Acquisition, the Company expects its current capital resources to be sufficient to cover its corporate operating costs and administrative closure costs relating to its former operations in Peru through the next twelve months. Flow-through private placement proceeds of $600,000 raised at the time of the Acquisition is intended to be used to fund exploration activity on the Superior Lake Zinc Project. Exploration in excess of the available flow-through funds and any development programs or new property acquisition will require the Company to raise additional capital. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition, development, or exploration activity. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Market Risk;
- Credit Risk; and
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the consolidated financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2020, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in Canada and Peru. The Company monitors this exposure but has no hedge positions.

As at December 31, 2020 and 2019, the Company was exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	2020		**2019**	
	Peruvian Soles (CDN equivalent)	**US Dollars** (CDN equivalent)	**Peruvian Soles** (CDN equivalent)	**US Dollars** (CDN equivalent)
Cash	$ 2,986	$ 1,795	$ 4,947	$ 17,619
Taxes receivable	7,266	-	202,961	-
Other receivables	-	-	-	91,328
Liabilities	(7,484)	(341,335)	(101,357)	(331,573)
	$ 2,768	**$ (339,540)**	**$ 106,551**	**$ (222,626)**

Based on the above net exposures at December 31, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in an increase or decrease of approximately $33,700 (2019: $11,600) in the Company's after-tax net loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its convertible debenture debt and cash. As the Company's cash is currently held in an interest-bearing bank account and the Company's convertible debenture debt was subject to fixed interest rates, management considers the interest rate risk to be limited.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and other receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset based commercial paper. For other receivables, the Company estimates, on a continuing basis, the expected credit losses and provides an impairment provision as required.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. All of the Company's short-term financial liabilities as of December 31, 2020 have contractual maturities between 30 days and 8 months and are subject to normal trade terms.

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2020:

	1 year	2 years	Total
Accounts payable and accrued liabilities	$ 1,272,453	$ 272,002	$ 1,544,455
Convertible debenture	5,220,312	-	5,220,312
	$ 6,492,765	$ 272,002	$ 6,764,767

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2019:

	1 year	2 years	Total
Accounts payable and accrued liabilities	$ 1,023,858	$ -	$ 1,023,858
Convertible debenture	325,477	4,242,989	4,568,466
	$ 1,349,335	$ 4,242,989	$ 5,592,324

Related Party Transactions

The Company had transactions during the years ended December 31, 2020 and 2019 with related parties who consisted of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office, administrative, and personnel costs
Mill Street Services Ltd. ("Mill Street")	Management services
Puerto de Bayovar SAC ("Puerto de Bayovar")	Gypsum sales

Related party transactions for the years ended December 31, 2020 and 2019, in addition to related party transactions disclosed elsewhere in the Company's consolidated financial statements, comprise the following:

a) The Company reimbursed Gold Group, a company controlled by Simon Ridgway, the Chairman and former Chief Executive Officer of the Company, for shared administration costs consisting of the following:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Office and miscellaneous	$ 5,365	$ 4,401	$ 15,922	$ 17,937
Regulatory and stock exchange fees	2,207	45	3,986	1,824
Rent and utilities	6,977	3,186	19,390	17,063
Salaries and benefits	19,202	10,215	46,321	52,889
Shareholder communication	499	-	1,754	592
Travel and accommodation	715	298	2,176	2,005
	$ 34,965	**$ 18,145**	**$ 89,549**	**$ 92,310**

Gold Group is reimbursed by the Company for these shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salary and benefits include those for the Chief Financial Officer and Corporate Secretary.

b) During the year ended December 31, 2020, the Company had no gypsum sales to Puerto de Bayovar, a company controlled by the NCI (2019: $248,817).

Other receivables as of December 31, 2020 include $Nil (2019: $91,407) owing from Puerto de Bayovar for gypsum sales.

Prepaid expenses and deposits as of December 31, 2020 include $1,045 (2019: $2,113) paid to Gold Group.

Long term deposits as of December 31, 2020 consists of $61,000 (2019: $61,000) paid to Gold Group and are related to the shared administrative services agreement with Gold Group. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.

Accounts payable and accrued liabilities as of December 31, 2020 includes $1,899 (2019: $239,860) owing to Gold Group, $85,500 (2019: $44,800) owing to Mill Street, a company controlled by Simon Ridgway, the Chairman and former Chief Executive Officer of the Company, $24,000 (2019: $Nil) to James Walchuck, the President of the Company as at December 31, 2020; $71,121 (2019: $70,000) owing to Gordon Tainton, a director and former President of the Company, for project management fees, and $518,585 (2019: $353,197) owing to a director of the Company for advances made to the Company. The amount owing to Gold Group is partially secured by a deposit and is interest bearing if not paid within a certain period. The amounts owing to Mill Street and other current and former Directors and/or Officers are non-interest bearing and due upon demand.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended December 31,		Year ended December 31,	
	2020	**2019**	**2020**	**2019**
Management fees	$ 10,500	$ 10,500	$ 40,000	$ 42,000
Geological fees and other fees	18,000	10,000	24,000	70,000
Salaries and benefits	6,417	2,750	13,567	13,292
	$ 34,917	**$ 23,250**	**$ 77,567**	**$ 125,292**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2020 and 2019.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Warrants and Stock Options

As at the date of this MD&A, the Company's outstanding share position is 192,524,408 common shares and the following share purchase warrants and incentive stock options are currently outstanding:

WARRANTS

No. of warrants	Exercise price	Expiry date
2,555,354	$4.00	March 22, 2022

STOCK OPTIONS

No. of options	Exercise price	Expiry date
1,875	$12.00	June 28, 2021
30,750	$8.40	June 19, 2022
2,500	$8.40	July 10, 2022
53,625	$8.80	December 17, 2023
2,950,000	$0.15	April 14, 2031
3,038,750		

Accounting Policies and Basis of Presentation

The Company's significant accounting policies and future changes in accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2020.

Standards, Amendments and Interpretations Not Yet Effective

The Company will be required to adopt the following standard and amendments issued by the IASB as described below.

IFRS 17 Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

Effective for the Company's annual period beginning January 1, 2021. The Company has assessed that the impact of IFRS 17 on its consolidated financial statements would not be significant.

Risks and Uncertainties

Global Pandemic

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. The Company's business could be adversely impacted by the effects of the COVID-19 coronavirus which was declared a global pandemic by the World Health Organization in March 2020. COVID-19 infections have been reported globally.

The extent to which COVID-19 may impact the Company's business, including its operations and the market for its securities, will depend on future developments which cannot be predicted, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. The continued spread of COVID-19 globally could materially and adversely impact the Company's business, financial condition and results of operations including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to any drill programs and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Company's control.

The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims or leases are in good standing; and obtaining permits for drilling and other exploration activities.

Title to Mineral Property Risks

The Company does not maintain insurance against title. Title on mineral properties and mining rights 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 frequently ambiguous conveyance history of many mining properties. The Company has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Company cannot give any assurance that title to properties it acquired will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mineral properties.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of precious metals, base metals and other minerals may adversely affect the Company's ability to raise capital in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of a mineral property to a third party.

Financing and Share Price Fluctuation Risks

The Company has limited financial resources, no source of operating cash flow other than proceeds from sales of mineral properties or mineral property rights and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

Political, Regulatory and Currency Risks

The Company is operating in Canada, which has a relatively stable political and regulatory environment. However, changing political aspects may affect the regulatory environment in which the Company operates, and no assurances can be given that the Company's plans and operations will not be adversely affected by future developments. Any property interests held and any proposed exploration or development activities by the Company may be subject to political, economic, and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations.

The Company's equity financings are sourced in Canadian dollars but has incurred certain expenditures in Peruvian Soles and US dollars. At this time there are no currency hedges in place. Therefore, a weakening of the Canadian dollar against the US dollar or other foreign currencies could have an adverse impact on the Company's financials.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses, and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

Community Risks

The activities of the Company may be subject to negotiations with the local communities on or nearby its mineral property concessions for access to facilitate the completion of geological studies and exploration work programs. The Company's operations could be significantly disrupted or suspended by activities such as protests or blockades that may be undertaken by such certain groups or individuals within the community.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.