Golden Arrow Resources Corporation

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Golden Arrow Resources Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Golden Arrow Resources Corporation and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 23, 2020

Golden Arrow Resources Corporation
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	December 31, 2019 $	December 31, 2018 $
ASSETS			
Current assets			
Cash and cash equivalents		2,750,129	437,221
Investments	6	26,129,044	1,732
Amounts receivable	10	195,350	81,254
Prepaid expenses		170,380	223,849
Total current assets		29,244,903	744,056
Non-current assets			
Equipment		31,967	39,250
Right-of-use assets	4	276,579	-
Mineral property interests	5	351,453	669,678
Investment in POI	3	-	48,833,847
Total non-current assets		659,999	49,542,775
Total Assets		29,904,902	50,286,831
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	358,899	300,416
Current portion of lease liabilities		98,039	-
Loans payable	8	-	451,627
Total current liabilities		456,938	752,043
Lease liabilities		182,321	-
Credit facility	7	-	11,205,397
Total liabilities		639,259	11,957,440
EQUITY			
Share capital	9	38,820,382	34,847,881
Reserves	9	26,896,681	18,764,786
Subscriptions payable	9	-	250,000
Cumulative translation adjustment		-	1,078,960
Deficit		(36,451,420)	(16,612,236)
Total equity		29,265,643	38,329,391
Total Equity and Liabilities		29,904,902	50,286,831

NATURE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 17)

These consolidated financial statements are authorized for issue by the Board of Directors on April 23, 2020. They are signed on the Company's behalf by:

"Nikolaos Cacos" , Director

"*David Terry*" , Director

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

Golden Arrow Resources Corporation
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2019 $	2018 $
Expenses			
Administration and management services	10	517,395	442,725
Corporate development and investor relations		920,194	866,484
Depreciation		30,630	6,237
Exploration	5	1,756,625	3,643,841
Office and sundry	10	279,611	248,867
Professional fees		1,214,528	618,088
Rent, parking and storage		118,779	149,407
Salaries and employee benefits	10	2,332,268	952,325
Share-based compensation	10	-	760,760
Transfer agent and regulatory fees		67,548	40,530
Travel and accommodation		93,646	193,999
Loss from operating activities		(7,331,224)	(7,923,263)
After tax net loss from POI	3	(3,024,031)	(8,089,968)
Foreign exchange gain (loss)		296,707	(650,492)
Loss on disposition of investment in POI	3	(6,547,438)	-
Realized loss on translation reclassified to profit or loss	3	(982,949)	-
Impairment of exploration and evaluation assets	5	(667,014)	(862,938)
Interest expense – SSR Credit Facility	7	(1,568,534)	(376,334)
Interest expense	8	(23,952)	(1,627)
Interest income		9,251	103,647
Loss for the year		(19,839,184)	(17,800,975)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on sale of marketable securities	6	429,748	-
Unrealized gain (loss) on marketable securities	6	6,515,250	(70,490)
Items that may be reclassified to profit or loss			
Realized loss on translation reclassified to profit or loss	3	982,949	-
Unrealized (loss) gain on translation to reporting currency	3	(2,061,909)	3,428,452
Other comprehensive income for the year		5,866,038	3,357,962
Comprehensive loss for the year		(13,973,146)	(14,443,013)
Basic and diluted loss per common share ($)	11	(0.17)	(0.18)

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

Golden Arrow Resources Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2019 $	2018 $
Cash flows from operating activities		
Loss for the year	(19,839,184)	(17,800,975)
Adjustments for:		
After tax net loss from POI	3,024,031	8,089,968
Depreciation	30,630	6,237
Depreciation of property and equipment included in exploration expenses	17,728	17,478
Loss on disposition of investment in POI	7,530,387	-
Impairment of exploration and evaluation assets	667,014	862,938
Interest expense	1,584,444	246,684
Foreign exchange (gain) loss	(299,501)	371,836
Share-based compensation	-	760,760
	(7,284,451)	(7,691,758)
Change in non-cash working capital items:		
Increase in amounts receivable	(114,096)	(9,337)
Decrease (increase) in prepaid expenses	53,469	(134,495)
Increase in interest payable	-	1,627
Increase (decrease) in accounts payable and accrued liabilities	58,482	(11,673)
Net cash used in operating activities	(7,286,596)	(7,598,952)
Cash flows from investing activities		
Expenditures on mineral property interests	(348,789)	(977,007)
Expenditures on equipment	(14,057)	(1,977)
Cash received from disposition of investment in POI	3,000,000	-
Investments in POI	(4,950,999)	(19,793,348)
Sale of marketable securities, net of transaction costs	4,197,222	240,156
Net cash generated by (used in) investing activities	1,883,377	(20,532,176)
Cash flows from financing activities		
Issuance of shares and warrants, net of share issue costs	5,595,113	-
Credit Facility proceeds received	2,611,788	10,586,877
Loan proceeds received	1,429,000	450,000
Loan repayment	(1,879,000)	-
Lease payments	(23,237)	-
Interest paid	(17,537)	-
Subscription proceeds received	-	250,000
Warrants exercised	-	1,090,871
Net cash generated by financing activities	7,716,127	12,377,748
Net increase (decrease) in cash and cash equivalents	2,312,908	(15,753,380)
Cash and cash equivalents at beginning of year	437,221	16,190,601
Cash and cash equivalents at end of year	2,750,129	437,221

SUPPLEMENTARY CASH FLOW INFORMATION (Note 15)

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

Golden Arrow Resources Corporation
Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share capital		Reserves							
	Number of shares	Amount $	Contributed surplus $	Equity settled share-based payments $	Warrants $	Accumulated other comprehensive income (loss) $	Cumulative translation adjustment $	Subscriptions payable $	Retained earnings (deficit) $	Total $
Balance at December 31, 2017	98,393,134	33,346,977	14,291,051	2,028,553	2,059,536	105,409	(2,349,492)	-	1,188,739	50,670,773
Agent warrants expired	-	-	287,142	-	(287,142)	-	-	-	-	-
Share-based compensation	-	-	-	760,760	-	-	-	-	-	760,760
Stock options expired	-	-	96,653	(96,653)	-	-	-	-	-	-
Subscriptions payable	-	-	-	-	-	-	-	250,000	-	250,000
Warrants exercised	3,581,383	1,500,904	-	-	(410,033)	-	-	-	-	1,090,871
Warrants expired	-	-	35,019	-	(35,019)	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	(70,490)	3,428,452	-	(17,800,975)	(14,443,013)
Balance at December 31, 2018	101,974,517	34,847,881	14,709,865	2,692,660	1,327,342	34,919	1,078,960	250,000	(16,612,236)	38,329,391
Private placement	21,816,512	4,780,356	-	-	1,163,347	-	-	(250,000)	-	5,693,703
Share issue costs	-	(98,591)	-	-	-	-	-	-	-	(98,591)
Agent warrants granted	-	(23,550)	-	-	23,550	-	-	-	-	-
Stock options expired	-	-	149,795	(149,795)	-	-	-	-	-	-
Warrants expired	-	-	1,327,342	-	(1,327,342)	-	-	-	-	-
Returned to treasury for cancellation (Note 3)	(4,285,714)	(685,714)	-	-	-	-	-	-	-	(685,714)
Total comprehensive income (loss) for the year	-	-	-	-	-	6,944,998	(1,078,960)	-	(19,839,184)	(13,973,146)
Balance at December 31, 2019	119,505,315	38,820,382	16,187,002	2,542,865	1,186,897	6,979,917	-	-	(36,451,420)	29,265,643

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

1. NATURE OF OPERATIONS

Golden Arrow Resources Corporation (the "Company" or "We") was incorporated on September 22, 2015, under the Business Corporations Act in the province of British Columbia. The address of the Company's registered office is Suite 312 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The Company was incorporated to facilitate the restructuring required to be able to carry out the transaction described in Note 3. On May 31, 2017, the then sole shareholder of the Company ("GAR"), closed the agreement (the "Agreement") entered into on September 30, 2015 with, among others, SSR Mining Inc. ("SSRM"), forming a joint venture combining the Chinchillas project with the producing Pirquitas mine into a new operation, Puna Operations Inc. ("POI"). Upon closing of the agreement, the Company acquired a 25% interest in POI and in accordance with the terms of the plan of arrangement (the "Arrangement"), each shareholder of GAR received one common share in the capital of the Company (a "New GAR Share") in exchange for each common share of GAR (the "GAR Shares") held. On May 31, 2017, the Company changed its name to Golden Arrow Resources Corporation (formerly 1049708 B.C. Ltd.), and began trading on the TSX-V under the symbol "GRG".

The Company is a natural resource company engaged in the acquisition, exploration and development of resource properties in South America. The Company's mineral property interests presently have no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable resources. The recoverability of amounts shown for mineral property interests are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and upon future profitable production. On September 18, 2019, the Company sold its 25% interest in POI to SSRM.

These consolidated financial statements were approved by the Board of Directors of the Company on April 23, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for marketable securities, which are carried at fair value.

c) Changes in Accounting Standards

The Company has adopted IFRS 16 - *Leases* ("IFRS 16") from January 1, 2019.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has applied a modified retrospective approach by recognizing the cumulative effect of adopting the standard for the contracts entered during the year, thus the comparative information has not been restated. The Company has elected to not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low value assets. As all leases at January 1, 2019 qualified for short term exemption, no right to use assets and lease liability were recognized as at January 1, 2019.

The Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments for the lease agreements entered after the transition date which are not short term or low value leases. The right-of-use asset is measured at cost, which is equal to the initial lease liability adjusted for any lease payments at or before the commencement date, less any lease incentives received. It is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for re-measurements of the lease liability.

A lease liability is measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate. It is subsequently increased by the interest cost on the lease liability, less the lease payments made. Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or in the assessment of whether an extension option is reasonably certain to be exercised. The Company's incremental borrowing rate for the year ended December 31, 2019 was 12%.

d) **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

	Place of Incorporation	Principal Activity
IMPSA Resources Corporation	BC, Canada	Holding company
New Golden Explorations Inc.	BC, Canada	Holding company
New Golden Explorations Atlantida Ltd.	BC, Canada	Holding company
New Golden Explorations Indiana Ltd.	BC, Canada	Holding company
New Golden Explorations Indiana Chile SpA	Chile	Exploration company
New Golden Explorations Chile SpA	Chile	Exploration company
Lucca Sociedad Anonima S.A.	Paraguay	Exploration company
Desarrollo de Recursos S.A.	Argentina	Exploration company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements.

(i) **Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) **Investments in joint ventures**

Investments in joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss of the equity accounted for investees until the date on which significant influence or joint control ceases. At each period end, the carrying amount of equity-accounted investments is assessed for impairment. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less cost of disposal and value in use.

Foreign currencies

The presentation and functional currency of the Company and each of its subsidiaries is considered to be the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of 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 a foreign currency are not retranslated. The functional currency of POI was considered to be the United States dollar. At the end of each reporting period, the Company translated POI's operating results using the average exchange rate for the period.

Property and Equipment

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over the estimated useful lives of two years for geological equipment and computer software and five years for vehicles. The right to use asset is depreciated over the lease period. Depreciation of an asset begins once it is available for use.

Exploration, Evaluation and Development Expenditures

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

The Company recognizes in income, costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount. Mineral property acquisition costs include cash costs and the fair market value of common shares issued, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use.

Fair value is determined as the amount that would be obtained by the sale of the asset in any arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated cash flows expected to arise from the continued use of the asset, including expansion projects. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is assessed at the level of (cash-generating units or "CGUs"), which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

Financial instruments

Financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. For financial assets measured at FVTPL, transaction cost that are directly attributable to acquisition of financial assets are recognized to statement of loss.

Cash and accounts receivable are classified as measured at amortized cost. The Company has made an irrevocable election to classify marketable securities (equity investment) at fair value through other comprehensive income ("FVOCI").

Financial liabilities, including accounts payable and accrued liabilities and loans payable, are classified and measured at amortized cost.

Valuation of equity units issued in private placements

The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants based on the pro rata relative values of the components. The fair value of the common shares is based on the closing quoted bid price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black- Scholes pricing model. In the event of modification in warrants issued as private placement units, no re-measurement adjustment is recognised within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based Payment Transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Earnings and Loss per Share

The Company presents basic and diluted earnings and loss per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share does not adjust the earnings or loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income Taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at year end applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Significant Accounting Estimates and Judgments

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at year end that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

- The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

The areas involving critical accounting judgments are:

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

- The determination of our tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, we interpret tax legislation in a variety of jurisdictions and make estimates of the expected timing of the reversal of deferred tax assets and liabilities. We also make estimates of future earnings which affect the extent to which potential future tax benefits may be used. We are subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. We provide for such differences where known based on our best estimate of the probable outcome of these matters.

3. INVESTMENT IN PUNA OPERATIONS JOINT VENTURE

On September 18, 2019, the Company sold its 25% interest in POI to SSRM (the "Transaction"). As consideration for the sale of its 25% interest in POI, the Company received: (i) cash consideration of $3 million; (ii) 1,245,580 common shares of SSRM representing a value of C$23,379,536; (iii) settlement of $15,086,218, the outstanding principal and accrued interest owing under the US$10 million non-revolving term loan made by SSRM to the Company pursuant to the credit agreement entered into in July 2018 with SSRM; and (iv) the return of 4,285,714 common shares in the capital of the Company held by SSRM representing a value of $685,714. These common shares were returned to the treasury by the Company for cancellation. In aggregate, the Company received a total consideration of $42,151,468.

The following table summarizes the change in investment in POI for the period ended September 18, 2019 and the year ended December 31, 2018:

(Expressed in Canadian Dollars Unless Otherwise Noted)

3. INVESTMENT IN PUNA OPERATIONS JOINT VENTURE (continued)

Balance, December 31, 2017	$	33,702,015
Equity contributions to POI		19,793,348
Company's share of comprehensive loss of POI, net of tax		(8,089,968)
Subtotal		45,405,395
Translation adjustment		3,428,452
Balance, December 31, 2018	$	48,833,847
Equity contributions to POI		4,950,999
Company's share of comprehensive loss of POI, net of tax		(3,024,031)
Translation adjustment		(2,061,909)
Subtotal	$	48,698,906
Total Consideration received		(42,151,468)
Loss on disposition of investment in POI		(6,547,438)
Balance, September 18, 2019	$	-

4. RIGHT-OF-USE ASSETS

The Company capitalized two office lease arrangements in accordance with IFRS 16. The continuity schedule of right-of-use assets for the year ended December 31, 2019 is as follows:

	Total $
Cost	
Balance at December 31, 2018	-
Additions	303,597
Balance at December 31, 2019	303,597
Accumulated Depreciation	
Balance at December 31, 2018	-
Depreciation	27,018
Balance at December 31, 2019	27,018
Carrying Amount	
At December 31, 2019	276,579

5. MINERAL PROPERTY INTERESTS

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at December 31, 2019:

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. MINERAL PROPERTY INTERESTS (continued)

Acquisition Costs

	Argentina					Chile		Paraguay		
	Antofalla $	La Rioja $	Caballos $	Pescado $	Flecha de Oro $	Atlantida $	Indiana $	Tierra Dorada $	Other $	Total $
Balance – December 31, 2017	265,442	40,334	65,124	49,009	-	-	-	-	135,700	555,609
Additions										
Staking costs, land payments and acquisition costs	282,972	3,476	9,718	1,201	-	534,341	128,098	-	17,201	977,007
Impairment of exploration and evaluation assets	(548,414)	(43,809)	(74,841)	(50,209)	-	-	-	-	(145,665)	(862,938)
Balance – December 31, 2018	-	1	1	1	-	534,341	128,098	-	7,236	669,678
Additions										
Staking costs, land payments and acquisition costs	-	-	-	-	19,864	132,674	92,863	103,388	-	348,789
Impairment of exploration and evaluation assets	-	-	-	-	-	(667,014)	-	-	-	(667,014)
Balance – December 31, 2019	-	1	1	1	19,864	1	220,961	103,388	7,236	351,453

Exploration Expenditures

	Argentina					Chile		Paraguay		
	Antofalla $	La Rioja $	Caballos $	Pescado $	Flecha de Oro $	Atlantida $	Indiana $	Tierra Dorada $	Other $	Total $
Cumulative exploration expenses December 31, 2018	4,843,596	1,613,101	329,474	1,321,927	-	36,528	47,837	-	1,259,688	9,452,151
Expenditures during the year										
Assays	3,066	-	-	341	20,658	-	-	-	2,607	26,672
Environmental reports	6,516	-	-	2,103	5,604	-	-	-	681	14,904
Office	180,125	-	-	20,014	3,114	108,461	127,694	5,919	-	445,327
Property maintenance payments	16,938	1,997	5,638	1,805	4,942	21,163	20,064	-	5,144	77,691
Salaries and contractors	280,836	-	-	31,204	94,250	354,159	173,970	20,162	-	954,582
Social and community	6,250	-	-	694	16,787	-	-	-	-	23,731
Supplies and equipment	20,786	-	-	2,297	13,293	17,238	6,988	1,479	5,087	67,168
Transportation	12,251	-	-	1,260	38,629	13,076	9,028	3,454	795	78,493
Value added taxes	43,425	165	465	4,923	17,900	-	-	-	1,180	68,058
	570,193	2,162	6,103	64,641	215,177	514,097	337,744	31,014	15,494	1,756,625
Cumulative exploration expenses December 31, 2019	5,413,789	1,615,263	335,577	1,386,568	215,177	550,625	385,581	31,014	1,275,182	11,208,776

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. MINERAL PROPERTY INTERESTS (continued)

The schedule below summarize all exploration expenditures incurred to date for each mineral property interest that the Company was continuing to explore as at December 31, 2018:

Exploration Expenditures

	Argentina				Chile			
	Antofalla $	**La Rioja $**	**Caballos $**	**Pescado $**	**Atlantida $**	**Indiana $**	**Other $**	**Total $**
Cumulative exploration expenses December 31, 2017	1,534,399	1,612,637	328,178	1,120,172	-	-	1,212,924	5,808,310
Expenditures during the year								
Assays	82,473	-	-	31,123	-	-	-	113,596
Drilling	801,843	-	-	-	-	-	-	801,843
Environmental reports	17,748	-	-	908	-	-	1,852	20,508
Office	261,053	-	-	26,104	280	12,650	-	300,087
Property maintenance payments	9,444	-	-	1,051	-	-	46	10,541
Salaries and contractors	568,141	-	-	76,226	34,065	26,902	23,972	729,306
Social and community	63,818	-	-	-	-	-	-	63,818
Supplies and equipment	761,231	-	-	32,130	-	-	7,922	801,283
Transportation	320,609	-	-	10,350	2,183	8,285	5,443	346,870
Value added taxes	422,837	464	1,296	23,863	-	-	7,529	455,989
	3,309,197	464	1,296	201,755	36,528	47,837	46,764	3,643,841
Cumulative exploration expenses December 31, 2018	4,843,596	1,613,101	329,474	1,321,927	36,528	47,837	1,259,688	9,452,151

(a) Indiana Project, Chile

The Company executed a definitive agreement with Mineria Activa SpA. ("MSA") to acquire up to 100% of the Indiana gold-copper project in Chile. Terms include cash payments of US$100,000 payment on signing, followed by US$15,070,000 in payments staged over 74 months.

Option Payment USD $	Year
100,000 (paid)	2018
70,000 (paid)	2019
300,000(1)	2020
200,000	2021
3,000,000	2022
5,000,000	2023
6,500,000	2024
15,170,000	

(1) Refer to Note 17 for further information

(b) Tierra Dorada Project, Paraguay

The Company entered into an option agreement to acquire a 100% interest in the Tierra Dorada gold project in Paraguay (the "Property"). The terms of the option agreement include staged payments over six years totaling US$2,000,000 and an additional payment of US$2,000,000 thirty (30) working days following the date of commencement of commercial production on the Property, for a 100% interest in the Property.

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. MINERAL PROPERTY INTERESTS (continued)

Option Payment USD $	Year
36,000 (paid)	2018
175,000[1]	2020
200,000	2021
300,000	2022
400,000	2023
889,000	2024
2,000,000	Thirty working days following the date of commencement of commercial production
4,000,000	

(1) Refer to Note 17 for further information

(c) Flecha de Oro Project, Rio Negro, Argentina

The Company entered into an option agreement to acquire up to 100% of the Flecha de Oro Gold Project that includes Puzzle and Esperanza exploration properties. The terms of the option agreement include staged payments over seven years totaling US$2,090,000 for a 100% interest in both properties. The vendor retains 1% royalty, which can be reduced to 0.25% for an additional US$1,000,000.

Option Payment USD $	Year
10,000 (paid)	2019
30,000	2020
50,000	2021
100,000	2022
200,000	2023
400,000	2024
500,000	2025
800,000	2026
2,090,000	

(d) Atlantida Project, Chile

The Company entered into option agreements to acquire up to 100% of the Atlantida copper-gold project in Chile that includes two separate land packages. The first agreement includes a 48 month earn-in with total payments of US$4,000,000. There is a 2% Net Smelter Royalty (“NSR”) payable with 50% available for repurchase under certain terms.

Option Payment USD $	Year
200,000 (paid)	2018
400,000	2019
650,000	2020
1,100,000	2021
1,650,000	2022
4,000,000	

The second agreement includes a 24 month earn-in period with total payments of US$2,000,000 and a 1% NSR that can be repurchased under certain terms.

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. MINERAL PROPERTY INTERESTS (continued)

Option Payment USD $	Year
250,000 (paid)	2018
100,000 (paid)	2019
1,650,000	2020
2,000,000	

During the year ended December 31, 2019, the Company determined that it would not be exploring the optioned properties further based on the exploration work done to the end of the period, and impaired $667,014 in acquisition costs.

(e) Antofalla, Catamarca, Argentina

The Company entered into an option agreement to acquire a 100% interest in the Antofalla project in Catamarca Province, Argentina. The terms of the option agreement include staged payments over five years totaling US$1,500,000 for a 100% interest in the property. The vendor retains a 1% net smelter royalty.

Option Payment USD $	Year
100,000 (paid)	2017
200,000 (paid)	2018
350,000	2019
400,000	2020
450,000	2021
1,500,000	

During the year ended December 31, 2018, the Company determined that it would not be exploring the Antofalla property further based on exploration work done to the end of the period, and impaired $548,414 in acquisition costs.

(f) Varitas, La Rioja, Argentina

The Company owns a 100% interest in the Varitas property in southern La Rioja Province, Argentina. During the year ended December 31, 2018, the Company determined that it would not be exploring the Varitas property further, and impaired $43,809 in acquisition costs.

(g) Mogote and Purulla Properties, Argentina

The Company owns a 100% interests in the Mogote and Purulla properties in Argentina. During the year ended December 31, 2018, the Company determined that it would not be exploring the Mogote and Purulla properties further, and impaired $145,665 in acquisition costs.

(h) Caballos, La Rioja, Argentina

The Company owns a 100% interest in the Caballos property in western La Rioja Province, Argentina. During the year ended December 31, 2018, the Company determined that it would not be exploring the Caballos property further, and impaired $74,841 in acquisition costs.

(i) Pescado, San Juan, Argentina

The Company owns a 100% interest in the Pescado Gold Project in San Juan Province, Argentina. During the year ended December 31, 2018, the Company determined that it would not be exploring the Pescado property further, and impaired $50,209 in acquisition costs.

(Expressed in Canadian Dollars Unless Otherwise Noted)

6. INVESTMENTS

At December 31, 2019, the Company held the following:

	Quantity	Fair Value
SSR Mining Inc. common shares ("SSRM")	1,045,580	$26,129,044
		$26,129,044

At December 31, 2018, the Company held the following:

	Quantity	Fair Value
Argentina Lithium & Energy Corp. common shares ("Argentina Lithium")	19,249	$1,732
		$1,732

The Company has elected to classify its marketable securities at FVOCI and accordingly, changes in fair value are recorded in other comprehensive income in the period in which they occur. A realized gain of $429,748 was recorded for the year ended December 31, 2019 (Year ended December 31, 2018 - $Nil). An unrealized gain of $6,515,250 was recorded for the year ended December 31, 2019 (Year ended December 31, 2018 – loss of $70,490).

7. CREDIT FACILITY

On July 6, 2018, the Company entered into a credit agreement with SSRM for a non-revolving term loan in an aggregate principal amount equal to US$10,000,000. The loan was to mature on July 22, 2020, the date which is 24 months from the first delivery of ore from the Chinchillas property to the Pirquitas mill.

The proceeds borrowed under the credit facility were required to be used by the Company to fund its contributions under the shareholders' agreement the Company entered into with SSRM on May 31, 2017, as the sole shareholders of POI. The loan was secured by the Company's ownership and equity interests in POI.

On September 18, 2019, pursuant to the Transaction, the Company settled all outstanding principal and accrued interest of $15,086,219 owed to SSRM. At September 18, 2019, the Company had drawn USD $10,000,000 (CAD $13,271,000) of the credit facility, and accrued USD $1,368,509 (CAD $1,815,219) interest. Interest was calculated using the US base rate of 5.75%, established by Canadian banks for US dollar loans made by the banks in Canada, plus 10%.

The credit facility bore interest (computed on the basis of the actual number of days elapsed over a year of 365 days and compounded monthly) at a rate per annum equal to 10% plus the US Base Rate, defined as, the greatest of: (i) the rate of interest per annum calculated on the basis of 365 day year, established by Canadian banks from time to time as a reference rate for the determination of interest rates that such Canadian banks charge to customers of varying degrees of creditworthiness for US dollar loans made by them in Canada; (ii) the Federal Funds Rate for such day or, if such day is not a Business Day, on the immediately preceding Business Day, plus 1.00% per annum; and (iii) LIBOR rate for a period of 1 month on such day (or, in respect of any day that is not a Business Day, such Libor in effect on the immediately preceding Banking Day) plus 1.00% per annum. Interest on the loan was accrued from and including the date of each borrowing under the credit facility, compounded monthly.

(Expressed in Canadian Dollars Unless Otherwise Noted)

7. CREDIT FACILITY (continued)

	December 31, 2019			
Balance – January 1, 2019	CAD	$ 11,205,397	USD	$8,213,896
Drawdowns		2,611,788		1,966,931
Foreign exchange gain		(299,501)		-
Interest accrued till September 18, 2019		1,568,534		1,187,682
Principal and interest settled on September 18, 2019		(15,086,218)		(11,368,509)
Balance – December 31, 2019	CAD	$ -	USD	$ -

	December 31, 2018			
Balance – January 1, 2018	CAD	$ -	USD	$ -
Drawdowns		10,586,877		8,033,069
Foreign exchange loss		371,836		-
Interest accrued for the year		246,684		180,827
Interest paid during the year		-		-
Balance – December 31, 2018	CAD	$ 11,205,397	USD	$8,213,896

8. LOANS PAYABLE

At December 31, 2019, the Company did not have any loans payable. The Company received loan proceeds of $1,429,000 and accrued interest of $15,910 during the year ended December 31, 2019 and repaid the principal balances of $1,879,000 for all the Company's loans received together with all accrued and unpaid interest totaling $17,537, during the year ended December 31, 2019.

At December 31, 2018, the Company had the following loans payable:

	December 31, 2018		
	Maturity	Currency	Amount
Unsecured, 12% annual interest rate (1)	On demand	Canadian dollar	$300,000
Unsecured, 12% annual interest rate (2)	On demand	Canadian dollar	$150,000
			$450,000

(1) $300,000 Unsecured, 12% annual interest rate & finance expense

On December 20, 2018, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan was $300,000 and was to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon became due and payable in full on demand. As at December 31, 2018, there was $1,085 interest accrued and payable.

(2) $150,000 Unsecured, 12% annual interest rate & finance expense

On December 20, 2018, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan was $150,000 and was to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon became due and payable in full on demand. As at December 31, 2018, there was $542 interest accrued and payable.

9. CAPITAL AND RESERVES

Authorized Share Capital

At December 31, 2019, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Details of Issues of Common Shares in 2019

On June 20, 2019, the Company closed a non-brokered private placement financing through two tranches and issued a total of 6,012,500 units at a price of $0.20 per unit for gross proceeds of $1,202,500. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at $0.30 per share for three years from the date of issue. Finders' fees were paid of $38,500 cash and 192,500 non-transferable warrants exercisable into common shares at $0.30 for three years from the date of issue with a fair value of $7,645. Fair value was calculated using the Black-Scholes pricing model and the following variables for tranche 1: risk-free interest rate – 1.45%, expected stock price volatility – 69.58%, dividend yield – 0%, and expected warrant life – 1.427 years; the following variables for tranche 2: risk-free interest rate – 1.45%, expected stock price volatility – 69.78%, dividend yield – 0%, and expected warrant life – 1.429 years.

On March 21, 2019, the Company closed a non-brokered private placement financing through three tranches and issued a total of 15,804,012 units at a price of $0.30 per unit for gross proceeds of $4,741,204. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at $0.40 per share for two years from the date of issue. Included in the first tranche were $250,000 of subscription proceeds that were received prior to December 31, 2018. Finders' fees were paid of $60,091 cash and 196,302 non-transferable warrants exercisable into common shares at $0.40 for two years from the date of issue with a fair value of $15,905. Fair value was calculated using the Black-Scholes pricing model and the following variables for tranche 1: risk-free interest rate – 1.78%, expected stock price volatility – 70.01%, dividend yield – 0%, and expected warrant life – 1.417 years; the following variables for tranche 2: risk-free interest rate – 1.74%, expected stock price volatility – 70.4%, dividend yield – 0%, and expected warrant life – 1.411 years; and the following variables for tranche 3: risk-free interest rate – 1.61%, expected stock price volatility – 70.29%, dividend yield – 0%, and expected warrant life – 1.394 years.

Details of Issues of Common Shares in 2018

3,581,383 warrants were exercised during the year ended December 31, 2018 for proceeds of $1,090,871.

4,509,996 warrants that were set to expire on January 28, 2018 were extended to January 28, 2019 during the year ended December 31, 2018. These warrants were originally issued on July 26, 2016 as part of the units issued under a private placement completed by the Company on July 2016 and were also subject to an accelerator. The exercise price of the warrants remained at $1.00. On January, these warrants expired unexercised.

As at December 31, 2018, there were $250,000 in share subscriptions received for the private placement financing, but the shares were issued in 2019.

(Expressed in Canadian Dollars Unless Otherwise Noted)

9. CAPITAL AND RESERVES (continued)

Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on a fixed number of eligible shares equaling 20% of the Company's outstanding common shares calculated at June 25, 2013, totaling a maximum of 8,364,371 share purchase options. On January 9, 2018, the Stock Option Plan was amended allowing for a maximum total share purchase options of 9,740,920.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX Venture Exchange. Share purchase options granted generally vest immediately, are subject to a four-month hold period and are generally exercisable for a period of five years.

The continuity of share purchase options for the year ended December 31, 2019 is as follows:

Expiry date	Exercise Price	December 31, 2018	Granted	Exercised	Cancelled/ Expired	December 31, 2019	Options exercisable
March 25, 2019	$0.35	725,000	-	-	(725,000)	-	-
April 16, 2019	$0.35	55,000	-	-	(55,000)	-	-
June 11, 2020	$0.35	1,270,000	-	-	-	1,270,000	1,270,000
April 19, 2021	$0.32	1,005,000	-	-	-	1,005,000	1,005,000
April 27, 2021	$0.42	395,000	-	-	-	395,000	395,000
May 29, 2021	$0.62	15,000	-	-	-	15,000	15,000
June 22, 2022	$0.62	3,490,000	-	-	(100,000)	3,390,000	3,390,000
January 9, 2023	$0.70	2,045,000	-	-	(75,000)	1,970,000	1,970,000
		9,000,000	-	-	(955,000)	8,045,000	8,045,000
Weighted average exercise price $		0.53	-	-	0.41	0.55	0.55
Weighted average contractual remaining life (years)		2.85	-	-	-	2.09	2.09

The continuity of share purchase options for the year ended December 31, 2018 is as follows:

Expiry date	Exercise Price	December 31, 2017	Granted	Exercised	Expired	December 31, 2018	Options exercisable
May 9, 2018	$0.51	35,000	-	-	(35,000)	-	-
May 12, 2018	$0.68	150,000	-	-	(150,000)	-	-
March 25, 2019	$0.35	725,000	-	-	-	725,000	725,000
April 16, 2019	$0.35	55,000	-	-	-	55,000	55,000
June 11, 2020	$0.35	1,270,000	-	-	-	1,270,000	1,270,000
April 19, 2021	$0.32	1,005,000	-	-	-	1,005,000	1,005,000
April 27, 2021	$0.42	395,000	-	-	-	395,000	395,000
May 29, 2021	$0.62	15,000	-	-	-	15,000	15,000
June 22, 2022	$0.62	3,490,000	-	-	-	3,490,000	3,490,000
January 9, 2023	$0.70	-	2,045,000	-	-	2,045,000	2,045,000
		7,140,000	2,045,000	-	(185,000)	9,000,000	9,000,000
Weighted average exercise price $		0.49	0.70	-	0.65	0.53	0.53
Weighted average contractual remaining life (years)		3.42	4.03	-	-	2.85	2.85

(Expressed in Canadian Dollars Unless Otherwise Noted)

9. CAPITAL AND RESERVES (continued)

The weighted average fair value of share purchase options exercised during the year ended December 31, 2019 was $Nil (2018 - $Nil). The weighted average fair value of share purchase options granted during the year ended December 31, 2019 was $Nil (2018 - $0.37).

Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Year ended December 31,	
	2019	2018
Risk-free interest rate	-	1.94%
Expected option life in years	-	3.1
Expected share price volatility	-	88%
Grant date share price	-	$0.66
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

Warrants

The continuity of warrants for year ended December 31, 2019 is as follows:

Expiry date	Exercise Price	December 31, 2018	Issued	Exercised	Expired/ Forfeited	December 31, 2019
January 28, 2019	$1.00	4,509,996	-	-	(4,509,996)	-
February 25, 2021	$0.40	-	11,208,242	-	-	11,208,242
March 5, 2021	$0.40	-	1,307,869	-	-	1,307,869
March 21, 2021	$0.40	-	3,484,203	-	-	3,484,203
June 19, 2022	$0.30	-	4,213,000	-	-	4,213,500
June 20, 2022	$0.30	-	1,992,000	-	-	1,992,000
		4,509,996	22,205,314	-	(4,509,996)	22,205,314
Weighted average exercise price $		1.00	0.37	-	1.00	0.37

The continuity of warrants for year ended December 31, 2018 is as follows:

Expiry date	Exercise Price	December 31, 2017	Issued	Exercised	Expired/ Forfeited	December 31, 2018
May 15, 2018	$0.30	3,306,363	-	(3,032,863)	(273,500)	-
May 15, 2018	$0.33	600,520	-	(548,520)	(52,000)	-
January 28, 2019	$1.00	4,988,175	-	-	(478,179)	4,509,996
		8,895,058	-	(3,581,383)	(803,679)	4,509,996
Weighted average exercise price $		0.69	-	0.30	0.72	1.00

(Expressed in Canadian Dollars Unless Otherwise Noted)

10. RELATED PARTY BALANCES AND TRANSACTIONS

On June 1, 2017, the Company entered into a Management Services Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group is a private company that is owned by an officer and director of the Company and also has another director in common with the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current monthly fee is $41,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

The Management Services Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of $750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of $1,000,000. The agreement expires on December 31, 2021 and is automatically renewed for additional terms of two years unless otherwise terminated pursuant to the terms of the agreement.

	Year 1 $	Year 2 $	Year 3 $
Management Services Agreement	492,000	492,000	-

	Year ended December 31,	
Transactions	2019 $	2018 $
Services rendered:		
Grosso Group Management Ltd.		
Administration and management services	429,200	387,400
Office & sundry	135,205	117,300
Total for services rendered	564,405	504,700

Key management personnel compensation

Key management personnel of the company are members of the Board of Directors, as well as the Executive Chairman, President and CEO, CFO, Vice President of Corporate Development and Corporate Secretary.

(Expressed in Canadian Dollars Unless Otherwise Noted)

10. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Transactions	**Position**	Year ended December 31, 2019 $	2018 $
Consulting, salaries, and professional fees:			
Joseph Grosso	Chairman/President/CEO	829,650	275,000
Darren Urquhart	CFO	110,000	60,000
Nikolaos Cacos	Director/VP – Corp. Development	360,000	120,000
Brian McEwen	VP Exploration	340,000	190,000
Connie Norman	Corporate Secretary	112,000	82,000
Louis Salley	Director	12,000	27,961
David Terry	Director	88,195	55,325
John Gammon	Director	16,000	16,000
Alfred Hills	Director	39,550	82,525
Total for services rendered		1,907,395	908,811

Transactions	**Position**	Year ended December 31, 2019 $	2018 $
Share-based compensation:			
Joseph Grosso	Chairman/President/CEO	-	111,603
Darren Urquhart	CFO	-	18,600
Nikolaos Cacos	Director/VP – Corp. Development	-	37,201
Brian McEwen	VP Exploration	-	55,801
Connie Norman	Corporate Secretary	-	27,901
Louis Salley	Director	-	55,801
David Terry	Director	-	27,901
John Gammon	Director	-	27,901
Alfred Hills	Director	-	93,002
Total share-based compensation		-	455,711

As at December 31, 2019, there was $108,119 (2018 – $47,360) of costs owed from related corporations for shared services paid by the Company.

11. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2019 and 2018 was based on the following:

	Year ended December 31, 2019	2018
Loss attributable to common shareholders ($)	(19,839,184)	(17,800,975)
Weighted average number of common shares outstanding	117,225,524	100,726,127

(Expressed in Canadian Dollars Unless Otherwise Noted)

11. BASIC AND DILUTED EARNINGS PER SHARE (continued)

The Company incurred a loss attributable to common shareholders for the year ended December 31, 2019, therefore no impact of dilutive securities as they are anti-dilutive.

12. SEGMENTED INFORMATION

The Company's operations are limited to a single reportable segment, being mineral exploration and development. The Company's total non-current assets are segmented geographically as follows:

	December 31, 2019			
	Argentina $	Chile $	Paraguay $	Total $
Equipment ($)	29,429	-	2,538	31,967
Mineral property interests ($)	27,103	220,962	103,388	351,453
	56,532	220,962	105,925	383,420

	December 31, 2018		
	Argentina $	Chile $	Total $
Equipment ($)	39,250	-	39,250
Investment in Puna Operations Inc. ($)	48,833,847	-	48,833,847
Mineral property interests ($)	7,239	662,439	669,678
	48,880,336	662,439	49,542,775

13. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31,	
	2019 $	2018 $
Non-cash investing and financing activities:		
Share issue cost – issuance of warrants to agents	23,550	-
Consideration received in shares of SSRM for sale of investment in POI	23,379,536	-
Credit Facility settled as consideration for sale of investment in POI	15,086,219	-
Return of the Company's common shares to treasury for cancellation	685,714	-

14. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of loss (income) and comprehensive loss (income) differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

(Expressed in Canadian Dollars Unless Otherwise Noted)

14. INCOME TAXES (continued)

	2019	2018
Statutory tax rate	27.00%	27.00%
	$	$
Income (loss) before income taxes	(19,839,184)	(17,800,975)
Income tax expense (recovery) at Canadian statutory rates	(5,356,580)	(4,806,263)
Non-deductible differences and others	(33,523)	178,070
Difference between Canadian and foreign tax rates	1,436,721	1,614,555
Unrecognized deferred tax assets	2,528,536	3,013,638
Losses on POI investment	1,424,846	-
Income tax recovery	-	-

Deferred incomes taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities are as follows:

	2019	2018
	$	$
Deferred income tax assets		
Share issue costs	47,830	97,307
Non-capital tax loss carry forwards	3,993,793	3,164,087
Resource deductions	490,849	645,690
Capital assets	672,859	630,739
Marketable securities	307,060	78
	5,512,391	4,537,901
Deferred income tax liabilities		
Investment in POI	-	(1,449,234)
Marketable securities	(887,973)	
Unrecognized deferred income tax assets	(4,634,418)	(3,088,667)
	-	-

The Company has Canadian non-capital loss carryforwards of $13,840,642 (2018 - $7,282,565) that may be available for tax purposes. The Company's non-capital losses expire in 2037 to 2039.

At December 31, 2019, the Company had a net operating loss carryforward for Chile income tax purposes of approximately $951,183 (2018 - $Nil).

15. FINANCIAL INSTRUMENTS

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Fair Values

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy are as follows:

(Expressed in Canadian Dollars Unless Otherwise Noted)

15. FINANCIAL INSTRUMENTS (continued)

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

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's financial assets consist of cash and cash equivalents, amounts receivable and investments. Investments are carried at fair value and measured as per Level 1 hierarchy. Fair value is determined using closing prices at the balance sheet date with any gains or losses recognized in other comprehensive income. The carrying values of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

An analysis of investments including related gains and losses during the year is as follows:

	Year ended December 31,	
	2019 $	2018 $
Investments, beginning of year	1,732	312,378
Marketable securities received on disposition of investment in POI	23,379,536	-
Disposition of marketable securities	(4,197,222)	(240,156)
Realized gain included in other comprehensive income	441,975	49,356
Unrealized gain (loss) included in other comprehensive income	6,503,023	(119,846)
Investments, end of year	26,129,044	1,732

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, and amounts receivable.

Overall the Company’s credit risk has not changed significantly from the prior year. The Company places its cash and cash equivalents and short-term investments with financial institutions with high credit ratings, the credit risk is minimal.

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 has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

(Expressed in Canadian Dollars Unless Otherwise Noted)

15. FINANCIAL INSTRUMENTS (continued)

As of December 31, 2019, the Company has working capital of $28,787,965 (December 31, 2018 - $(7,987)). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The Company believes it has adequate working capital to maintain operations for the next 12 months.

	1 Year $	2 Years and more $
Accounts payable and accrued liabilities	358,899	-

Market risk

(i) ***Currency risk***

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include cash accounts, amounts receivable and accounts payable in: US dollars, Argentine Pesos, Chilean Pesos and Paraguayan Guarani. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the United States dollar, Argentine Peso, Chilean Peso and Paraguayan Guarani at December 31, 2019 is summarized as follows:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by $4,100.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $3,800.
- A 10% change in the Chilean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $1,400.
- A 10% change in the Paraguayan Guarani exchange rate relative to the Canadian dollar would change the Company's net loss by $5,800.

(ii) ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest and short-term investments are redeemable at any time without penalty, with interest paid from the date of purchase. The fair value of cash and short-term investments approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- To safeguard our ability to continue as a going concern in order to develop and operate our current projects
- Pursue strategic growth initiatives; and
- To maintain a flexible capital structure which lowers the cost of capital.

16. CAPITAL MANAGEMENT (continued)

In assessing our capital structure, we include in our assessment the components of shareholders' equity and loans. In order to facilitate the management of capital requirements, the Company prepares annual expenditure budgets and continuously monitor and review actual and forecasted cash flows. The annual and updated budgets are monitored and approved by the Board of Directors. To maintain or adjust the capital structure, the Company may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets. The Company is dependent upon the ability to raise additional funding to meet its obligations and commitments.

17. SUBSEQUENT EVENTS

Option payment Indiana Project

- The Company paid USD$150,000 of the option payment due in 2020 for the Indiana option agreement.

Option payment Tierra Dorada Project

- The Company paid USD$75,000 of the option payment due in 2020 for the Tierra Dorada option agreement.

Normal Course Issuer Bid

- The Company has received approval from the TSX Venture Exchange (the "Exchange") to commence a normal course issuer bid (the "Bid") to purchase up to 10,658,050 of its common shares ("Shares"), being equal to 10% of the Public Float (as defined in the policies of the Exchange) as at March 6, 2020. Pursuant to the policies of the Exchange, the Bid will commence on March 17, 2020 and will end on the earlier of March 16, 2021, or at such time as the Bid has been completed or the Bid is terminated at the Company's discretion. All Shares purchased pursuant to the Bid will be made on the open market through the facilities of the Exchange by PI Financial Corp. on behalf of the Company, and the purchase and payment for the acquired Shares will be made by the Company in accordance with the requirements of the Exchange.

Novel Coronavirus

- On March 11, 2020, the World Health Organization declared the global outbreak of a novel coronavirus identified as "COVID-19" a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. Significant economic and social impacts have limited the Company's ability to continue its exploration activities as intended. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.