

Discoverymetals

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

(expressed in Canadian dollars)

Discovery Metals Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited - (Expressed in Canadian dollars)

As at	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current			
Cash and cash equivalents	6	\$ 69,210,491	\$ 23,950,737
Short-term investments	6(a)	15,000,000	-
Sales tax and other receivables	7	278,972	59,274
Prepays and deposits	8	83,368	521,399
Investments	14(a)	330,000	45,835
		84,902,831	24,577,245
Non-current			
Property and Equipment	9	460,016	429,419
Reclamation deposits		-	32,629
Mineral properties	10	27,302,048	28,479,306
TOTAL ASSETS		\$ 112,664,894	\$ 53,518,599
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	\$ 1,779,220	\$ 671,625
Current portion of lease liabilities	12	46,321	44,971
		\$ 1,825,541	\$ 716,596
Non-current			
Lease liabilities	12	52,958	87,870
TOTAL LIABILITIES		\$ 1,878,499	\$ 804,466
SHAREHOLDERS' EQUITY			
Share capital	13(b)	\$ 120,593,914	\$ 76,174,408
Contributed surplus		14,025,822	13,943,396
Warrants	13(d)	27,173,102	924,440
Accumulated other comprehensive loss		(1,019,094)	(42,241)
Accumulated deficit		(49,987,348)	(38,285,870)
TOTAL EQUITY		\$ 110,786,396	\$ 52,714,133
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 112,664,894	\$ 53,518,599

Approved on Behalf of the Board on November 25, 2020:

“Jeff Parr”
 Jeff Parr – Director

“Murray John”
 Murray John – Director

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Discovery Metals Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND TOTAL COMPREHENSIVE LOSS

Unaudited - (Expressed in Canadian dollars, except per share and share information)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Expenses (income)					
General office and other expenses	16	\$ 641,502	\$ 453,295	\$ 1,698,353	\$ 1,059,226
Interest income		(122,601)	(26,145)	(320,663)	(63,447)
Interest expense	12	1,055	1,050	3,513	4,957
Professional fees	17	143,572	83,237	384,332	206,444
Exploration and project evaluation expenses	15	3,696,378	798,360	8,442,825	1,554,863
Share-based compensation	13(c)	232,528	1,614,616	989,582	1,718,504
Other income	14	(95,211)	(11,660)	(574,597)	(11,660)
Gain on sale of non-core property	14(a)	-	-	(295,000)	-
Loss (gain) on fair value remeasurement of investments	14(a)	105,000	-	(35,000)	-
Impairment of IVA receivable	7	581,405	1,000,710	1,404,667	1,000,710
Foreign exchange (gain) loss		(55,962)	(36,881)	3,465	8,565
Net loss		\$ 5,127,665	\$ 3,876,582	\$ 11,701,478	\$ 5,478,163
Other comprehensive (gain) loss		(212,738)	141,099	976,853	158,464
Net loss and total comprehensive loss		\$ 4,914,927	\$ 4,017,681	\$ 12,678,331	\$ 5,636,627
Weighted average shares outstanding					
Basic and diluted	13(b)	282,624,020	134,258,418	240,169,241	88,200,293
Net loss per share					
Basic and diluted		\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.06)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Discovery Metals Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited - (Expressed in Canadian dollars)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating Activities					
Net loss		\$ (5,127,665)	\$ (3,876,582)	\$ (11,701,478)	\$ (5,478,163)
Items not affecting cash:					
Depreciation		33,155	40,792	96,998	97,734
Share-based compensation	13(c)	232,528	1,614,616	989,582	1,718,504
Impairment of IVA receivable		581,405	1,000,710	1,404,667	1,000,710
Gain on sale of investment	14	-	-	(182,556)	-
Gain on sale of non-core property		-	-	(295,000)	-
Loss (gain) on fair value remeasurement		105,000	-	(35,000)	-
Unrealized foreign exchange loss (gain)		142,550	(36,572)	214,447	11,644
Changes in non-cash operating working capital:					
Sales tax and other receivables	7	(578,349)	(125,952)	(1,507,348)	(122,707)
Prepays and deposits	8	114,847	1,683	470,660	(43,848)
Accounts payable and accrued liabilities	11	1,304,853	(39,995)	1,107,595	(93,691)
Net cash used in operating activities		\$ (3,191,678)	\$ (1,421,300)	\$ (9,437,433)	\$ (2,909,817)
Investing Activities					
Cash from acquisition of Levon Resources		-	193,358	-	193,358
Transaction costs		-	(594,795)	-	(594,795)
Proceeds from sale of investment	14	-	-	228,391	-
Purchase of short-term investments	6(a)	-	-	(15,000,000)	-
Acquisition of property and equipment	9	(54,973)	(28,049)	(141,637)	(29,824)
Net cash used in investing activities		\$ (54,973)	\$ (429,486)	\$ (14,913,246)	\$ (431,261)
Financing Activities					
Issuance of shares, net of costs		33,251,445	8,987,270	57,066,444	8,987,270
Issuance of shares on exercise of options	13(c)	2,132,388	29,036	2,325,625	29,036
Issuance of shares on exercise of warrants		10,312,456	-	10,368,943	-
Principal payment on lease liability		(11,298)	(10,861)	(33,562)	(32,264)
Net cash provided by financing activities		\$ 45,684,991	\$ 9,005,445	\$ 69,727,450	\$ 8,984,042
Effect of exchange rates on cash and cash equivalents		(141,012)	(319,893)	(117,017)	(360,595)
Increase in cash and cash equivalents		42,297,328	6,834,766	45,259,754	5,282,369
Cash and cash equivalents, beginning of period	6	26,913,163	3,139,279	23,950,737	4,691,676
Cash and cash equivalents, end of period	6	\$ 69,210,491	\$ 9,974,045	\$ 69,210,491	\$ 9,974,045
Supplemental Cash Flow Information:					
Income tax expense paid		\$ -	\$ -	\$ -	\$ -
Interest paid		\$ 1,055	\$ 1,050	\$ 3,496	\$ 4,957

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Discovery Metals Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited - (Expressed in Canadian dollars, except share information)

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At December 31, 2019		211,205,321	\$ 76,174,408	\$ 924,440	\$ 13,943,396	\$ (42,241)	\$ (38,285,870)	\$ 52,714,133
Share-based compensation	13c	-	-	-	989,582	-	-	989,582
Shares issued under non-brokered private placement (May 29)	13b	45,454,545	25,000,000	-	-	-	-	25,000,000
Finders' fees for private placement (May 29)	13b	-	(1,185,001)	-	-	-	-	(1,185,001)
Warrants issued under non-brokered private placement (May 29)	13e	-	(8,976,252)	8,976,252	-	-	-	-
Expiration of replacement warrants issued on close of Plan of Arrangement	13e	-	-	(53,816)	53,816	-	-	-
Shares issued under non-brokered private placement (Aug 7)	13b	25,927,000	35,001,450	-	-	-	-	35,001,450
Finders' fees for private placement (Aug 7)	13e	-	(1,750,005)	-	-	-	-	(1,750,005)
Warrants issued under non-brokered private placement (Aug 7)	13e	-	(17,688,252)	17,688,252	-	-	-	-
Shares issued on exercise of options	13c	6,265,742	3,648,623	-	(1,322,998)	-	-	2,325,625
Shares issued on exercise of warrants	13e	10,713,700	10,368,943	(362,026)	362,026	-	-	10,368,943
Net loss and total comprehensive loss for the period		-	-	-	-	(976,853)	(11,701,478)	(12,678,331)
At September 30, 2020		299,566,308	\$ 120,593,914	\$ 27,173,102	\$ 14,025,822	\$ (1,019,094)	\$ (49,987,348)	\$ 110,786,396

Discovery Metals Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited - (Expressed in Canadian dollars, except share information)

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At December 31, 2018		65,043,998	\$ 23,539,388	\$ 8,010,367	\$ 4,169,144	\$ (102,958)	\$ (28,629,316)	\$ 6,986,625
Share-based compensation	13c	-	-	-	1,718,504	-	-	1,718,504
Expiration of warrants issued under non-brokered private placement	13d	-	-	(346,993)	346,993	-	-	-
Shares issued under non-brokered private placement	13b	39,151,174	9,004,770	-	-	-	-	9,004,770
Finders' fees for private placement	13b	-	(17,500)	-	-	-	-	(17,500)
Replacement shares issued on close of Plan of Arrangement	13b	64,412,942	25,443,112	-	-	-	-	25,443,112
Replacement options issued on close of Plan of Arrangement	13c	-	-	-	879,247	-	-	879,247
Replacement warrants issued on close of Plan of Arrangement	13d	-	-	53,816	-	-	-	53,816
Shares issued on exercise of options	13c	100,000	47,184	-	(18,148)	-	-	(29,036)
Net loss and total comprehensive loss for the period		-	-	-	-	(158,464)	(5,478.163)	(5,636,627)
At September 30, 2019		168,708,114	\$ 58,016,954	\$ 7,717,190	\$ 7,095,740	\$ (261,422)	\$ (34,107,479)	\$ 38,460,983

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Discovery Metals Corp.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)
For the Three and Nine Months Ended September 30, 2020 and 2019

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Discovery Metals Corp. (“Discovery Metals” or the “Company”) is a mineral exploration company whose main objective is to identify and successfully define and develop mineral deposits, primarily in Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia as R B Technologies Inc. On November 18, 1986, the Corporation’s name was changed to “Vertech Systems Corporation”, then on June 26, 1989, to “Vercan Investments Inc.”, then on January 26, 1998, to “Watersave Logic Corporation”, then on July 27, 2006, to “Abode Mortgage Holdings Corp.”, then on August 19, 2013, to “Ayubowan Capital Ltd.” On June 13, 2017, the Company’s name was changed to Discovery Metals Corp. The Company is listed on the TSX Venture Exchange (the “Exchange” or “TSXV”) under the symbol “DSV”. The Company’s head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

The Company’s Board of Directors authorized the issuance of these unaudited condensed interim consolidated financial statements (the “interim financial statements”) on November 25, 2020.

2. BASIS OF PREPARATION

These interim financial statements for the three and nine months ended September 30, 2020 and 2019, have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). As such, certain disclosures required by IFRS have been condensed or omitted. These interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto as at and for the years ended December 31, 2019 and 2018 (the “consolidated financial statements”). The Company’s interim results are not necessarily indicative of its results for a full year.

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2020, the Company had working capital (defined as current assets less current liabilities) of \$83,077,744 (December 31, 2019 – \$23,860,648), shareholders’ equity of \$110,786,396 (December 31, 2019 – \$52,714,132) and an accumulated deficit of \$49,987,348 (December 31, 2019 – \$38,285,870).

The Company has not yet determined whether the properties on which it has options contain mineral reserves that are economically recoverable. The continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of its interim financial statements are set out below.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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a) Basis of Measurement

The interim financial statements have been prepared using the same accounting policies and methods of application as those disclosed in note 3 to the Company's consolidated financial statements except those disclosed in Note 4 below.

b) Basis of Consolidation

These interim financial statements are presented in Canadian dollars ("CAD") unless otherwise noted. The interim financial statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries are entities over which the Company has the power to, directly or indirectly, govern the financial and operating policies of the entity to obtain benefits from its activities. In assessing whether control exists, potential voting rights that are presently exercisable or convertible, are taken into consideration. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

The Company's principal subsidiaries and their geographic locations at September 30, 2020 were as follows:

Direct Parent Company	Location	Ownership Percentage	Properties
Discovery México S.A. de C.V.	Mexico	100%	Puerto Rico, La Kika, Minerva, Monclova, Jemi Rare, Santa Rosa
Minera Titán S.A. de C.V.	Mexico	100%	Cordero

All intercompany assets, liabilities, equity, income, expenses and cash flows arising from intercompany transactions have been eliminated on consolidation.

c) Currency of Presentation

The interim financial statements are presented in Canadian dollars ("CAD") which is the functional and presentation currency of the Company. The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic environment in which they operate. The functional currency of the Mexican subsidiaries is Mexican pesos ("MXP").

d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are

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not re-translated. Total foreign exchange gains and losses are recognized in the income statement and the unrealized portion is reported separately in the consolidated statement of cash flows. The foreign exchange differences arising from the translation of the subsidiary with functional currency different than the consolidated functional currency are recognized as currency translation adjustments in other comprehensive loss in the consolidated statement of loss and total comprehensive loss.

4. CHANGES IN ACCOUNTING POLICIES

a) Application of new or amended standards effective January 1, 2020

There were no new or amended standards effective January 1, 2020.

5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of interim financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, contingent liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and applied prospectively.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements for the three and nine months ended September 30, 2020 are consistent with those applied and disclosed in note 5 of the consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

COVID-19 Update

On March 31, 2020, the Company suspended all exploration activities in Mexico as a result of an emergency decree issued by the Mexican Ministry of Health stating that all non-essential services be stopped until May 31, 2020. On May 13, 2020, the Government published another decree announcing that mining and several other sectors were to be considered essential services and could begin operations as early as June 1, 2020. Commencement of operations would be subject to government approval of a company's application to resume operations. The applicant must demonstrate that strict health and safety protocols are in place and will be adhered to. The Company applied and was granted permission and restarted operations on June 19, 2020.

The Company remains committed to being engaged with our local stakeholders during this uncertain period and will continue to closely monitor the directives of all levels of government in both Mexico and Canada as well as the relevant health authorities.

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6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019
Cash ⁽¹⁾	\$ 69,120,491	\$ 23,860,737
Cash equivalents ⁽²⁾	90,000	90,000
	\$ 69,210,491	\$ 23,950,737

⁽¹⁾ Cash includes a \$24,500,000 1-year, 30-day redeemable GIC, bearing interest at 1.05% and maturing on June 24, 2021. Interest is accrued monthly based on the total value of the GIC, pro-rated for any redemptions made during the period. The Company did not redeem any portion of this GIC during the three months ended September 30, 2020.

⁽²⁾ Cash equivalents include marketable securities with short-term maturities and no restrictions on redemption.

a) Short-term investments

The Company invested \$15,000,000 of excess cash from the non-brokered private placement (note 13b) in a two-year fixed rate GIC, bearing interest at 1.55% per annum and maturing on June 9, 2022. This investment has been classified as current as there are no restrictions on redemption and the Company may, at its discretion, withdraw any amount to fund current operations.

The Company has accrued interest receivable of \$141,049 relating to its GIC investments (note 7).

7. SALES TAX AND OTHER RECEIVABLES

	September 30, 2020	December 31, 2019
Sales tax receivable	\$ 2,155,345	\$ 1,454,986
Accumulated impairment of sales tax receivable	(2,048,714)	(1,409,637)
Other receivables ⁽¹⁾	172,341	13,925
	\$ 278,972	\$ 59,274

⁽¹⁾ Other receivables include accrued interest receivable of \$162,000 relating to the Company's GIC investments and interest-bearing operating accounts.

At September 30, 2020, the Company had an aggregate Mexican value added tax ("IVA") recoverable balance of \$4,163,337 including \$1,349,033 remaining from the IVA acquired in the Levon transaction (December 31, 2019: \$3,197,997 including \$1,743,011 acquired in the Levon transaction).

The Company does not have a history of collection of Mexican IVA recoverable amounts due to the recent commencement of operations in Mexico. In addition, there is a high degree of uncertainty regarding the timing of repayment of IVA amounts by the Mexican government. As a result, on acquisition of Levon, no value was allocated to the IVA receivable balance.

At September 30, 2020, the Company has established a provision in full for the IVA receivable balance of \$2,048,714, of which, \$581,405 and \$1,404,667 relates to the three and nine months ended September 30, 2020, respectively.

On February 21, 2020, the Company received a partial IVA refund in the amount of 4,402,046MXP or \$296,830. The Company also received interest on this balance in the amount of 998,384MXP or \$67,321.

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On August 5, 2020, the Company received another partial IVA refund in the amount of 1,609,384MXP or \$95,211, as well as interest on this balance in the amount of 503,737MXP or \$29,801. These partial refunds and interest received are recognized in 'other income' and 'interest income', respectively, in the interim consolidated Statement of Loss and Total Comprehensive Loss for the three and nine months ended September 30, 2020.

The Company expects to continue to recognize a provision for 100% of the IVA recoverable balance until such time as there are sufficient indicators of recoverability.

8. PREPAIDS AND DEPOSITS

	September 30, 2020	December 31, 2019
Insurance	\$ 53,214	\$ 38,805
Office and other prepaid deposits	30,154	16,114
Drilling contract ⁽¹⁾	-	466,480
	\$ 83,368	\$ 521,399

⁽¹⁾ At December 31, 2019, the Company had made deposits in aggregate of USD\$390,000 to a contractor performing exploration drilling activities at the Cordero Project. Under the contract, the deposit will be used to offset amounts due to the contractor by an amount equal to 10% of every invoice until the deposit is used in its entirety. At September 30, 2020, the Company had applied all of the deposit against invoices received.

9. PROPERTY AND EQUIPMENT

	Equipment	Vehicles	Office & Furniture	Computer	Total
Cost					
Balance at January 1, 2020	\$ 174,713	\$ 88,088	\$ 213,878	\$ 128,000	\$ 604,679
Additions	38,631	89,170	-	13,835	141,637
Disposals	-	-	-	-	-
Currency translation adjustment	(7,655)	(10,984)	(2,135)	(7,876)	(28,649)
Balance at September 30, 2020	\$ 205,689	\$ 166,273	\$ 211,744	\$ 133,959	\$ 717,665
Accumulated depreciation					
Balance at January 1, 2020	\$ (14,675)	\$ (41,825)	\$ (57,901)	\$ (60,859)	\$ (175,260)
Additions	(7,257)	(19,349)	(41,981)	(27,451)	(96,038)
Disposals	-	-	-	-	-
Currency translation adjustment	2,176	6,795	448	4,228	13,647
Balance at September 30, 2020	\$ (19,755)	\$ (54,379)	\$ (99,434)	\$ (84,082)	\$ (257,649)
Carrying amount					
At January 1, 2020	\$ 160,038	\$ 46,263	\$ 155,977	\$ 67,141	\$ 429,419
At September 30, 2020	\$ 185,934	\$ 111,894	\$ 112,311	\$ 49,877	\$ 460,016

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	Equipment	Vehicles	Office & Furniture	Computer	Total
Cost					
Balance at December 31, 2018	\$ 68,151	\$ 83,827	\$ 37,929	\$ 107,670	\$ 297,577
IFRS 16 transition (note 25)	-	-	176,073	-	176,073
Balance at January 1, 2019	68,151	83,827	214,002	107,670	473,650
Additions ¹	107,948	4,398	-	20,657	133,003
Disposals	-	-	-	-	-
Currency translation adjustment	(1,386)	(137)	(124)	(327)	(1,974)
Balance at December 31, 2019	\$ 174,713	\$ 88,088	\$ 213,878	\$ 128,000	\$ 604,679
Accumulated depreciation					
Balance at January 1, 2019	\$ (6,441)	\$ (20,641)	\$ (5,324)	\$ (25,560)	\$ (57,966)
Additions ¹	(9,098)	(20,811)	(52,563)	(35,199)	(117,671)
Disposals	-	-	-	-	-
Currency translation adjustment	864	(373)	(14)	(100)	377
Balance at December 31, 2019	\$ (14,675)	\$ (41,825)	\$ (57,901)	\$ (60,859)	\$ (175,260)
Carrying amount					
At December 31, 2018	\$ 61,710	\$ 63,186	\$ 32,605	\$ 82,110	\$ 239,611
At January 1, 2019	\$ 61,710	\$ 63,186	\$ 208,678	\$ 82,110	\$ 415,684
At December 31, 2019	\$ 160,038	\$ 46,263	\$ 155,977	\$ 67,141	\$ 429,419

(1) As part of the acquisition of Levon Resources Ltd., the Company acquired certain property and equipment including vehicles, machinery and computer hardware. Depreciation has been calculated for the period from acquisition date of August 2, 2019 to December 31, 2019 and based on the combined acquisition date fair values of \$5,998.

The Company following table summarizes the changes in right-of-use assets within plant and equipment:

Leased assets	Total
At January 1, 2019	\$ 176,073
Depreciation	(45,932)
At December 31, 2019	\$ 130,141
Depreciation	(38,670)
At September 30, 2020	\$ 91,471

10. MINERAL PROPERTIES

At December 31, 2018	\$ 1,264,007
Acquisition of mineral properties ⁽¹⁾	27,226,224
Currency translation adjustment	(10,925)
At December 31, 2019	\$ 28,479,306
Disposition of mineral properties⁽²⁾	(153,313)
Currency translation adjustment	(1,023,946)
At September 30, 2020	\$ 27,302,048

(1) On August 2, 2019, the Company acquired Levon Resources Ltd. and the 100%-owned Cordero Project.

(2) The Renata mineral exploration and option agreement expired in August 2020 and was not renewed.

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The value attributed to each the Company's mineral properties is as follows:

	September 30, 2020	December 31, 2019
Cordero	\$ 27,226,224	\$ 27,226,224
Puerto Rico	856,687	856,687
Minerva	174,580	174,580
Renata	-	153,313
La Kika	93,131	93,131
	28,350,622	28,503,935
Cumulative CTA	(1,048,574)	(24,629)
	\$ 27,302,048	\$ 28,479,306

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
Trade and other payables	\$ 1,018,765	\$ 342,883
Salaries and benefits payable ⁽¹⁾	32,528	241,125
Accrued liabilities	40,291	-
Withholding tax payable ⁽²⁾	687,636	87,617
	\$ 1,779,220	\$ 671,625

⁽¹⁾ At December 31, 2019, salaries and benefits payable comprised short-term incentive amounts payable to Executive Management and employees.

⁽²⁾ The withholding tax payable balance is the result of taxes withheld on the exercise of stock options by employees and directors during the three months ended September 30, 2020. The withholdings were remitted subsequent to September 30, 2020.

12. LEASE LIABILITIES

	September 30, 2020	December 31, 2019
Lease liabilities	\$ 99,279	\$ 132,841
Less: current portion	46,321	44,971
Non-current portion	\$ 52,958	\$ 87,870

⁽¹⁾ As a result of the adoption of IFRS 16, the Company recognized a lease liability of \$176,073 on January 1, 2019 related to the long-term lease contract for office space, with a remaining term of 3.5 years at an incremental borrowing rate of 3.95%. As at September 30, 2020, remaining payments are as follows:

Year	
2020	\$ 11,410
2021	46,780
2022	41,089
Total	\$ 99,279

Interest expense for the three and nine months ended September 30, 2020 related to the lease liability was \$1,055 and \$3,496 respectively (three and nine months ended September 30, 2019 - \$1,492 and \$4,793, respectively).

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13. SHARE CAPITAL AND WARRANTS

a) Authorized

- i. Unlimited common shares with no par value; and
- ii. Unlimited preferred voting shares with no par value.

b) Shares issued and outstanding

	Note	Common Shares	Amount
At December 31, 2019		211,205,321	\$ 76,174,408
Shares issued for Private Placement⁽¹⁾		45,454,545	25,000,000
Finders' fees on Private Placement⁽¹⁾		-	(1,185,001)
Warrants issued on Private Placement⁽¹⁾	13e	-	(8,976,252)
Shares issued for Private Placement⁽²⁾		25,927,000	35,001,450
Finders' fees on Private Placement⁽²⁾		-	(1,750,005)
Warrants issued on Private Placement⁽²⁾	13e	-	(17,688,252)
Shares issued on exercise of options	13c	6,265,742	3,648,623
Shares issued on exercise of warrants	13e	10,713,700	10,368,943
At September 30, 2020		299,566,308	\$ 120,593,914

⁽¹⁾ The Private Placement closed in two tranches on May 29 and June 8, 2020.

⁽²⁾ The Private Placement closed in a single tranche on August 7, 2020.

The Company has completed several non-brokered private placements resulting in the issuance of common shares. These private placements include:

- 1) gross proceeds of \$15,618,500 on August 15, 2018 through the issuance of 31,237,000 common shares at a price of \$0.50 per share during the year ended December 31, 2017;
- 2) gross proceeds of \$9,004,770 received through a non-brokered private placement of 39,151,174 common shares at a price of \$0.23 per share on July 24, 2019;
- 3) gross proceeds of \$19,000,000 received through a non-brokered private placement of 42,222,219 common shares at a price of \$0.45 on November 5, 2019; and
- 4) gross proceeds of \$25,000,000 received through a non-brokered private placement of 45,454,545 common shares at a price of \$0.55 per share on May 29, 2020 and June 8, 2020 (closed in two tranches).
- 5) Gross proceeds of \$35,001,450 received through a non-brokered private placement of 25,927,000 common shares at a price of \$1.35 per share on August 7, 2020.

c) Stock Options

The Company has adopted rolling 10% stock option plan (the "Option Plan") which provides that the directors of the Company may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options.

The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the

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provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

There were 5,235,000 stock options granted during the nine months ended September 30, 2020 comprised of 400,000 granted on January 5, 2020 and 4,835,000 granted on April 27, 2020. The options have a weighted average exercise price of \$0.48 and a five-year term to expiry. One third vested immediately, and 1/3 will vest on each subsequent anniversary of grant date. Options issued to consultants have a vesting schedule of 1/8 each quarter beginning three months after grant date. There were no options granted during the three months ended September 30, 2020.

During the three and nine months ended September 30, 2019, 5,300,000 options were granted with a weighted average exercise price of \$0.48 and five-year term to expiry. The fair value of these options was determined using the Black-Scholes model for option valuation. In addition, on August 2, 2019, an aggregate 4,909,300 replacement options were issued on completion of the acquisition of Levon Resources at an exercise price of \$0.2909 with a one-year term to expiry from the acquisition date (the Replacement OptionsTM). The fair value of these options was determined using the Black-Scholes model for option valuation.

During the three and nine months ended September 30, 2020, 4,023,000 and 4,534,300 Replacement Options were exercised, respectively, for gross proceeds of \$1,239,670 and \$1,319,027, respectively (year-ended December 31, 2019, 375,000 Replacement Options were exercised for gross proceeds of \$109,032). All Replacement Options were exercised prior to their expiry on August 2, 2020. Option transactions and the number of options outstanding are summarized as follows:

	Outstanding	Weighted Average Exercise Price
At January 1, 2019	5,100,000	\$ 0.56
Replacement options issued	4,909,300	0.29
Options granted	5,300,000	0.48
Options exercised	(375,000)	0.29
Options cancelled/forfeited	(175,000)	0.55
At December 31, 2019	14,759,300	\$ 0.46
Options granted	5,235,000	0.48
Options exercised	(6,265,742)	0.37
Options cancelled/forfeited	(12,500)	0.48
At September 30, 2020	13,716,058	\$ 0.51

The share-based compensation expense for the three and nine months ended September 30, 2020 was \$232,528 and \$989,582, respectively (three and nine months ended September 30, 2019 - \$1,614,616 and \$1,718,504, respectively).

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At September 30, 2020, the options outstanding and exercisable are as follows:

Exercise Price	Options Outstanding			Options Exercisable		
	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average remaining life	Weighted average exercise price
\$0.45	450,000	1.01	\$0.45	450,000	1.01	\$0.45
\$0.60	2,733,333	1.88	\$0.60	2,733,333	1.88	\$0.60
\$0.48	300,000	2.13	\$0.48	300,000	2.13	\$0.48
\$0.53	300,000	2.27	\$0.53	300,000	2.27	\$0.53
\$0.50	372,100	2.77	\$0.50	372,100	2.77	\$0.50
\$0.48	4,475,625	3.88	\$0.48	3,467,292	3.88	\$0.48
\$0.65	400,000	4.27	\$0.65	133,333	4.27	\$0.65
\$0.47	4,685,000	4.58	\$0.47	1,433,542	4.58	\$0.47
	13,716,058	1.15	\$0.51	9,189,600	1.29	\$0.52

The fair value of the option grants issued during the three and nine months ended September 30, 2020 have been estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date	January 5, 2020	April 27, 2020
Number granted	400,000	4,835,000
Exercise price	\$ 0.47	\$ 0.48
Share price	\$ 0.47	\$ 0.48
Expected life (years)	2.21	2.27
Risk free interest rate	0.34%	0.44%
Expected volatility	96.3%	96.2%
Expected forfeiture rate	16.4%	16.6%
Dividend yield	-	-
Fair Value	\$ 0.24	\$ 0.25

d) Deferred Share Units and Restricted Share Units

At the Company's Annual General Meeting held on June 26, 2020, shareholders of the Company approved a resolution which allowed the Company to adopt Deferred Share Unit ("DSU") and Restricted Share Unit ("RSU") plans (together referred to as the "DSU and RSU Plans"). The DSU and RSU Plans are rolling 10% plans, with the 10% threshold being shared with the Option Plan so the combined aggregate total Options, DSUs and RSUs granted cannot exceed 10% of the issued and outstanding common shares of the Company.

The DSU Plan provides that the directors of the Company may grant DSUs to non-executive directors of the Company, to be settled in cash or the purchase common shares of the Company. The RSU Plan provides that the directors of the Company may grant RSUs to eligible officers, employees and service providers, to be settled in cash or the purchase common shares of the Company.

The Board in its sole discretion may determine any vesting provisions for DSUs and RSUs. The exercise price shall be determined by the directors of the Company at the time of grant in accordance

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with the provisions of the Plan. The expiry date for DSUs or RSUs shall not be more than ten years from the grant date.

There were no DSUs or RSUs granted during the three and nine months ended September 30, 2020.

e) Warrants

On February 13, 2020, the 1,414,168 replacement warrants issued on completion of the acquisition of Levon on August 2, 2019 with an exercise price of \$0.91 expired unexercised. The Company also expired the remaining 427,500 broker warrants issued as part of the August 17, 2017 private placement which were not extended in accordance with regulatory requirements.

On closing of the two tranches of the private placement on May 29 and June 8, 2020, an aggregate total of 22,727,267 warrants were issued to subscribers at an exercise price of \$0.77 and a two-year expiry from the date of issuance with 15,545,467 expiring May 29, 2022 and 7,181,800 expiring June 8, 2022. In addition, 804,545 warrants were issued to finders at an exercise price of \$0.55 and a two-year expiry from the date of issuance with 373,636 expiring May 29, 2022 and 430,909 expiring June 8, 2022. All warrants are subject to a regulatory hold period of four months plus one day from the date of issuance. The total fair value of warrants issued is \$8,976,252.

On closing of the private placement on August 7, 2020, an aggregate total of 12,963,000 warrants were issued to subscribers at an exercise price of \$1.75 for a period of two years after the date of issuance. All warrants are subject to a regulatory hold period of four months plus one day from the date of issuance. The total fair value of warrants issued is \$17,688,252.

The fair value of the warrants issued during the three and nine months ended September 30, 2020 have been estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Grant date	May 29 and June 8, 2020		August 7, 2020	
Number granted	22,727,267		12,963,000	
Exercise price	\$	0.75	\$	1.75
Share price	\$	0.73	\$	2.29
Expected life (years)		1.97		2.00
Risk free interest rate		0.29%		0.27%
Expected volatility		96.2%		102.8%
Expected forfeiture rate		-		-
Dividend yield		-		-
Fair Value	\$	0.36	\$	1.36

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Warrants outstanding as at September 30, 2020 and December 31, 2019 are summarized as follows:

Issue date	8/17/2017	8/2/2019	11/4/2019	5/29/2020	6/8/2020	5/29/2020	6/8/2020	8/6/2020	
Expiry	2/17/2021	2/13/2020	11/4/2021	5/29/2022	6/8/2022	5/29/2022	6/8/2022	8/6/2022	
Price	\$1.00	\$0.91	\$0.50	\$0.77	\$0.77	\$0.55	\$0.55	\$1.55	TOTAL
December 31, 2019	31,664,500	1,414,168	1,063,833	-	-	-	-	-	34,142,501
Issued	-	-	-	15,545,467	7,181,800	373,636	430,909	12,963,000	36,494,812
Exercised	(9,987,384)	-	(658,166)	(68,150)	-	-	-	-	(10,713,700)
Expired	(427,500)	(1,414,168)	-	-	-	-	-	-	(1,841,668)
September 30, 2020	21,249,616	-	405,667	15,477,317	7,181,800	373,636	430,909	12,963,000	58,081,945

The remaining contractual lives of Warrants outstanding at September 30, 2020 are as follows:

Number of Warrants	Weighted average remaining life	Weighted average exercise price
58,081,945	1.66 years	\$1.07

14. OTHER INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Sale of investment	\$ -	\$ -	\$ 182,556	\$ -
IVA refund (note 7)	95,211	-	392,041	-
	\$ 95,211	\$ -	\$ 574,597	\$ -

On March 2, 2020, the Company completed the disposition of its entire position in Great Thunder Gold Corp. for cash proceeds of \$228,391. The position was acquired as part of the acquisition of Levon on August 2, 2019 and at December 31, 2019 had a fair value of \$45,835. The difference of \$182,556 is recognized in 'other income' on the Interim Consolidated Statement of Loss and Total Comprehensive Loss.

a) Sale of non-core exploration property

On April 9, 2020, the Company completed the divestiture of its 100% interest in the Congress Property ("Congress") located in British Columbia, to Talisker Resources Ltd. ("Talisker"). Congress was a non-core exploration property acquired by the Company as part of the Levon Resources Ltd. transaction that closed on August 2, 2019. Under the terms of the purchase agreement, Talisker issued 1,000,000 common shares to the Company in return for 100% ownership of Congress. The shares had a fair value of \$295,000 at the transaction date which was recorded in 'investments' on the Interim Consolidated Statement of Financial Position with a corresponding gain on sale of non-core exploration property recorded in the Interim Consolidated Statement of Loss and Total Comprehensive Loss.

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At September 30, 2020, the fair value of the investment was \$330,000 and is comprised of the following:

	Amount
At January 1, 2020	\$ -
Fair value on acquisition of Talisker shares	295,000
Net unrealized gain on fair value remeasurement ⁽¹⁾	35,000
At September 30, 2020	\$ 330,000

⁽¹⁾ The unrealized gain of \$35,000 for the nine months ended September 30, 2020 is comprised of an unrealized gain on fair value remeasurement of \$140,000 recorded at June 30, 2020 and an unrealized loss on fair value remeasurement of \$105,000 recorded at September 30, 2020.

15. EXPLORATION AND PROJECT EVALUATION

Three Months Ended September 30, 2020								
	Puerto Rico	La Kika	Minerva	Monclova	Cordero	Other ⁽¹⁾	Project Evaluation	Total
Permitting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mining duties	28,467	4,539	7,771	18,494	232,003	19,407	-	310,680
Surface access	-	-	-	-	1,682	-	-	1,682
Site access	-	-	-	-	-	-	-	-
Drilling	-	-	-	-	2,485,895	-	-	2,485,895
Mapping, Sampling & Assays	-	-	-	-	339,667	-	-	339,667
Geophysics	-	-	-	-	-	-	-	-
Salaries and benefits	5,257	-	5,348	5,257	290,359	-	-	306,220
Travel	2,284	-	169	339	11,530	-	-	14,322
Administrative and other	4,505	-	7,228	9,122	217,055	-	-	237,911
Project Evaluation	-	-	-	-	-	-	-	-
Total	\$ 40,513	\$ 4,539	\$ 20,517	\$ 33,211	\$ 3,578,191	\$ 19,407	\$ -	\$ 3,696,377

Three Months Ended September 30, 2019								
	Puerto Rico	La Kika	Minerva	Monclova	Cordero	Other ⁽¹⁾	Project Evaluation	Total
Permitting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mining duties	26,658	4,251	7,256	17,319	-	2,275	-	57,759
Surface access	-	-	3,257	-	65,111	-	-	68,368
Site access	11,979	-	-	14,284	-	-	-	26,263
Drilling	-	-	-	-	317,503	-	-	317,503
Mapping, Sampling & Assays	-	-	-	-	-	-	-	-
Geophysics	-	-	-	-	128,990	-	-	128,990
Salaries and benefits	28,050	-	25,293	24,702	65,813	-	-	143,858
Travel	1,571	-	591	3,746	2,832	-	-	8,740
Administrative and other	5,428	-	3,266	3,045	8,378	-	-	20,117
Project Evaluation	-	-	-	-	-	-	26,762	26,762
Total	\$ 73,686	\$ 4,251	\$ 39,663	\$ 63,096	\$ 588,627	2,275	\$ 26,762	\$ 798,360

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Nine Months Ended September 30, 2020 ⁽²⁾								
	Puerto Rico	La Kika	Minerva	Monclova	Cordero	Other ⁽¹⁾	Project Evaluation	Total
Permitting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mining duties	59,451	9,480	16,229	38,624	505,605	23,505	-	652,894
Surface access	-	-	-	-	6,952	-	-	6,952
Site access	-	20,417	35,891	11,614	46,858	-	-	114,779
Drilling	-	-	-	-	5,066,517	-	-	5,066,517
Mapping, Sampling & Assays	-	-	-	-	874,029	-	-	874,029
Geophysics	-	-	-	-	2,968	-	-	2,968
Salaries and benefits	15,880	-	16,163	15,880	1,107,125	-	-	1,155,047
Travel	9,195	-	1,620	2,949	157,720	-	-	171,484
Administrative and other	13,130	-	10,984	9,210	337,306	-	-	370,630
Project Evaluation	-	-	-	-	27,524	-	-	27,524
Total	\$ 97,656	\$ 29,897	\$ 80,888	\$ 78,276	\$ 8,132,603	\$ 23,505	\$ -	\$ 8,442,825

Nine Months Ended September 30, 2019								
	Puerto Rico	La Kika	Minerva	Monclova	Cordero	Other ⁽¹⁾	Project Evaluation	Total
Permitting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mining duties	58,969	9,403	25,812	38,310	-	5,034	-	137,528
Surface access	-	-	24,294	-	65,111	-	-	89,405
Site access	11,979	-	-	41,735	-	-	-	53,714
Drilling	-	-	-	-	317,503	-	-	317,503
Mapping, Sampling & Assays	7,000	-	-	-	-	-	-	7,000
Geophysics	-	-	10,998	-	128,990	-	-	139,988
Salaries and benefits	137,504	-	91,871	92,966	65,814	-	-	388,155
Travel	28,133	-	13,290	15,986	2,832	-	-	60,241
Administrative and other	42,142	-	34,922	13,499	8,378	-	-	98,941
Project Evaluation	-	-	-	-	-	-	262,388	262,388
Total	\$ 285,727	\$ 9,403	\$ 201,187	\$ 202,496	\$ 588,628	5,034	\$ 262,388	\$ 1,554,863

¹⁾ Other includes Jemi Rare, Renata and Santa Rosa. The Option Agreement for Renata was not renewed on expiry during the three months ended September 30, 2020.

²⁾ Exploration activities were suspended on March 31, 2020 due to COVID-19 restrictions and recommenced on June 19, 2020.

16. GENERAL OFFICE AND OTHER EXPENSES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Travel	\$ -	\$ 11,916	\$ 16,088	\$ 23,698
Salaries and benefits	311,434	194,825	828,841	564,773
Shareholder communication and investor relations	44,965	39,125	132,529	55,239
Filing and transfer agent fees	73,031	64,039	172,602	84,552
Business development	74,743	-	139,723	16,587
Rent	16,650	25,693	50,474	59,007
Depreciation	27,123	40,792	82,444	97,734
General office and other	93,557	76,905	275,651	157,636
Total	\$ 641,502	\$ 453,295	\$ 1,698,353	\$ 1,059,226

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17. PROFESSIONAL FEES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Legal	\$ 51,512	\$ 51,454	\$ 161,429	\$ 78,178
Audit, tax and accounting	67,762	15,129	118,726	111,612
Consulting and other	24,298	16,654	104,178	16,654
	\$ 143,572	\$ 83,237	\$ 384,332	\$ 206,444

18. INCOME TAXES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Loss before tax at statutory rate of 28% (2019 – 28%)	\$ 3,549,933	\$ 1,124,951	\$ 7,355,338	\$ 1,557,378
Effect on taxes of:				
Non-deductible expenses	(232,985)	(455,647)	(417,678)	(487,845)
Change in deductible temporary differences	(3,316,948)	(669,304)	(6,937,660)	(1,069,533)
Income tax expense	\$ -	\$ -	\$ -	\$ -

19. CAPITAL MANAGEMENT

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining and developing mineral deposits, thus creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The current excess funds realized from the non-brokered private placements are invested in highly liquid, interest-bearing marketable securities with no restrictions on redemption.

At September 30, 2020, aside from the long-term portion of the lease liability (note 12), the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three and nine months ended September 30, 2020.

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20. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short term investments, other receivable and deposits, investments in marketable securities, accounts payable and accrued liabilities and lease liabilities.

Cash and cash equivalents, accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Investments are classified as receivables and are measured at fair value through profit and loss. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are 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.

At September 30, 2020 the Company had no financial instruments classified as Level 2 or 3.

21. FINANCIAL RISK MANAGEMENT

The Company's has exposure to certain risks resulting from its use of financial instruments.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2020, the Company had a cash and cash equivalents balance of \$69,210,491 (December 31, 2019 – \$23,950,737) to settle current liabilities of \$1,825,541 (December 31, 2019 – \$716,596). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At September 30, 2020, the Company has no sources of revenue to fund its operating expenditures. Since inception the Company has relied solely on private placements to fund its operations. Since the change of business transaction in August 2017, such private placements include gross proceeds of \$103,624,720 received through multiple non-brokered private placements – of which \$60,001,450 was during the nine months ended September 30, 2020 (note 13b).

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Management believes these financings will fund the Company's initial exploration work on the properties in both Coahuila and Chihuahua, Mexico as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. At September 30, 2020, the Company is currently exposed to a low level of liquidity risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. Management deems the credit risk associated with other receivables and deposits to be at an acceptable level.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's consolidated statements of financial position.

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 69,210,491	\$ 23,950,737
Short-term investments	15,000,000	-
Other receivables	10,341	13,925
Deposits	30,154	482,594
	\$ 84,250,986	\$ 24,447,256

c) Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts or other highly liquid interest-bearing short-term investments. The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At September 30, 2020, cash balances were held primarily in Canadian dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's

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financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP. At September 30, 2020 and December 31, 2019, the Company had the following foreign currency denominated trade payables:

	September 30, 2020	December 31, 2019
United States dollar	\$ 156,419	\$ 54,133
Mexican Peso	814,571	157,598
	\$ 970,990	\$ 211,731

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss at September 30, 2020 by approximately \$96,647 (December 31, 2019: \$20,782).

At September 30, 2020, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base and precious metals, and movement in the price of individual equity securities movements and the stock market generally, to determine the appropriate course of action to be taken by the Company.

There have been significant fluctuations in commodity prices and prices of equity securities during Q3 2020 as a result of the COVID-19 pandemic. Due to this volatility, the Company determined it was exposed to a higher level of overall price risk when compared to the risk assessed at December 31, 2019.

At September 30, 2020 Management has determined the Company's exposure to price risk to be at an acceptable level.

22. SEGMENTED INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

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The Company has one operating segment, which involves the exploration of polymetallic deposits. All mineral properties are located in Mexico. The Company currently has no revenues.

Segment performance is evaluated based on several operating and financial measures, including net loss and total comprehensive loss, which is measured consistently with net loss and total comprehensive loss in the interim financial statements.

The net loss and total comprehensive loss is distributed by geographic region as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Canada	\$ (965,985)	\$ (2,039,754)	\$ (2,138,927)	\$ (3,023,763)
Mexico	(3,948,942)	(1,977,927)	(10,539,404)	(2,612,864)
Net loss and total comprehensive loss	\$ (4,914,927)	\$ (4,017,681)	\$ (12,678,331)	\$ (5,636,627)

23. RELATED PARTY TRANSACTIONS

a) Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

A company partially owned by one of the directors of the Company provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. There is no fee charged to the Company, as all expenses are allocated at cost. Reimbursed expenses for the three and nine months ended September 30, 2020 totaled \$nil and \$13,283, respectively (three and nine months ended September 30, 2019 –\$1,917 and \$20,365, respectively). The Company had \$nil in expenses payable to this company at September 30, 2020 (December 31, 2019 – \$8,216). These expenses are not included in the table below.

Under similar arrangements, during the three and nine months ended September 30, 2020 the Company reimbursed expenses of \$nil and \$nil, respectively (three and nine months ended September 30, 2019 –\$145 and \$5,472) to other companies which have a Director in common. There was \$nil in expenses payable at September 30, 2020 (December 31, 2019 –\$nil). These expenses are not included in the table below.

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Related party transactions for the three and nine months ended September 30, 2020 are as follows:

Transaction Type	Nature of Relationship	Three Months Ended September 30,	
		2020	2019
Share-based payments	Directors and officers	\$ 165,141	\$ 868,115
Salaries and benefits	Officers	175,707	162,451
Consulting fees	Director	-	26,162
Directors fees	Directors	87,500	43,750
		\$ 428,348	\$ 1,100,478

Transaction Type	Nature of Relationship	Nine Months Ended September 30,	
		2020	2019
Share-based payments	Directors and officers	\$ 689,567	\$ 931,148
Salaries and benefits	Officers	527,047	494,675
Consulting fees	Director	25,000	26,162
Directors fees	Directors	214,236	148,333
		\$ 1,455,850	\$ 1,600,318

A summary of amounts due to related parties:

Transaction Type	Nature of Relationship	September 30,	December 31,
		2020	2019
Salaries and benefits payable	Directors, officers and employees	\$ -	\$ 266,125
		\$ -	\$ 266,125

b) Exploration and Option agreements

A director of the Company is also party to the mineral exploration and option agreements and amendments thereto, entered into between the Company and the Vendors for all properties except for Cordero.