E29
a copper company

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)

Three and six months ended June 30, 2020

Element 29 Resources Inc.

Condensed Consolidated Interim Statements of Financial Position

As at June 30, 2020 and December 31, 2019 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	June 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 1,602,166**	$ 424,562
Receivables	3	**12,737**	45,314
Prepaid expenses		**29,172**	15,123
		1,644,075	$ 484,999
Non-current assets			
Promissory notes receivable	9	**228,291**	459,000
Property and equipment		**4,670**	2,790
Exploration and evaluation assets	4	**5,821,092**	5,512,308
		6,054,053	5,974,098
Total assets		**$ 7,698,128**	$ 6,459,097
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 95,382**	$ 150,427
Acquisition price payable	4	**-**	1,500,000
Senior secured convertible debenture	5	**1,474,976**	-
Embedded derivative	5	**20,548**	-
Interest payable	5	**20,055**	-
		1,610,961	1,650,427
Non-current liabilities			
Convertible debentures	6	**271,185**	-
Embedded derivative	6	**12,257**	-
Interest payable	6	**10,474**	-
Loan payable	7	**40,000**	-
Total liabilities		**1,944,877**	1,650,427
Shareholders' equity			
Share capital	8	**5,868,541**	5,929,000
Commitment to issue shares	4	**1,500,000**	-
Reserves	8	**248,188**	90,790
Deficit		**(1,863,478)**	(1,211,120)
Total shareholders' equity		**5,753,251**	4,808,670
Total liabilities and shareholders' equity		**7,698,128**	$ 6,459,097

Nature of operations (Note 1)

Subsequent events (Note 14)

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

Element 29 Resources Inc.

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and six months ended June 30, 2020 and 2019 (unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	Three months ended June 30		Six months ended June 30	
		2020	**2019**	**2020**	**2019**
General and administrative expenses					
Administration and office		**$ 11,789**	$ 15,550	**$ 24,111**	$ 19,019
Consulting		**698**	14,330	**698**	14,330
Investor relations		**20,414**	46,669	**34,634**	75,482
Personnel costs	9	**176,863**	205,928	**362,381**	292,173
Professional fees		**68,694**	59,498	**95,455**	87,395
Foreign exchange gain		**47,742**	9,600	**(58,848)**	(16,655)
Stock-based compensation	8	**166,939**	-	**166,939**	52,155
Other		**186**	280	**576**	517
Operating loss		**493,325**	351,855	**625,946**	524,416
Interest income		**(627)**	(2,250)	**(1,221)**	(4,500)
Interest expense	5,6	**26,003**	-	**30,529**	-
Accretion expense	5,6	**8,722**	-	**11,544**	-
Change in fair value of embedded derivatives	5,6	**(2,147)**	-	**(14,440)**	-
Loss and comprehensive loss for the period		**$ 525,276**	$ 349,605	**$ 652,358**	$ 519,916
Loss per common share					
Basic and fully diluted		**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.02)
Weighted average number of common shares outstanding		**45,945,833**	41,522,022	**45,929,258**	24,976,001
Total common shares issued and outstanding		**44,945,833**	45,379,000	**44,945,833**	45,379,000

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

Element 29 Resources Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2020 and 2019 (unaudited)

(expressed in Canadian dollars, except where indicated)

	Number of Shares (000's)	Share capital	Commitment to issue shares	Reserves	Deficit	Total
Balance at December 31, 2019	45,645,833	$ 5,929,000	$ -	$ 90,790	$ (1,211,120)	$ 4,808,670
Issuance of share capital – stock option exercise	**300,000**	**39,541**	**-**	**(9,541)**	**-**	**30,000**
Commitment to issue shares	**-**	**-**	**1,500,000**	**-**	**-**	**1,500,000**
Cancellation of common shares	**(1,000,000)**	**(100,000)**	**-**	**-**	**-**	**(100,000)**
Loss and comprehensive income	**-**	**-**	**-**	**-**	**(652,358)**	**(652,358)**
Stock-based compensation	**-**	**-**	**-**	**166,939**	**-**	**166,939**
Balance at June 30, 2020	**44,945,833**	**$ 5,868,541**	**$ 1,500,000**	**$ 248,188**	**$ (1,863,478)**	**$ 5,753,251**

	Number of Shares (000's)	Share capital	Commitment to issue shares	Reserves	Deficit	Total
Balance at January 1, 2019	4,520,001	$ 452,000	$ -	$ -	$ (78,489)	$ 373,511
Issuance of share capital – acquisition of mineral property	28,112,501	2,811,250	-	-	-	2,811,250
Issuance of share capital – private placement at $0.10 per common share	5,967,000	596,700	-	-	-	596,700
Issuance of share capital – private placement at $0.30 per common share	6,779,498	2,033,849	-	-	-	2,033,849
Share issuance costs	-	(44,849)	-	-	-	(44,849)
Loss and comprehensive loss	-	-	-	-	(519,916)	(519.916)
Stock-based compensation	-	-	-	52,155	-	52,155
Balance at June 30, 2019	45,379,000	5,848,950	-	52,155	(598,405)	5,302,700
Issuance of share capital – private placement at $0.30 per common share	266,833	80,050	-	-	-	80,050
Loss and comprehensive income	-	-	-	-	(612,715)	(612,715)
Stock-based compensation	-	-	-	38,635		38,635
Balance at December 31, 2019	45,645,833	$ 5,929,000	$ -	$ 90,790	$ (1,211,120)	$ 4,808,670

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

Element 29 Resources Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2020 and 2019 (unaudited)

(expressed in Canadian dollars, except where indicated)

	2020	2019
Cash flows used in operating activities		
Net loss from operations	**$ (652,358)**	$ (519,916)
Items not affecting cash:		
Accretion	**11,543**	-
Interest	**30,529**	-
Change in fair value of derivatives	**(14,439)**	-
Share-based compensation	**166,939**	52,155
Unrealized foreign exchange losses (gains)	**-**	16,655
	(457,786)	(451,106)
Changes in non-cash operating working capital:		
Increase (decrease) in receivables and prepaid expenses	**18,530**	(1,199)
Increase in accounts payable and accruals	**(53,295)**	(15,927)
	(492,551)	(467,602)
Cash flows used in investing activities		
Purchase of equipment	**(1,880)**	(2,790)
Payment for exploration and evaluation assets	**(308,784)**	(496,998)
	(310,664)	(499,788)
Cash flows from financing activities		
Issuance of convertible debentures	**295,000**	-
Finance fees – convertible debentures	**(13,140)**	-
Issuance of senior secured convertible debentures	**1,500,000**	-
Proceeds from loan	**40,000**	-
Receipts from promissory notes receivable	**128,959**	-
Stock option exercise	**30,000**	-
Proceeds from issuance of common shares, net	**-**	2,291,700
	1,980,819	2,291,700
Increase in cash and cash equivalents	**1,177,604**	1,324,310
Cash and cash equivalents - beginning of period	**424,562**	47,614
Cash and cash equivalents - end of period	**$ 1,602,166**	$ 1,371,924

Cash and cash equivalents is represented by:

Cash	**$ 526,696**	$ 371,924
Cash equivalents	**1,075,470**	1,000,000
Total cash and cash equivalents	**$ 1,602,166**	$ 1,371,924

Supplemental cash flow information (Note 11)

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

1 Nature of operations

Nature of operations

Element 29 Resources Inc. together with its subsidiaries (collectively referred to as the "Company" or "E29"), is focused on the exploration of mineral property interests in Peru. The Company is in the process of completing an Initial Public Offering ("IPO") and listing on the TSX Venture Exchange ("TSX-V").

The Company was incorporated on August 30, 2017 in British Columbia. The Company's registered office is at 1900-1040 West Georgia Street, Vancouver, BC, V6E 4H3, Canada.

All amounts are expressed in Canadian dollars, except for certain amounts denoted in United States dollars ("US$").

The Company has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is 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. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has not generated revenues from its operations to date. As at June 30, 2020, the Company has accumulated net losses of $1,863,478 since inception and has working capital of $33,114. The operations of the Company have primarily been funded by the issuance of common shares. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments may be necessary to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business, results of operations and the timing of proposed transactions at this time.

2 Basis of presentation

Basis of presentation

The Company prepares its condensed consolidated interim financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Reporting Interpretations Committee ("IFRIC"). These should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2019 ("annual financial statements"). The accounting policies and critical estimates and judgements applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements, unless otherwise stated.

The condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors on November 13, 2020.

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

3 Receivables

The Company's receivable balance consists of the following:

	June 30, 2020	December 31, 2019
Goods and service tax receivable	$ 12,737	$ 45,314
	$ 12,737	$ 45,314

4 Exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral properties. The Company has investigated title to its mineral properties, to the best of its knowledge, title to the mineral property assets remains in good standing.

In April 2019, the Company acquired from Globetrotters Resource Group Inc. ("Globetrotters"), a private company incorporated under the laws of British Columbia, Canada, two copper projects, the Flor de Cobre Project ("Flor de Cobre") and the Elida Project ("Elida") located in Peru for a purchase price of $2,811,250 which was paid for with 28,112,501 common shares of the Company. The acquisition of the Flor de Cobre and Elida projects were effected by way of purchase of 100% interest in the shares of Candelaria and Elida respectively. As at December 31, 2018, the Company had also advanced a total of $225,897 to Candelaria and Elida that is considered a cost of the acquisition. Globetrotters also retained 2% net smelter royalty ("NSR") on the projects. The Company and Globetrotters share certain directors in common.

The Company's acquisition of Candelaria and Elida is being accounted for as acquisition of net assets of these entities. Total consideration for the acquisition and the allocation of the consideration to the assets and liabilities acquired are as follows:

Consideration	Flor de Cobre Project	Elida Project
Value of shares	$ 467,598	$ 2,343,652
Transaction costs	1,251	6,270
Deferred acquisition costs	49,367	176,530
Total consideration	**$ 518,216**	**$ 2,526,452**
Net assets acquired		
Cash	$ 10,196	$ 40,433
Prepaid expenses	55	-
Receivable	21,308	21,595
Exploration and evaluation assets	487,764	2,496,832
Accounts payable and accrued liabilities	(1,107)	(32,408)
	$ 518,216	**$ 2,526,452**

In November 2019, the Company acquired the Pahuay Copper Skarn Project ("Puhuay") and the Munaorjo Copper Skarn Porphyry Project ("Munaorjo") from Globetrotter for $1,500,000. The acquisition of Puhuay and Minaorjo projects were effected by way of purchase of 100% interest in the shares of Puhuay. In June 2020, the Company entered into an amended agreement with the vendor of the Pahuay Project whereby the purchase price of $1,500,000 will be paid by the Company by way of issuing common shares of the Company equal to the price per common share which is established for the purpose of an initial public offering, reverse merger or other transaction whereby the Company's securities are listed for trading on a recognized stock exchange, less a discount of twenty percent (20%). Accordingly, the acquisition price payable of $1,500,000 has been reclassified to a commitment to issue shares. Globetrotters also retained 2% NSR on the project.

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

The Company's acquisition of Pahuay is being accounted for as acquisition of net assets of Pahuay. Total consideration for the acquisition and the allocation of the consideration to the assets and liabilities acquired are as follows:

Consideration	**Pahuay Project**
Acquisition price payable	$ 1,500,000
Total consideration	**$ 1,500,000**
Net assets acquired	
Cash	$ 887
Prepaid expenses	392
Receivable	793
Exploration and evaluation assets	1,503,822
Accounts payable and accrued liabilities	(5,840)
	$ 1,500,000

Flor de Cobre copper project

The Company owns 100% of the Flor de Cobre copper project, with the exception of certain claims ("Candelaria claims"), where it has an option to earn 100%.

The Company can earn 100% interest in certain claims ("Candelaria claims") at Flor de Cobre by making payments to the vendor in the total amount of approximately US$5 million over five years between 2020 and 2024.An additional US$6 million payment would be due on the positive feasibility study for the claim area.

During the year ended December 31, 2019, the Company acquired several claims as the San Jose Property through a government auction. The San Jose Property forms part of the Flor de Cobre Project.

Elida copper project

The Company owns 100% of the Elida copper project, subject to 2% NSR to Globetrotters.

Pahuay copper skarn project

The Company owns 100% of the Puhuay copper skarn project, subject to 2% NSR to Globetrotters. The property is located 270 kilometres south of Lima, Peru.

Munaorja copper skarn project

The Company owns 100% of the Munaorjo copper skarn porphyry project, subject to 2% NSR to Globetrotters. The project is located approximately 200 kilometres northeast of Arequipa, Peru.

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

Expenditures for the six months period ended June 30, 2020 were as follows:

	Flor de Cobre	Elida	Pahuay and Munaorjo	Total
Balance, December 31, 2019	**$ 1,148,499**	**$ 2,859,246**	**$ 1,504,563**	**$ 5,512,308**
Additions:				
Option payments	61,180	-	-	**61,180**
Geological and mapping	349	-	-	**349**
Geophysics	22,838	-	-	**22,838**
Permitting	3,112	-	-	**3,112**
Community, health, safety and environment	22,397	1,197	-	**23,594**
Concessions and taxes	25,088	33,927	5,560	**64,575**
Technical report	8,547	8,000	-	**16,547**
Property maintenance and administration	61,752	46,642	8,195	**116,589**
Balance, June 30, 2020	**$ 1,353,762**	**$ 2,949,012**	**$ 1,518,318**	**$ 5,821,092**

Expenditures for the year ended December 31, 2019 were as follows:

	Flor de Cobre	Elida	Pahuay and Munaorjo	Total
Balance, December 31, 2018	$ -	$ -	$ -	**$ -**
Additions:				
Property acquisition cost	487,764	2,496,832	1,503,822	**4,488,418**
Option payments	165,803	-	-	**165,803**
Geological and mapping	14,190	318	-	**14,508**
Geophysics	116,808	-	-	**116,808**
Permitting	17,887	38,058	-	**55,945**
Community, health, safety and environment	7,626	6,598	-	**14,224**
Concessions and taxes	46,120	148,029	741	**194,890**
Technical report	23,310	-	-	**23,310**
Property maintenance and administration	268,991	169,411	-	**438,402**
Balance, December 31, 2019	**$ 1,148,499**	**$ 2,859,246**	**$ 1,504,563**	**$ 5,512,308**

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

5 Senior secured convertible debenture

In April 2020, the Company completed a senior secured convertible debenture financing (the "Senior Secured Debenture") for proceeds of $1,500,000.

The Senior Secured Debenture is secured by a pledge to the holder of the original share certificates of the Company's subsidiaries, Candelaria Resources S.A.C. (Peru) and Elida Resources S.A.C. (Peru).

Interest equal to a rate of 8% (eight percent) per annum, being a 365 day year, compounded quarterly; provided, however, that (a) if the Pledge Execution has not occurred by the Pledge Execution Date or (b) if the Pledge Registration has not occurred by Pledge Registration Date the rate shall be 10% (ten percent) per annum from the Pledge Execution Date or the Pledge Registration Date, as the case may be, being a 365 day year, compounded quarterly.

The Senior Secured Debenture is convertible immediately prior to the occurrence of a Liquidity Event, all or any of the Indebtedness at that time remains unpaid, then such Indebtedness shall automatically convert into Units at a twenty percent (20%) discount to the Liquidity Event Price (the "Liquidity Conversion Price").

Each whole Warrant will entitle the holder to acquire one additional Common Share at the price of $1.00 or the Liquidity Event price, whichever is lower, for a period of three years following the Liquidity Event closing date.

The Senior Secured Debenture matures on April 27, 2021 ("Maturity").

The Senior Secured Debenture, including accrued and unpaid interest owing, automatically convert into Units at the Liquidity Conversion Price upon a Liquidity Event or on Maturity at the Holders 'Conversion Price.

For the purposes of the Senior Secured Debenture, a "Liquidity Event" means (i) the listing of the common shares on a recognized exchange acceptable to the holder, together with a concurrent financing from arm's length third party investors of not less than $5,000,000 (ii) the sale of all or substantially all of the issued and outstanding Common Shares or all or substantially of the assets of the Company for cash proceeds or for securities provided that such securities are listed and posted for trading on a stock exchange; or (iii) the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Company with or into another entity pursuant to which the common shares of the resulting issuer from such transaction are listed on a stock exchange together with a concurrent financing from arm's length third party investors of not less than $5,000,000.

The following is a continuity schedule of the Senior Secured Debenture:

Opening balance	$ -
Additions	**1,500,000**
Debt issue costs	**-**
Embedded derivatives	**(30,000)**
Accretion expense	**4,976**
Balance, June 30, 2020	**$ 1,474,976**

As a result of the variability in the number of shares issuable under the convertible debentures, the cash received under each of the convertible debentures has been allocated between the fair value of the loan conversion feature, which is considered an embedded derivative liability, and the value of the loan liability. The value ascribed to the loan conversion feature is determined using the Black Scholes option pricing model as at the loan date, and the residual amount has been allocated to the loan liability. The fair value of embedded derivative component of the convertible debt was estimated using the Black Scholes pricing model with weighted average assumptions as follows: risk free interest rate of 0.88%, expected life of 1 year, expected volatility of 75% and expected dividends of nil.

The fair value of the embedded derivative at June 30, 2020 was $20,548. Accrued interest payable at June 30, 2020 was $20,055.

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

6 Unsecured convertible debentures

In January 2020, the Company issued unsecured convertible debentures (the "Debentures") for gross proceeds of $295,000. Commissions in the amount of $13,140 were paid in connection with these Debentures.

The Debentures are convertible into units of the Company ("Units") consisting of one (1) common share of the Company (a "Common Share") and one half (0.5) of one common share purchase warrant of the Company (a "Warrant").

Interest equal to 8.0% of the par value of a Debenture outstanding per year will be accrued quarterly and added to the principal (with interest deemed to be satisfied) and will be payable in Common Shares on Maturity (as hereinafter defined) or on a Liquidity Event (as hereinafter defined).

The Debentures are convertible at any time until Maturity at the holder's option into Units at $1.00 per Unit (the "Holders' Conversion Price"). Upon a Liquidity Event (as hereinafter defined), the Debentures will automatically convert at a 20% discount to the applicable Liquidity Event price per security issued under the Liquidity Event (the "Liquidity Conversion Price").

Each whole Warrant will entitle the holder to acquire one additional Common Share at the price of $1.00 or the Liquidity Event price, whichever is lower, for a period of one year following the Liquidity Event closing date.

The Debentures mature in two (2) years from the Closing Date ("Maturity").

The Debentures, including accrued and unpaid interest owing, automatically convert into Units at the Liquidity Conversion Price upon a Liquidity Event or on Maturity at the Holders 'Conversion Price.

For the purposes of the Debentures, a "Liquidity Event" means (i) the listing of the common shares on a recognized exchange, (ii) the sale of all or substantially all of the issued and outstanding Common Shares or all or substantially of the assets of the Company for cash proceeds or for securities provided that such securities are listed and posted for trading on a stock exchange; or (iii) the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Company with or into another entity pursuant to which the common shares of the resulting issuer from such transaction are listed on a stock exchange.

The following is a continuity schedule of the Debentures:

Opening balance	**$ -**
Additions	**295,000**
Debt issue costs	**(13,140)**
Embedded derivatives	**(17,244)**
Accretion expense	**6,569**
Balance, June 30, 2020	**$ 271,185**

As a result of the variability in the number of shares issuable under the convertible debentures, the cash received under each of the convertible debentures has been allocated between the fair value of the loan conversion feature, which is considered an embedded derivative liability, and the value of the loan liability. The value ascribed to the loan conversion feature is determined using the Black Scholes option pricing model as at the loan date, and the residual amount has been allocated to the loan liability. The fair value of embedded derivative component of the convertible debt was estimated using the Black Scholes pricing model with weighted average assumptions as follows: risk free interest rate of 0.88%, expected life of 1.56 year, expected volatility of 75% and expected dividends of nil.

The fair value of the embedded derivative at June 30, 2020 was $12,257. Accrued interest payable at June 30, 2020 was $10,474.

7 Loan payable

The Company entered into an arrangement with its principal banker for a $40,000 Canada Emergency Business Account ("CEBA") interest free loan that was launched in April 2020. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% ($10,000) of the balance outstanding.

8 Share capital

a) **Common shares**

The Company's authorized share capital consists of unlimited common shares without par value. At June 30, 2020, the Company had 44,945,833 (December 31, 2019 – 45,645,833) shares issued and outstanding.

b) **Issued share capital**

The Company's share capital transactions for the six months ended June 30, 2020 as follows:

- The Company issued 300,000 common shares at a price of $0.10 per common share through the exercise of stock options.
- The Company cancelled 1,000,000 common shares with a value of $100,000 when the Non-Executive Chairman resigned and cancelled the related promissory note receivable (Note 9).

The Company issued share capital in the year ended December 31, 2019 as follows:

- the Company issued 28,112,501 common shares at a price of $0.10 per common share with a value of $2,811,250 to Globetrotter (Note 4).
- the Company completed a non-brokered private placement of 2,467,000 common shares of the Company at a price of $0.10 per share for gross proceeds of $246,700.
- the Company issued 3,500,000 common shares of the Company at a price of $0.10 per share to the CEO and VP Corporate Development of the Company in return for a promissory note receivable (Note 9).
- the Company completed a non-brokered private placement of 7,046,331 common shares at a price of $0.30 per common share for gross proceeds of $2,113,899. Commissions in the amount of $44,849 were paid in connection with this private placement.

c) **Stock options**

The Company provides share-based compensation to its directors, officers, employees, and consultants through grants of share options.

The Company has adopted a stock option plan (the "Plan"), as amended, to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding shares of the Company. Vesting is determined at the discretion of the Board of Directors.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. For employees, the compensation expense is amortized on a graded vesting basis over the requisite service period which approximates the vesting period. Compensation expense for stock options granted to non-employees is recognized over the contract services period or, if none exists, from the date of grant until the options vest.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the share options. Since the Company has not paid and does not anticipate paying dividends on its common shares, the expected dividend yield is assumed to be zero. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of nil in determining the expense recorded in the accompanying Statements of Comprehensive Loss.

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

Share option transactions are summarized as follows:

	Number of share options	Weighted average exercise price $
Outstanding – December 31, 2018 and 2017	-	-
Granted	2,040,000	0.13
Outstanding – December 31, 2019	2,040,000	0.13
Exercised	(300,000)	0.10
Granted	1,500,000	0.30
Outstanding – June 30, 2020	3,240,000	0.21

At June 30, 2020, the following share options were outstanding:

Number of share options	Number of share options vested	Exercise price per share option $	Expiry date
1,440,000	1,440,000	0.10	January 31, 2021
300,000	300,000	0.30	August 23, 2024
500,000	166,667	0.30	May 19, 2025
850,000	283,333	0.30	June 25, 2025
150,000	50,000	0.30	June 29, 2025
3,240,000	2,240,000		

	June 30, 2020
Weighted average exercise price for exercisable options	**$ 0.17**
Weighted average share price for options exercised	**0.10**
Weighted average years to expiry for exercisable options	**2.94 years**

For the period ended June 30, 2020, the total share-based compensation charges relating to 1,500,000 options granted to officers, directors and consultants was $166,939.

The weighted average fair value at date of grant for the options granted during the period ended June 30, 2020 was $0.18 per option. The following weighted average assumptions were used for the Black-Scholes valuation of share options granted:

	June 30, 2020
Risk-free interest rate	0.88%
Expected life of options (years)	5 years
Expected volatility	75%
Expected dividend	0.00%

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

d) **Net loss per common share**

Net loss per common share information in these consolidated financial statements is computed by dividing the net loss attributable to common shares by the weighted average number of common shares outstanding during the period. All share options and share purchase warrants outstanding at each period end have been excluded from the weighted average share calculation as they are anti-dilutive.

9 Related party transactions

The Company's related parties include key management personnel and directors. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Non-executive Chairman, Chief Executive Officer, Chief Financial Officer and Vice President of Business Development.

Direct remuneration paid to the Company's directors and key management personnel during the period ended June 30, 2020 was as follows:

	2020	2019
Salaries and benefits – personnel costs	**$ 145,394**	$ 126,042
Consulting fees – personnel costs	**181,250**	166,131
Directors fees – personnel costs	**31,500**	-
Share-based compensation	**166,939**	52,155
	$ 525,083	$ 344,328

As at June 30, 2020, included in accounts payable was an amount of $8,800 (December 31, 2019 - $6,600) due to the Company's Chief Financial Officer and $30,000 (December 31, 2019 – Nil) due to directors of the Company. Included in Debentures (Note 6) was an amount of $26,000 owed to a director of the Company.

The Company issued common shares of the Company to certain executives in exchange for promissory notes (the "Promissory Notes") to the Company.

In November 2018, the Non-Executive Chairman was issued 1,500,000 common shares of the Company in exchange for a Promissory Note of $150,000. The Non-Executive Chairman's Promissory Note bears interest at 2% per annum, matures on April 1, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow. In January 2020, the Non-Executive Chairman repaid $51,250 of the outstanding balance. In May 2020, the Non-Executive Chairman resigned from the Company and cancelled the remaining balance of the Promissory Note. As a result, 1,000,000 common shares in relation to this Promissory Note were returned to treasury and cancelled.

In February 2019, the Vice President of Business Development was issued 1,500,000 common shares of the Company in exchange for a Promissory Note of $150,000. The Vice President of Business Development's Promissory Note bears interest at 2% per annum, matures on June 1, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow.

In January 2019, the Chief Executive Officer was issued 2,000,000 common shares of the Company in exchange for a Promissory Note of $200,000. The Chief Executive Officer's Promissory Note bears interest at 2% per annum, matures on June 15, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow. The Chief Executive Officer repaid $50,000 in 2019 and $80,209 in 2020 of the respective Promissory Note.

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

Balance, January 1, 2019	$	**150,000**
Promissory note advances		**350,000**
Repayments		**(50,000)**
Interest		**9,000**
Balance, December 31, 2019		**459,000**
Repayments		**(131,459)**
Cancellation		**(101,750)**
Interest		**2,500**
Balance, June 30, 2020	**$**	**228,291**
Current portion		**-**
Non-current portion		**228,291**

Name	**Position**		**Initial Loan**		**Interest**		**Repaid**		**Balance June 30, 2020**
Brian Booth	Director and CEO	$	200,000	$	4,000	$	(130,209)	**$**	**73,791**
Aleksandra Bukacheva	VP Exploration		150,000		4,500		-		**154,500**
		$	**350,000**	**$**	**8,500**	**$**	**(130,209)**	**$**	**228,291**

10 Segmented information

The Company has one business segment, the exploration of mineral properties. As at June 30, 2020, all of the Company's significant non-current non-financial assets are located in Peru.

11 Supplemental cash flow information

	Note		**June 30, 2020**
Non-cash financing activities	(i)	$	(101,750)

i) The Non-Executive Chairman resigned from the Company and cancelled the outstanding balance of the Promissory Note to acquire common stock of the Company. The related common stock was returned to the treasury of the Company (note 8).

12 Financial instruments

a) Fair value classification of financial instruments

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Level 3 inputs are for the assets or liabilities that are not based on observable market data (unobservable inputs).

(tabular amounts expressed in Canadian dollars, except per share amounts and where indicated)

The Company's financial instruments consist of cash and cash equivalents, receivables, promissory notes receivables, accounts payable and accrued liabilities, loan payable, convertible debentures and embedded derivatives.

The carrying values of these financial instruments approximate their fair value due to their short terms to maturity. The embedded derivatives are measured at fair value determined based on level 3 of the fair value hierarchy.

b) Financial risk management

i) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and promissory notes receivables.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with large, highly rated financial institutions. The credit risk with notes receivable is low since the amounts are owing from related parties and are secured.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

ii) Liquidity risk

The Company manages liquidity risk by trying to maintain enough cash balances to ensure that it is able to meet its short term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

The Company's operating results may vary due to fluctuation in commodity price, inflation and foreign exchange rates.

iii) Market risks

Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents. The Company does not believe that it is exposed to material interest rate risk on its cash and promissory notes receivables.

As at June 30, 2020, the Company has not entered into any contracts to manage interest rate risk.

Foreign exchange risk

The functional currency of the parent and its subsidiaries is the Canadian dollar. A portion of the Company`s operating expenses are in US$.

As at June 30, 2020, the Company has not entered into contracts to manage foreign exchange risk.

The Company is exposed to foreign exchange risk through the following assets and liabilities:

		June 30, 2020
Cash	$	364,860
Accounts payable and accrued liabilities		10

As at June 30, 2020, with other variables unchanged, a 5% increase or decrease in value of the USD against the currencies to which the Company is normally exposed (C$) would result in an insignificant change in net loss.

13 Capital management

The Company considers items included in shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. There are no external restrictions on management of capital and there has been no changes to the Company's capital management during the current year. The Company believes it will be able to raise new funds as required in the long term to fund its exploration programs but recognizes there will be risks involved that may be beyond its control.