SOCIEDAD MINERA RELIQUIAS S.A.C.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020, AND 2019

AND INDEPENDENT AUDITORS' REPORT

BDO

PIERREND, GÓMEZ & ASOCIADOS
Sociedad Civil de Responsabilidad Limitada
Auditores - Consultores

SOCIEDAD MINERA RELIQUIAS S.A.C.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020, AND 2019

CONTENTS

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REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders
SOCIEDAD MINERA RELIQUIAS S.A.C.

Opinion

We have audited the financial statements of SOCIEDAD MINERA RELIQUIAS S.A.C. (in the pre-operational stage), which comprise of the statement of financial position as of December 31, 2020, and 2019, and the statements of comprehensive loss, changes in net equity, and cash flows for the years then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SOCIEDAD MINERA RELIQUIAS S.A.C. (in pre-operational stage), as of December 31, 2020, and 2019, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Auditing Standards as issued by the International Auditing and Assurance Standards Board ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Mangement and Those Charged with Governance for the Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Pierrend, Gomez & Asociados

Certified Public Accountants

Lima, Peru
January 26, 2022

SOCIEDAD MINERA RELIQUIAS S.A.C.
(In pre-operative stage)

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020, AND 2019
(In US dollars)

ASSETS	Note	2020	2019
CURRENT ASSETS			
Cash	7	203,610	1,057,323
Accounts receivable	8	1,799	6,873
Prepaid expenses		-	570
Total current assets		205,409	1,064,766
NON-CURRENT ASSETS			
Accounts receivable	8	630,286	529,222
Property, machinery and equipment, net	9	635,594	804,845
Mining concessions	10	4,464,849	4,461,911
Exploration costs	11	2,531,291	1,890,268
Total non-current assets		8,262,020	7,686,246
Total assets		8,467,429	8,751,012
LIABILITIES AND NET EQUITY			
CURRENT LIABILITIES			
Financial obligations		-	14,715
Trade accounts payable		14,716	26,385
Third-party loan	12	541,409	562,242
Accounts payable		920	3,600
Total current liabilities		557,045	606,942
NON-CURRENT LIABILITIES			
Third-party loan	12	2,038,415	2,037,082
Total non-current liabilities		2,038,415	2,037,082
Total liabilities		2,595,460	2,644,024
NET EQUITY	13		
Share capital		8,078,967	6,331,536
Share premium		300,272	144,403
Additional capital		-	1,319,850
Loss accumulated		(2,507,270)	(1,688,801)
Total net equity		5,871,969	6,106,988
Total liabilities and net equity		8,467,429	8,751,012

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

SOCIEDAD MINERA RELIQUIAS S.A.C.
(In pre-operative stage)

STATEMENT OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019
(In US dollars)

	Note	2020	2019
(EXPENSES) OPERATING INCOME:			
Administration expenses	14	(717,543)	(1,080,933)
Financial income	15	426,017	692,232
Financial expenses	15	(526,943)	(597,680)
		----------	------------
Loss before income tax		(818,469)	(986,381)
		=======	========

The statement of other comprehensive loss is not presented as it does not have applicable items.

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

SOCIEDAD MINERA RELIQUIAS S.A.C.
(In pre-operative stage)

STATEMENT OF CHANGES IN NET EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019

	Note	NUMBER OF SHARES	SHARE CAPITAL US$	ISSUE PREMIUM US$	ADDITIONAL CAPITAL US$	LOSS ACCUMULATED US$	TOTAL NET EQUITY US$
BALANCES AS OF JANUARY 1, 2019		20,760,558	6,331,536	144,403	-	(702,420)	5,773,519
Contributions	13 ©	-	-	-	1,319,850	-	1,319,850
Net loss		-	-	-	-	(986,381)	(986,381)
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BALANCES AS OF DECEMBER 31, 2019		20,760,558	6,331,536	144,403	1,319,850	(1,688,801)	6,106,988
Contributions	13 (a) & (b)	1,410,903	414,787	125,163	-	-	539,950
Capitalization of credits	13 (a) & (b)	43,500	12,794	30,706	-	-	43,500
Transfers	13 (c)	4,487,490	1,319,850	-	(1,319,850)	-	-
Net loss		-	-	-	-	(818,469)	(818,469)
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BALANCES AS OF DECEMBER 31, 2020		26,702,451	8,078,967	300,272	-	(2,507,270)	5,871,969
		=========	========	=======	========	========	========

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

SOCIEDAD MINERA RELIQUIAS S.A.C.
(In pre-operative stage)

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019
(In US dollars)

	Note	2020	2019
OPERATING ACTIVITIES:			
Net loss		(818,469)	(986,381)
Plus adjustments to net loss:			
Depreciation of property, machinery, and equipment	9	182,251	160,912
Gain on extinguishment of debt	12 (b)	(346,809)	(653,598)
Accretion and interest expenses	12 (b)	513,995	580,523
Charges and credits for net changes in assets and liability:			
Increase in accounts receivable		(95,990)	(258,563)
Decrease (increase) in prepaid expenses		570	(570)
Increase (decrease) in trade accounts payable		31,831	(37,159)
Decrease in accounts payable		(2,680)	(30,739)
CASH USED IN OPERATING ACTIVITIES		(535,301)	(1,225,575)
INVESTING ACTIVITIES:			
Property, machinery and equipment additions	9	(13,000)	(232,525)
Mining concession additions	10	(2,938)	(207,467)
Exploration cost additions	11	(641,023)	(1,337,816)
CASH USED IN INVESTING ACTIVITIES		(656,961)	(1,777,808)
FINANCING ACTIVITIES:			
Contributions	13 (a), (b) y (c)	539,950	1,319,850
Payment of loan received from third-party	12 (b)	(186,686)	(207,519)
Payment of financial obligations		(14,715)	(17,657)
CASH FROM FINANCING ACTIVITIES		338,549	1,094,674
NET DECREASE IN CASH		(853,713)	(1,908,709)
CASH AT THE BEGINNING OF THE YEAR	7	1,057,323	2,966,032
CASH AT THE END OF THE YEAR	7	203,610	1,057,323

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

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020, AND 2019

1. IDENTIFICATION, ECONOMIC ACTIVITY AND OTHER CORPORATE MATTERS

(a) Identification:

Sociedad Minera Reliquias S.A.C., (hereinafter the Company) was incorporated in Lima, Peru, on November 10, 2014, with the corporate name of Equs Consulting S.A.C. At the Shareholders' Meeting on June 6, 2018, the company name change to Sociedad Minera Reliquias S.A.C. was approved, which became effective as of July 6, 2018, in public records. It is a private legal company that is governed by its statutes and the General Corporations Law.

Its legal domicile and its administrative offices are at Juan Dellepiani Street N° 480, San Isidro district, Lima, Peru.

(b) Economic activity:

The Company's objective is to dedicate itself to the acquisition under any title of mining, mineral, water, and land concessions, for their exploration, exploitation, and any kind of exploitation, extraction, concentration, transformation, processing, and commercialization of all types of minerals.

In June 2018, the Company entered into an asset purchase-sale agreement with Corporación Minera Castrovirreyna S.A. In Liquidation, where the latter transferred the ownership of the assets that made up the productive unit. The purchase price amounted to US$ 7,160,000, including the General Sales Tax (IGV). The carrying value recorded on the acquisition date amounted to US$ 5,143,199 including IGV, which is equivalent to the initial payment of the party loan for US$ 2,620,000 (see Note 12 (a)) plus the fair value of the loan in its initial measurement of US$ 2,523,199 (see Note 12 (b)).

266 mining concessions were acquired (258 with a total of 20,532 hectares located in the province of Castrovirreyna, one of 200 hectares located in the province of Huaytara, all of these in the department of Huancavelica, and 7 concessions with a total of 77 hectares located in the province of Huarochiri, department of Lima), 2 concessions for the concentrator plant "Dorita" and "José Picasso Perata" with a total of 112.59 hectares and a Benefit concession for tailings field, all for a total of US$ 4,254,444 and, machinery and equipment for US$ 888,755 including IGV.

As of December 31, 2020, the Company has 294 polymetallic mining concessions (silver, lead, zinc, and copper) with a total of 38,296.65 hectares, of which 2 are in the province of San Genaro, 4 in the province of Huaytara, 281 in the province of Castrovirreyna, all of these in the department of Huancavelica, and 7 concessions in the province of Huarochiri, department of Lima. In addition, it also has two concentrator plant concessions and a tailings field benefit concession.

As of December 31, 2020, the Company is in the pre-operational stage. The Management estimates to start the exploitation in the year 2023.

(c) Effects of Covid-19:

As a consequence of the current pandemic in the world regarding the COVID-19 virus, the Peruvian State declared the country in a national emergency since March 16, 2020, which lead to social isolation and suspension, in the work centers themselves, of all industrial, commercial, and service activities, not linked to food processes, hospital services, and some other strategic sectors. It also closed the international and internal land, air, and sea borders, except those related to the loading and unloading of goods.

These restrictions have gradually been lifted, and many businesses have been operating again in accordance with the plan of phases of economic reactivation issued by the Peruvian Government. However, as a result of the aforementioned, many sectors have been operating in a limited manner, with the mining sector, where the Company operates, being one of those affected.

The consequences for the Company did not affect its situation as a going concern since the Company is in the pre-operational stage. Likewise, the mining sector has been one of the first sectors to reactivate.

(d) Framework Contract for the Sale of Concentrates

On November 2, 2019, the Company and the company Trafigura Perú S.A.C. (domiciled in Lima Peru) with the intervention of Trafigura Pte Ltd (domiciled in the Republic of Singapore), signed a framework contract for the sale of concentrates No. 203-19TRP-172-0-P, where the Company undertakes to sell and deliver and, Trafigura Peru undertakes to take and pay the concentrates according to the terms and conditions determined in the contract.

The concentrates that are the object of the contract may be:

- Concentrates from the Company's mine, treated at the Jose Picasso Perata Concentrator Plant. Therefore, the Company undertakes to sell 100% of the production of zinc, lead, copper, silver concentrates and other qualities produced at the plant, during the life of the mine and based on a mineral treatment capacity in plant of approximately 2,000 tons per day for a silver ore or 1,600 tons per day for polymetallic ore. For excess production over this capacity, the buyer will be entitled “o "first and last refusal" for 100% of this excess.

- Concentrates from other mines but also treated at the Jose Picasso Perata plant.

The “first and last refusal” right consists in that the buyer will have the right to 100% of the production of concentrates produced at the Jose Picasso Perata plant during the toll campaign and for the life of the plant's operation. The Company will send a copy of the offer to the buyer, who will have 72 hours to communicate if he decides to execute and match it. In case the buyer decides not to buy, then the contract will be put “n "Holiday" for a period of one year, keeping the buyer his commercial rights.

The Company and the buyer agree that the metal payments for the zinc concentrates will be as follows:

- Zinc: 85% of the final zinc concentrate will be paid, subject to a deduction of 8 units, at the average of the official "London Metal Exchange (LME) Settlement" quotation, expressed in US dollars as published in the Metal Bulletin during the listing period.

- Silver: After deduction of 3 oz / tms, 79% of the balance will be paid to the "London Bullion Market Association (LBMA) Silver Price" published in US dollars, at www.ibma.org.uk, during the period of quotes.

In the case of concessions that the Company wishes to expire, the Company required a waiver from the buyer. Likewise, if any of the concessions of the "Dorita" and "Others" blocks are transferred to third parties under any title, the Company must pay Trafigura Peru 10% net of what it receives for said transfer, up to a maximum accumulated amount total of US$ 500,000. Finally, the Company may not transfer under any title, the concessions of the "Reliquias" block, unless Trafigura Peru, in its sole discretion, previously authorizes it in writing.

(e) Approval of financial statements:

The financial statements as of December 31, 2020, have been authorized by General Management in March 2021. They will be presented for approval at the General Shareholders' Meeting held during the second semester of 2021.

Those corresponding to December 31, 2019 were approved at the Board of Directors held on March 10,2020.

2. ACCOUNTING POLICIES FOLLOWED BY THE COMPANY

The main accounting policies adopted by the Company in the preparation and presentation of its financial statements are indicated below. They have been prepared in accordance with International Financial Reporting Standards (hereinafter IFRS), under principles and criteria consistently applied for the years presented.

(a) Basis of preparation

(i) In preparing the accompanying financial statements, Company Management has complied with all IFRS issued by the International Accounting Standards Board (hereinafter IASB) in force as of December 31, 2020.

(ii) The information contained in these financial statements is the responsibility of Company's Management, which expressly states that it has fully complied with the application of IFRS, without restrictions or reservations.

(iii) The financial statements have been prepared in historical cost terms , based on the accounting records kept by the Company, except for financial assets and liabilities at fair value through profit or loss.

(iv) The accompanying financial statements are presented in US dollars, except where otherwise indicated.

(b) New accounting standards in force

The standards that became effective in 2020 and apply to the Company are summarized below but did not affect the financial statements.

Amendments to IFRS 7, IFRS 9, and IAS –9 - Reform of the Reference Interest Rate	The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a series of exemptions that apply to all hedging relationships directly affected by the benchmark interest rate reform. A hedging relationship is affected if the reform creates uncertainty about the timing or amount of benchmark-based cash flows of the hedged item or hedging instrument.
Amendments to IAS 1 and IAS–8 - Definition of Materiality	The amendments provide a new definition of materiality that states that “information is material if it can reasonably be expected that, by omitting it, misrepresenting it or concealing it, it will influence the decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information for a specific reporting enti”y." The amendments clarify that materiality will depend on the nature or magnitude of the information, either individually or in combination with other information, in the context of the financial statements.
Conceptual Framework for Financial Reporting issued on March 29, 2018	The Conceptual Framework is not a standard, and none of the concepts contained in it prevails over the concepts or requirements of any standard. The Conceptual Framework aims to assist the IASB in the development of standards, help preparers develop consistent accounting policies where there is no applicable standard in place, and help all parties understand and interpret the standards. This will affect those entities that developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.
Amendments to IFRS – 6 - Rental Concessions related to Covid-19	On May 28, 2020, the IASB issued the amendments to IFRS 16 “Leases” in relation to “Covid-19 Related Rental Concessions”. These amendments propose a practical solution for lessee to register the modifications in the lease contracts, which occur as a direct consequence of the Covid-19 pandemic, affecting the profit or loss of the period only if the following conditions are met: (a) the change in the lease payments (payment of installments) results in a consideration substantially less than or equal to the initial payment, (b) any reduction in the fee affects only payments originally due on or before June 30, 2021, (c) there are no other substantial changes to the lease agreements.

	If these conditions are met, the lessee may choose not to consider these changes as a lease modification, as established in paragraph 46 of IFRS 16 that implies modification of the lease asset and liability. However, if they do, they should record any change in lease payments in profit or loss. Modification is understood as a change in the scope of the lease or consideration that was not part of the terms and conditions initially agreed upon. The amendments apply to annual periods beginning on or after June 1, 2020. Early application is permitted.

(c) Use of estimates and judgments

The financial statements preparation also requires Management to carry out estimates and judgments to determine the balances of assets and liabilities, income and expenses, the number of contingencies, and the exposure of significant events in notes to the financial statements.

The use of reasonable estimates is an essential part of preparing financial statements and does not harm their reliability. The estimates and judgments determined by the Company are continuously evaluated and are based on historical experience and any information that is considered relevant.

If these estimates and judgments vary in the future due to changes in the assumptions that supported them, the corresponding balances of the financial statements will be corrected on the date on which the change in estimates and judgments occurs.

The estimates in relation to the accompanying financial statements refer to:

- Expected credit losses on accounts receivable,
- The useful life and recoverable value of property, machinery and equipment, mining concessions and exploration costs,
- Assesment of deferred income tax, and
- Measurement of the fair value of financial assets and liabilities

(d) Foreign currency transactions

- Functional currency and presentation currency

  To express its financial statements, the Company has determined its functional currency, based on the main economic environment where it operates, which fundamentally influences the determination of the prices of the goods and services it acquires. The financial statements are presented in US dollars, which is, in turn, the functional currency and the presentation currency of the Company. All transactions are measured in the functional currency, and, on the contrary, foreign currency is anything other than the functional currency.

- Transactions and balances in foreign currency

  Operations in foreign currency are recorded in US dollars applying the exchange rates on the day of the transaction. Balances as of December 31, 2020, and 2019 are valued at the year-end exchange rate. The exchange differences that are generated between the exchange rate recorded at the beginning of an operation and the settlement exchange rate of the operation or the year-end exchange rate are part of the financial income and expense items in the statement of comprehensive loss.

(e) Classification and measurement of financial instruments

Financial instruments are contracts that give rise simultaneously to a financial asset in one entity and a financial liability or a capital instrument in another. In the case of the Company, financial instruments correspond to primary instruments such as cash, accounts receivable, and accounts payable.

Financial assets:

Financial assets on initial recognition are measured at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the asset.

An entity classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. The classification depends on how an entity manages its financial assets according to its business model and the characteristics of the contractual cash flows that it expects to receive.

For the subsequent measurement of the Company's financial assets, the following sections (i) and (ii) are applicable:

(i) Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost when it meets the following conditions:

- ✓ The objective of the business model is to maintain a financial asset to collect contractual cash flows and,
- ✓ According to the contract conditions, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest on such principal.

The determination of the amortized cost for these financial assets is made using the effective interest rate method. These financial assets are subject to impairment. Gains and losses are recognized in the statement of comprehensive loss when the asset is written-off, modified, or impaired.

The Company's financial assets measured at amortized cost correspond to accounts receivable, which are short-term, and their nominal value is similar to their amortized cost.

(ii) Financial assets at fair value through profit or loss

An entity measures a financial asset at fair value through profit or loss unless it cannot be measured at amortized cost or fair value through other comprehensive income.

Financial assets at fair value through profit or loss correspond to cash.

Cash is a financial asset because it represents a means of payment, and therefore, it is the basis on which all transactions are measured and recognized in the financial statements.

Changes in the fair value of these assets are recorded in the statement of comprehensive loss.

Financial liabilities:

Financial liabilities on initial recognition are measured at fair value minus transaction costs directly attributable to the acquisition of the liability.

An entity classifies financial liabilities and measures them either at amortized cost or at fair value through profit or loss.

The determination of the amortized cost of financial liabilities is made using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive loss.

The Company's financial liabilities measured at amortized cost correspond to financial obligations, thirdparty loan, and accounts payable, which are short and long-term, and their nominal value is similar to their amortized cost.

(f) Compensation of financial assets and liabilities

Financial assets and liabilities are compensated when it has the legal right to compensate them, and Management intends to cancel them on a net basis or to realize the asset and cancel the liability simultaneously.

(g) Write-off of financial assets and liabilities

Financial assets:

A financial asset is written-off when: (i) the rights to receive cash flows from the asset have ended, or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay all of the cash flows received immediately to a third party under a transfer agreement, and (iii) the Company has transferred substantially all the risks and benefits of the asset or, failing to transfer or retain substantially all the risks and benefits of the asset if having transferred control.

Financial liabilities:

A financial liability is written-off when the payment obligation is terminated, canceled, or expires.

When an existing financial liability is replaced by another of the same borrower under significantly different conditions or the conditions are significantly modified, such replacement or modification is treated as a write-off of the original liability, the new liability is recognized, and the difference between the two is reflected in the profit or loss of the period in the item of financial income (expenses), as appropriate.

(h) Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of maintained guarantees or other credit enhancements that are an integral part of the contractual terms.

For accounts receivable, the Company applies the general approach. The general approach defined in IFRS 9 is based on the analysis of the debtor's credit quality. Unlike IAS 39, it requires provisioning for ECLs before there is objective evidence of impairment.

The general approach is structured through 3 phases based on the degree of credit risk and the circumstance that there has been a significant increase in it.

Phase 1, for credit exposures, that at the reporting date there has not been a significant increase in credit risk, expected credit losses are recognized for events of default that are possible within the next 12 months (an expected credit loss of 12 months).

Phase 2, for those credit exposures for which there has been a significant increase in credit risk since initial recognition, an allowance for expected credit loss is required over the remaining life of the exposure, regardless of the time of default (an expected lifetime credit loss).

Phase 3, for those credit exposures for which there has been a significant increase in credit risk since initial recognition, an allowance for expected credit loss is required over the remaining life of the exposure on a net interest basis, regardless of the time of default (an expected lifetime credit loss)

(i) Property, machinery, and equipment, and accumulated depreciation

Property, machinery, and equipment are presented at acquisition cost minus accumulated depreciation and, if any, the accumulated amount of impairment losses. The depreciation of fixed assets is calculated following the straight-line method based on their estimated useful life minus their residual values indicated in Note 9. The historical acquisition cost includes the disbursements directly attributable to the acquisition of the assets. Maintenance and minor repairs are recognized as expenses as incurred. The useful life, residual values, and the depreciation method are periodically reviewed to ensure that the depreciation method and period are consistent with the expected pattern of future economic benefits. Subsequent disbursements and major renovations are recognized as assets when it is probable that the Company will obtain future economic benefits derived from them, and their cost can be reliably valued.

By selling or retiring the property, machinery, and equipment, the Company eliminates the cost and the corresponding accumulated depreciation. Any gain or loss resulting from their disposal is included in the statement of comprehensive loss.

(j) Mining concessions and exploration costs

Mining concessions are recorded at acquisition cost and are not amortized until the start of their exploitation, and as long as the mineral reserves offer expectations of future production. If these expectations are not offered, they will be recognized as expenses in the profit or loss of the year.

Disbursements for exploration of mineral resources are recognized at cost and are amortized from the beginning of the exploitation of the deposit, during the term of useful life that is estimated for it.

(k) Impairment of non-financial assets

The value of the property, machinery and equipment, mining concessions, and exploration costs is periodically reviewed to determine if there is impairment when circumstances arise that indicate that the carrying amount may not be recoverable. If there are signs of impairment, the Company estimates the recoverable amount of the assets and recognizes a devaluation loss in the statement of comprehensive loss.

The recoverable value of an asset is the higher of its fair value minus sales expenses and its use-value. The use-value is the present value of the estimated future cash flows that will result from the continuous use of an asset and its disposal at the end of its useful life. Recoverable amounts are estimated for each asset or, if not possible, for the smallest cash-generating unit identified. If there is a decrease in devaluation losses, determined in previous years, an income is recorded in the statement of comprehensive loss.

(l) Operating leases

Leases in which the lessor retains a significant portion of the risks and benefits related to ownership are classified as operating leases. Payments made under an operating lease, including advance payments (net of any incentive received from the lessor), are charged to the statement of comprehensive loss based on the straight-line method in the lease period.

(m) Provisions

A provision is recognized only when the Company has any present obligation (legal or implicit) because of a past event, an outflow of resources will probably be required for its settlement, and a reliable allowance can be made of the amount of the obligation. Provisions are periodically reviewed and adjusted to reflect the best allowance available at the date of the statement of financial position. The expense related to a provision is shown in the statement of comprehensive loss.

(n) Classification of items into current and non-current

The Company presents assets and liabilities in the statement of financial position, classified as current and non-current. An asset is classified as current when the Company:

- Expects to realize the asset or intend to sell or consume it in its normal operating cycle,
- Holds the asset primarily for trading purposes,
- Expects to carry out the asset within twelve months of the reporting period, or

- The asset is cash unless it is restricted and cannot be exchanged or used to cancel a liability for a minimum period of twelve months following the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the Company:

- Expects to settle the liability in its normal operating cycle,
- Holds liabilities primarily for trading purposes,
- The liability must be settled within the twelve months following the reporting period, or
- There is no unconditional right to postpone the liability settlement for at least the twelve months following the reporting period.

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities in all cases.

(o) Share capital

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

(p) Recognition of interest income, exchange differences, and other income

Interest income is recognized based on the proportion of time elapsed, using the effective interest method.

Exchange differences corresponding to the adjustment of monetary items represented in foreign currency favorable for the Company are recognized as financial income when the exchange rate fluctuates.

Other income is recognized as they accrue.

(q) Recognition of interest expenses, exchange differences, and other expenses

Interest is recognized in proportion to the time elapsed to reflect the effective cost of the financial instrument.

Exchange differences corresponding to the adjustment of monetary items represented in foreign currency unfavorable for the Company are recognized as a financial expense when the exchange rate fluctuates.

Other expenses are recognized as they accrue.

(r) Income tax

Income tax includes a current and deferred component.

Current –

The current income tax is considered as the amount payable to the tax authority. It is calculated based on the taxable income determined for tax purposes.

Deferred -

Deferred income tax is calculated using the balance sheet liability method, which consists of determining the temporary differences between financial and tax assets and liabilities and applying the income tax rate to those differences.

Deferred assets are recognized for all deductible differences and tax loss carry forward, to the extent that it is probable that there is taxable profit against which temporary deductible differences can be compensated, and any carried forward tax loss can be used.

Deferred liabilities are recognized for all temporary taxable differences, in which the timing of reversals of temporary differences can be controlled, and it is probable that temporary differences will not be reversed in the foreseeable future.

The carrying amount of the deferred asset is reviewed on each date of the statement of financial position and is reduced to the extent that it is unlikely that there is sufficient taxable profit against which all or part of the deferred asset to be used can be compensated. Unrecognized deferred assets are revalued on each date of the statement of financial position and are recognized to the extent that the future taxable profit will probably allow the deferred asset to be recovered. Deferred assets and liabilities are recognized regardless of the moment when it is estimated that the temporary differences are annulled.

Deferred assets and liabilities are measured at the legal rates expected to be applied in the year in which the asset is realized, or the liability is liquidated, based on the rates that have been promulgated or substantially promulgated on the date of the statement of financial position.

Deferred assets and liabilities are compensated if there is a legal right to compensate current taxes against current liabilities, and deferred taxes relate to the same entity and the same tax authority.

Uncertain positions -

The Company assesses at each financial statement closing whether each uncertain tax treatment is considered separately or together with one or more uncertain tax treatment and uses the approach that best predicts the resolution of the uncertainty.

The Company applies significant judgment when identifying uncertainties about income tax treatments.

(s) Contingencies

Contingencies are assets or liabilities that arise due to past events, the existence of which will be confirmed only if future events occur that are not entirely under the control of the Company.

Contingent assets are not recorded in the financial statements but are disclosed in notes when their degree of contingency is probable.

Contingent liabilities are not recorded in the financial statements and are disclosed in notes to the financial statements only when there is a possible obligation.

(t) New accounting pronouncements

The Company decided to adopt at the time of its effectiveness and not adopt early the accounting standards and interpretations issued by the IASB, and that will be effective as of January 1, 2021, or later (See Note 18).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

3.1 Critical accounting estimates -

The preparation of financial statements in accordance with IFRS requires that Management use criteria and assumptions to determine the reported amounts of assets, liabilities, income, and expenses.

Accounting estimates, by definition, will seldom equal the respective actual results. In Managem'nt's opinion, these estimates were made based on its better knowledge of the relevant events and circumstances at the date of preparation of the financial statements. However, the final results may differ from the estimates included in the financial statements. Company Management does not expect that the variations will have a material effect on the financial statements, if any.

The estimates and assumptions that have a risk of causing adjustments to the balances of reported assets and liabilities are presented below:

- Review of carrying amounts and allowance for impairment

  The Company assesses on an annual basis whether a permanent asset requires an impairment allowance in accordance with the accounting policy outlined in Note 2 (k). This determination requires the use of professional judgment by Management to analyze the impairment indicators and the determination of use-value.

  In the latter case, the application of judgment is required in the preparation of future cash flows that includes the projection of the level of future operations of the Company, projection of economic factors that affect its income and costs, as well as the determination of the discount rate to be used in this flow.

  As a consequence of evaluating the internal and external indicators that could indicate impairment, the Company concluded that there are not sufficient indications that require the execution of an impairment test of property, machinery, and equipment, mining concessions and exploration costs.

- Taxes

  The determination of the obligations and expenses for taxes requires interpretations of the applicable tax legislation. The Company has professional advice on tax matters to make any decision on tax matters. Even when Management considers that its estimates in tax matters are prudent and conservative, discrepancies may arise with the tax administration in interpreting standards that require tax adjustments in the future.

3.2 Critical judgments in the application of accounting policies -

The transactions for the year ended December 31, 2020, and 2019 have not required the special application of complex professional judgment when applying the accounting policies adopted by the Company.

4. ADMINISTRATION OF FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks. The main risks that may adversely affect the Company's financial assets and liabilities, as well as its future cash flows, are liquidity, credit, interest, and exchange rates. The Comp'ny's risk management program tries to minimize potential adverse effects. Company Management is aware of the existing market conditions and, based on its knowledge and experience, reviews, agrees, and controls risks, following the policies approved by the Board of Directors.

A sensitivity analysis is included in the Company's financial instruments (accounts receivable and accounts payable) to see their variability in the face of market changes and show the impact on the statement of comprehensive loss or net equity if it were the case.

The sensitivity has been prepared for the years ended December 31, 2019, and 2020, with the balances of financial assets and liabilities as of those dates. The Company does not hold derivative instruments for speculative purposes.

(i) Risk management structure and organization

The Company maintains different separate and independent bodies responsible for risk management and monitoring, as explained below:

Directory -

The Board of Directors provides the principles and guidelines for risk management in general, as well as the policies developed for specific areas, such as market liquidity, operational risk, and credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company controls the required liquidity through proper management of the maturities of assets and liabilities in such a way as to achieve a match between the flow of income and future payments. The liquidity risk is mainly covered with third-party loan and shareholder contributions.

The following table shows the maturities of financial liabilities at their nominal value (in US dollars):

As of December 31, 2020	Less than 1 year	More than 1 year	Total
Trade accounts payable	14,716	-	14,716
Third-party loan	443,551	3,004,444	3,447,995
Accounts payable	248	-	248
	----------	------------	------------
	458,515	3,004,444	3,462,959
	=======	========	========

As of December 31, 2019	Less than 1 year	More than 1 year	Total
Financial obligations	14,715	-	14,715
Trade accounts payable	26,385	-	26,385
Third-party loan	483,736	3,004,444	3,488,180
Accounts payable	53	-	53
	----------	------------	------------
	524,889	3,044,444	3,529,333
	=======	========	========

(iii) Credit risk

The Comp'ny's financial assets potentially exposed to concentrations of credit risk consist mainly of bank deposits. The Company reduces the probability of significant concentrations of credit risk because it maintains its deposits and places its cash investments in first-class financial institutions, and limits the amount of exposure to credit risk in any of the financial institutions.

(iv) Interest risk

The Company's exposure to this risk is due to changes in interest rates on its financial liabilities. The Company has financial liabilities, mainly due to its loan with Trafigura Pte Ltd. The Company has agreed interest at fixed and variable rates.

For those indebtedness at variable interest rates, Company Management has not made financial hedging instruments to minimize this risk.

The Company does not have a formal policy to determine how much of its exposure should be at a fixed rate or a variable rate. However, when assuming new loans or indebtedness, Management exercises its criteria to decide whether a fixed or variable rate would be more favorable for the Company for a period of time until it becomes due.

The following shows the sensitivity of the statement of comprehensive loss for the possible effect of changes in the variable interest rate on financial expenses for one year, before income tax, assuming that financial liabilities as of December 31, 2020, and 2019, were renewed at the end and will be maintained for the remainder of the following year:

Changes in basis points	Effect on comprehensive loss (in US dollars)	
	2020	2019
+ (-) 100	(19,635)	(21,413)
+ (-) 200	(39,270)	(42,828)

The interest rate sensitivities shown in the table above are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in the net financial expense based on the projected scenarios of the yield curve and the interest rate risk profile that the Company currently has.

However, this effect does not include the actions taken by Company Management to mitigate the impact of this risk on interest rates.

(v) Exchange risk

Most transactions are made in US dollars. Exposure to exchange rates comes from some supplier invoices and accounts receivable, and cash balances, which are basically denominated in Soles. In the statement of financial position, these items are presented at the end-of-period exchange rate.

To mitigate exposure to foreign exchange risk, cash flows in non-functional currency are continually reviewed. In general, when the amounts to be paid for purchases in Soles exceed the amount available in that currency, a currency exchange operation is carried out.

Operations in foreign currency are carried out at the exchange rate set by supply and demand in the National Financial System.

As of December 31, 2020, the weighted average exchange rate published by the Superintendency of Banking, Insurance, and Pension Fund Managers for transactions in Soles was S/ 0.2764 for purchase operations and S/ 0.2759 for sale operations (S/ 0.302 for purchase, and S/ 0.301 for sale, in 2019).

The financial assets and liabilities in Soles are as follows:

	2020	2019
Assets		
Cash (Note 7)	198,610	75,608
Accounts receivable	4,197	4,807
	----------	---------
	202,807	80,415
	----------	---------
Liabilities		
Trade accounts payable	(35,031)	(31,919)
Accounts payable	-	(76)
	----------	---------
	(35,031)	(31,995)
	----------	---------
Net assets	167,776	48,420
	=======	======

As of December 31, 2020, and 2019, Company Management has decided to assume the exchange risk generated by this position. Therefore, it has not carried out hedging operations with derivative products. During the fiscal year 2020, the Company recorded a net exchange difference loss of US$ 4,085 (US$ 5,822 during 2019).

Various hypotheses have been assumed for the variation of the Sol against the US dollar as of December 31, 2020, and 2019. For this purpose, the average exchange rate for the year is compared with the exchange rate calculated according to the percentages indicated below. These variation percentages have been based on potentially probable scenarios of the evolution of the Peruvian economy and allow us to know the exchange gain and loss for the year. Therefore, as a basis, the average exchange rate for 2020 of S/ 0.286, and S/ 0.300 for 2019, was considered.

A sensitivity analysis of the profit or loss for the years 2020, and 2019, has been carried out with respect to the effect of a reasonably possible variation in the exchange rate of the Sol on financial assets and liabilities denominated in that currency, considering that all other variables will remain constant. If the Sol exchange rate had increased or decreased with respect to the functional currency (US dollar) according to the percentages in the table below, these would have been the effects on the Comp'ny's loss before income tax (in US dollars):

2020		2019	
Percentage change in the exchange rate	Effect on profit or loss for the year	Percentage change in the exchange rate	Effect on profit or loss for the year
+5	2,399	+5	726

(b) Capital management

For capital management purposes, the Company considers the share capital as such. The objective is to safeguard the Comp'ny's ability to continue as an ongoing business to provide returns to its shareholders and benefits for stakeholders and maintain an optimal structure that reduces the cost of capital.

Company Management manages its capital structure and makes adjustments to face changes in the economic market conditions. The policy of Company Management is to finance all its short and medium-term projects with the contributions of shareholders and long-term third-party loan. To maintain or adjust the capital structure, the Company may adjust the payment of dividends to shareholders, return capital to its shareholders, or issue new shares. There have been no changes in objectives, policies, or procedures during the years ended December 31, 2020, and 2019.

5. MAIN FINANCIAL INSTRUMENTS

Accounting standards define a financial instrument as any financial asset and liability of a company, considering as such cash, accounts receivable, and accounts payable, among others.

In the opinion of Company Management, as of December 31, 2020, and 2019, the fair value of its financial instruments is not significantly different from their respective carrying amounts. Therefore, the disclosure of such information does not affect the financial statements on those dates.

The following are the amounts of financial assets and liabilities in the statement of financial position, classified by category (in US dollars):

	As of December 31, 2020			
	Financial assets			
	At fair value through profit or loss	At amortized cost	Financial liabilities at amortized cost	Total
Assets				
Cash	203,610	-	-	203,610
Accounts receivable	-	1,799	-	1,799
	203,610	1,799	-	205,409
Liabilities				
Financial obligations	-	-	-	-
Trade accounts payable	-	-	14,716	14,716
Third-party loan	-	-	2,579,824	2,579,824
Accounts payable	-	-	248	248
	-	-	2,594,688	2,594,788

	As of December 31, 2019			
	Financial assets			
	At fair value through profit or loss	At amortized cost	Financial liabilities at amortized cost	Total
Assets				
Cash	1,057,323	-	-	1,057,323
Accounts receivable	-	5,276	-	5,276
	1,057,323	5,276	-	1,062,599
Liabilities				
Financial obligations	-	-	14,715	14,715
Trade accounts payable	-	-	26,385	26,385
Third-party loan	-	-	2,599,324	2,599,324
Accounts payable	-	-	53	53
	-	-	2,640,477	2,640,477

Fair value hierarchy of financial instruments

To increase the consistency and comparability of fair value measurements, a fair value hierarchy has been established that classifies the input data of valuation techniques used to measure fair value into three levels:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and will be used without adjustment to measure fair value whenever available.

Level 2: The information is different from the quoted prices included in Level 1. Other techniques are used by which all the data that have a significant effect on the registered fair value are either directly or indirectly observable.

Level 3: Techniques that use data that are not based on observable market data and significantly affect fair value.

The carrying amount of cash corresponds to its fair value. The Company considers that the carrying amount of current accounts receivable and accounts payable is similar to their fair values due to their maturity in the short-term. The fair value of long-term financial liabilities approximates the carrying amout at amortized cost using the effective interest method.

6. TRANSACTIONS THAT HAVE NOT GENERATED FUND MOVEMENTS

In 2020, an increase in share capital and share premium was made through the capitalization of credits for US$ 12,794 and US$ 30,706, respectively, from trade liabilities that were included in the trade accounts payable item. See Note 13 (a) and (b).

7. CASH

A breakdown of this heading is given below (in US dollars):

	2020 US$	2020 S/	2019 US$	2019 S/
Fixed funds	1,367	4,944	1,375	4,553
Bank current accounts (a)	202,243	193,666	1,055,948	71,055
	203,610	198,610	1,057,323	75,508

(a) Corresponds to bank accounts in Soles and US dollars in various local financial entities. These are freely available and do not generate interest.

8. ACCOUNTS RECEIVABLE

A breakdown of this heading is given below (in US dollars):

	2020	2019
General Sales T–x - Recoverable Tax Credit (a)	630,286	529,222
Advances to suppliers	-	1,597
Other	1,799	5,276
	632,085	536,095
Current portion	(1,799)	(6,873)
Non-current portion	630,286	529,222

(a) As of December 31, 2020, and 2019, the balance includes the General Sales Tax credit that results from the investments made to start operations. The balance will be applied against the sale of future years.

9. PROPERTY, MACHINERY, AND EQUIPMENT, NET

The movement and breakdown of the heading are presented below (in US dollars):

Year 2020	Opening balances	Additions	Transfers	Closing balances
COST OF:				
Land	36,041	-	-	36,041
Building and facilities	151,544	-	-	151,544
Machinery and equipment	763,039	13,000	-	776,039
Right-of-use assets	28,305	-	(28,305)	-
Transport units	-	-	28,305	28,305
Furniture and fixtures	4,875	-	-	4,875
Various equipment	25,032	-	-	25,032
Computer equipment	6,403	-	-	6,403
Total cost	1,015,239	13,000	-	1,028,239
ACCUMULATED DEPRECIATION OF:				
Building and facilities	1,665	16,609	-	18,274
Machinery and equipment	196,600	153,475	-	350,075
Right-of-use assets	7,548	5,661	(13,209)	-
Transport units	-	-	13,209	13,209
Furniture and fixtures	465	488	-	953
Various equipment	2,238	4,417	-	6,655
Computer equipment	1,878	1,601	-	3,479
Total accumulated depreciation	210,394	182,251	-	392,645
Net value	804,845			635,594

Year 2019	Opening balances	Additions	Transfers	Closing balances
COST OF:				
Land	36,041	-	-	36,041
Building and facilities	-	151,544	-	151,544
Machinery and equipment	700,020	63,019	-	763,039
Right-of-use assets	28,305	-	-	28,305
Furniture and fixtures	3,000	1,875	-	4,875
Various equipment	10,889	14,143	-	25,032
Computer equipment	4,459	1,944	-	6,403
Total cost	782,714	232,525	-	1,015,239
ACCUMULATED DEPRECIATION OF:				
Buildings and facilities	-	1,665	-	1,665
Machinery and equipment	46,934	149,666	-	196,600
Right-of-use assets	1,887	5,661	-	7,548
Furniture and fixtures	100	365	-	465
Various equipment	167	2,071	-	2,238
Computer equipment	394	1,484	-	1,878
Total accumulated depreciation	49,482	160,912	-	210,394
Net value	733,232			804,845

(a) The depreciation of the property, machinery, and equipment is calculated following the straight-line method to assign the cost minus its residual value during the estimated economic useful life, as follows:

	Useful life
Building and facilities	5 and 20 years
Machinery and equipment	5 years
Transport units	5 years
Furniture and fixtures	10 years
Various equipment	5 and 10 years

(b) The carrying amounts of certain machinery and equipment temporarily without use amounts to approximately US$ 700 thousand since 2018.

(c) In 2020, and 2019, the annual depreciation charge has been distributed as follows:

	2020	2019
Exploration costs	398	490
Administration expenses (Note 15)	181,853	160,422
	182,251	160,912

(d) Management did not identify any signs of impairment because the Company is in the pre-operating stage and its assets have been acquired, mainly in 2018 (see Note 1 (b)), so it is not necessary to estimate the recoverable value of these assets and recognize an impairment loss.

10. MINING CONCESSIONS

The movement and breakdown of the heading are presented below (in US dollars):

Year 2020	Opening balances	Additions	Closing balances
COST OF:			
Mining concessions	4,461,911	2,938	4,464,849
	========	=======	========
Year 2019			
COST OF:			
Mining concessions	4,254,444	207,467	4,461,911
	========	=======	========

They correspond mainly to polymetallic mining concessions acquired in 2018 from Corporación Minera Castrovirreyna S.A. In liquidation. These concessions had begun their exploitation when they were under the ownership of Corporación Minera Castrovirreyna S.A. However, such Company entered into a liquidation process, for which they suspended their operations, including the exploitation of the aforementioned concessions. See Note 1 (b).

In 2020, 2 concessions were acquired with a total of 1,000 hectares located in the province of Castrovirreyna, department of Huancavelica.

In 2019, 26 mining concessions were acquired, of which 2 concessions with a total of 28 hectares are located in the province of San Genaro, 3 concessions with a total of 1,400 hectares are located in the province of Huaytara, and 21 concessions with a total of 15,060 hectares are located in the province of Castrovirreyna, all in the department of Huancavelica.

As of December 31, 2020, the Company has 294 mining concessions (292 as of December 31, 2019), with a total of 38,296.65 hectares, located mainly in the department of Huancavelica. It also has two concessions for the concentrator plant “Dorita” and “José Picasso Perata” with a total of 112.59 hectares, and a benefit concession for tailings field, located in the province of Castrovirreyna, department of Huancavelica.

Management did not identify any signs of impairment because the Company is in the pre-operating stage and its assets have been acquired, mainly in 2018 (see Note 1 (b)), so it is not necessary to estimate the recoverable value of these assets and recognize an impairment loss.

11. EXPLORATION COSTS

The movement and breakdown of the heading are presented below (in US dollars):

Year 2020	Opening balances	Additions	Closing balances
COST OF:			
Operating costs	1,890,268	641,023	2,531,291
	========	========	========
Year 2019			
COST OF:			
Operating costs	552,452	1,337,816	1,890,268
	========	========	========

Corresponds mainly to the costs disbursed as of 2018 for geological, geophysical, and geochemical studies, sampling, and other disbursements related to the Comp'ny's activity.

Management estimates that the exploitation will begin in 2023, a period in which these assets will begin to be amortized.

12. THIRD-PARTY LOAN

A breakdown of this heading is given below (in US dollars):

	2020	2019
Loan payable – current	541,409	562,242
Loan payable – non-current	2,038,415	2,037,082
	------------	------------
	2,579,824	2,599,324
	========	========

Contract for the assignment of credit rights

(a) Terms and conditions

On May 6, 2018, the Company and the company Trafigura Pte Ltd, domiciled in the Republic of Singapore, signed a contract for the assignment of credit rights for US$ 7,160,000 for the acquisition of assets (machinery and equipment, and mining concessions) of Corporación Minera Castrovirreyna S.A. In liquidation (see Note 1 (b)). The Company made an initial payment of US$ 2,620,000, and the remaining balance would be paid in 36 monthly installments and a single payment at the end of US$ 1,160,000, at a 3-month Libor rate + 2.25% per annum, initially. This last final installment would be forgiven as long as the Company makes the payment of US$ 3,380,000, which would begin to be paid the month following the month in which the "José Picasso Perata" concentrator plant reaches a minimum average monthly treatment rate of 1000 mtpd. If this rate is not reached by January 1, 2020, the payment period would start in October 2020.

On November 2, 2019, by virtue of the subscription of the contract for the sale of concentrates indicated in Note 1 (d), the first addendum was signed where Trafigura Pte Ltd agreed to advance the forgiveness the debt for US$ 1,160,000. Likewise, the interest rate increased to a 3-month Libor rate + 3% per annum.

On August 13, 2020, the second addendum was signed where the parties agreed to extend the term for the start of debt repayment until October 1, 2021. This extension will automatically cease to take effect if:

- The Company transfers its assets under any legal structure
- The Company will enter into any merger and acquisition process (including spin-off, simple reorganization or any similar process)
- The current shareholders of the Company transfer their shares or control of it under any legal structure.

The assets acquired with this credit maintain a negative pledge for US$ 6,000,000 in favor of Trafigura Pte Ltd until the total repayment of the debt.

(b) Recognition and measurement of loan

	2020	2019
Carrying value, opening	2,599,324	2,879,918
Movement of the year:		
Accretion expense (Note 15)	348,142	379,948
Interest expense (Nota 15)	165,853	200,575
Interest repayments	(186,686)	(207,519)
Gain on extinguishment of financial liability (Nota 15)	(346,809)	(653,598)
	------------	------------
Carrying value, ending	2,579,824	2,599,324
	========	========

The third-party loan, on initial recognition, was measured at fair value for US$ 2,523,199 using a 20% discount rate, equivalent to a market rate that would apply to a loan with similar conditions. Likewise, the purchase price of the assets acquired with this loan was reduced by the same amount. See Note 1(b).

The substantial modifications of the loan conditions in accordance with the 2019 and 2020 amendments resulted in the recognition of newly recognised financial liability in 2020 and 2019, and derecognition of the exiting one in both year.

13. NET EQUIT

(a) Share capital - It is represented by 26,702,451 common shares, subscribed and paid, whose nominal value is one Sol per share.

The Shareholders’ Meeting on August 18, 2020, approved the capital increase through cash contributions for US$ 414,787.

On August 18,2020, US$ 12,794 of trade accounts payable was settled through the issuance of 43,500 number of common shares.

(b) Share premi–m - Corresponds to the additional value paid by the new shareholder for the shares acquired through their contribution.

The Shareholders’ Meeting on August 18, 2020, approved the capital increase through cash contributions for US$ 125,613. Likewise, US$ 30,706 of trade accounts payable was settled through the increase of share premium.

(c) Additional capital - During 2019, shareholders made cash contributions for US$ 1,319,850, which were registered in public records on September 24, 2020.

14. ADMINISTRATION EXPENSES

A breakdown of this heading is given below (in US dollars):

	2020	2019
Legal and administration expenses (a)	205,742	430,655
Services provided by third parties (b)	267,466	357,783
Depreciation (Note 9 (c))	181,853	160,422
Various management charges	58,706	130,755
Taxes	3,776	1,318
	717,543	1,080,933

(a) Corresponds mainly to legal and tax advisory services for US$ 26,589 (US$ 47,978 in 2019), administration services for US$ 49,329 (US$ 69,658 in 2019), environmental monitoring services for US$ 90,113 (US$ 265,036 in 2019), provided by third parties.

(b) It mainly corresponds to the general services carried out in the mining concessions for US$ 104,114 (US$ 128,028 in 2019), maintenance and repair services for US$ 22,927 (US$ 65,232 in 2019), electric power services for US$ 54,127 (US$ 26,367 in 2019).

15. (EXPENSES) INCOME FINANCIAL

The composition of the item is presented below (expressed in US dollars):

	2020	2019
Financial expenses		
Accrual expenses (Note 12 (b))	(348,142)	(379,948)
Interest on loan (Note 12 (b))	(165,853)	(200,575)
Exchange difference loss	(11,289)	(13,643)
Other	(1,659)	(3,514)
	(526,943)	(597,680)
Financial income		
Gain on extinguisment of financial libaility (Note 12 (b))	346,809	653,598
Gain from exchange difference	7,204	7,821
Others	72,004	30,813
	426,017	692,232

16. CONTINGENCIES

In the opinion of Company Management and its legal advisors, there are no significant lawsuits or claims pending resolution or other contingencies against the Company at the date of approval of this financial statements.

17. TAX SITUATION

(a) The Peruvian Tax Administration has the power to review and, under certain circumstances, determine the income tax calculated by the Company in the last four years, as of January 1 of the year following the filing of the corresponding tax return (years subject to control). The income tax returns from 2016 to 2020 are pending review by the National Superintendency of Tax Administration. Because differences may arise in the interpretation by the Peruvian Tax Administration of the standards applicable to the Company, it is not possible to anticipate whether additional tax liabilities will arise due to eventual revisions. In the event of receiving tax assessments, the highest taxes, surcharges, adjustments, penalties, and default interest that may arise, as appropriate, would be applied against the profit or loss of the years in which the final settlements occur.

(b) The tax loss for 2020 and 2019 of US$ 1,311,954 (equivalent to S/ 4,632,140) and US$ 473,156 (equivalent to S/ 1,597,078), respectively, has been determined as follows (in US dollars):

	2020	2019
Loss before income tax	(818,469)	(986,381)
A) Permanent conciliatory items		
Additions		
1. Expenses not accepted for tax purposes	43,023	94,299
B) Temporary conciliatory items		
Additions		
1. Pre-operating expenses	863,401	1,364,310
2. Others	-	841,614
	863,401	2,205,924
Deductions		
1. Exploration costs	(641,023)	(1,341,552)
2. Others	(285,730)	-
	(926,753)	(1,341,552)
Tax-loss for the year	(838,798)	(27,710)
Tax loss from previous years	(473,156)	(445,446)
Tax loss carried forward as of December 31,	(1,311,954)	(473,156)

In accordance with the Income Tax Law, tax loss carried forward occurs in accordance with one of the following systems:

(i) Compensate the total net loss of the third category of Peruvian source that they record in a taxable year imputing it yearly until its amount is exhausted to the net income of the third category that is obtained in the four (4) immediate subsequent years completed as of the year next of its generation. For the purposes of the losses recorded in the fiscal year 2020, the term will be five (5) years, counted from the fiscal year 2021. The balance not compensated after that term has elapsed may not be computed in the following fiscal years.

(ii) Compensate the total net loss of the third category of Peruvian source that they record in a taxable year, imputing it yearly, until its amount is exhausted, to 50% of the net income of the third category that is obtained in the immediately subsequent years.

The Company has opted for the method that allows compensating the total third category net loss of Peruvian sources recorded in a taxable year, imputing it yearly, until its amount is exhausted, to 50% of the third category net income obtained in immediate subsequent exercises.

The tax loss carryforward as of December 31, 2020, subject to the results of the pending examination referred to in paragraph a), amounts to US$ 1,311,954. Such losses of US$ 838,798, US$ 27,710, and US$ 445,446 were generated in 2020, 2019, and 2018 respectively, and have not yet begun to be computed.

(c) The significant components of the Company's deferred tax as at December 31, are as follows in US dollars:

	2020	2019
Pre-operating expenses	795,442	540,739
Difference in tax base of fixed assets and mining concessions on initial recognition	567,540	588,102
Explorations costs	(746,642)	(557,541)
Inicial measurement at fair value and modifications of financial liabilities	(236,052)	(230,299)
Others	(88)	(563)
Unrecorded net deferred income tax asset	(380,200)	(340,438)
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Net deferred income tax asset	-	-
	=======	=======

Future tax benefits, which may arise as a result of the tax losses, have not been recognized in thes financial statements.

(d) Company Management and its tax advisers estimate, based on compliance with income tax standards, transfer pricing standards, and the results of the latest audits carried out by the Tax Administration, in which there were no discrepancies regarding the tax treatments followed by the Company, that there are no significant uncertain tax positions as of December 31, 2020.

The Interpretation had no impact on the Comp'ny's financial statements.

(e) The Income Tax rate applicable to companies during the fiscal year 2020 is 29.5% of net income.

For purposes of determining this, it should be taken into account that, as of January 1, 2019:

- A definition of tax accrual was expressly incorporated in the Income Tax Law , according to which income is accrued when the substantial events for its generation have occurred, provided that the right to obtain them is not subject to a suspensive condition, regardless of the time in which they are charged and even when the precise terms for their payment have not been set. Likewise, it was specified that when the consideration or part of it is set based on a fact or event that will occur in the future, the income will accrue when such a fact or event occurs.

Special regulations have also been established for the case of executed services over time, temporary assignments of goods, and obligations not to do.

Likewise, it has been established that when the transaction involves more than one benefit, the accrual of income is determined independently by each of them.

- Regarding expenses, it has been specified that they are charged in the taxable year in which the substantial events for their generation occur, provided that the obligation to pay them is not subject to a suspensive condition, regardless of the opportunity in which they are paid, and even when the precise terms for their payment have not been set.

  However, when the consideration or part of it is set based on a fact or event in the future, third category expenses are accrued when such a fact or event occurs.

(f) If the company distributes all or part of dividends or makes any other form of distribution of its profits, it must retain 5% of the amount distributed, provided that the shareholder is a natural person or a legal person not domiciled in the country. To the retained earnings or other items likely to generate taxed dividends obtained between January 1, 2015, and December 31, 2016, distributed among shareholders, natural persons, and/or non-domiciled legal persons, the withholding of the 6.8% of the amount distributed will be applicable. Likewise, it will be presumed, without admitting proof to the contrary, that the distribution of dividends or any other form of distribution of profits that is made corresponds to the retained earnings or other items likely to generate older taxed dividends.

In addition, any sum or delivery in kind that results in the taxable income of the third category that represents an indirect disposition of income not subject to subsequent tax control, including amounts charged to expenses and undeclared income (presumed dividends), are subject to the rate of the Income Tax rate, payable by the company, of 5% during 2020.

18. STANDARDS AND AMENDMENTS TO IFRS ISSUED THAT ARE NOT EFFECTIVE AS OF THE DATE OF THE FINANCIAL STATEMENTS

The standards and amendments to IFRS that have been issued up to the date of issue of the financial statements and that apply to the Company, but are not yet in force, are described below. The impact that its initial application will have on the financial statements is unknown since its amount cannot be reasonably estimated. The Company intends to adopt these new and modified standards and interpretations, if applicable when they become effective.

Amendments to IAS 1: Classification of liabilities as current or non-current	In January 2020, the IASB published amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is understood by the right to postpone liquidation. • That there should be a right to defer at the end of the reporting period. • That classification is not affected by the probability that an entity will exercise its deferral right.

	• That only if a derivative embedded in a convertible liability is itself an equity instrument, the terms of a liability would not affect its classification. The amendments are effective for annual periods beginning on or after January 1, 2023, and must be applied retroactively.
Property, Plant, and Equipment: Product before Intended U–e - Amendments to IAS 16	In May 2020, the IASB issued Property, Plant and Equipment: Product Before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant, and equipment, any proceeds from the sale of items produced while bringing that asset to the location and condition necessary for it to operate in the manner intended by management. Instead, an entity recognizes the proceeds from the sale of those items and the costs of producing them, in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2022, and must be applied retrospectively to items of property, plant, and equipment available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a significant impact on the Company.
Onerous contrac–s - Costs of fulfilling a contra–t - Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37 to specify what costs an entity should include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach.” Costs directly related to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs are not directly related to a contract and are excluded unless explicitly attributable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company will apply these modifications to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual period, to which it applies the modifications for the first time.
IFRS 9 Financial Instruments: Fees in the “10 percent” test for the write-off of financial liabilities	As part of its 2018-2020 annual improvement process to IFRS standards, the IASB issued an amendment to IFRS 9. The amendment clarifies the rates that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower or the lender, including the fees paid or received by the borrower or the lender on behalf of the other. An entity applies the modification to financial liabilities modified or exchanged on or after the beginning of the annual period in which the entity first applies the modification.

	The amendment is effective for annual periods beginning on or after January 1, 2022, and early adoption is permitted. The Company will apply the modifications to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity applies the modification for the first time. The amendments are not expected to have a material impact on the Company.
Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	On august 27,2020, the IASB published Interest Rate Benchmarck Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. • Modification of financial assets, financial liabilities and lease liabilities. The IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16. • Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirement • Disclosures. In order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about: o how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition; o quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark.

	o to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks. The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

19. SUBSEQUENT EVENTS

(a) Given the increase in positive cases because of the second wave of infections by Covid-19, within the framework of the state of emergency that the country is currently going through, the Peruvian State declared a targeted quarantine that includes certain restrictions at a social and commercial level, from January 31 to February 28, 2021. Subsequently, a nationwide quarantine was decreed for Easter from April 1 to 4, 2021. However, the above has not affected the Company's operations because it is still in the pre-operational stage.

(b) On April 6 and June 15, 2021, a share exchange agreement was signed, whereby 13 and 5 shareholders, respectively, transfer 100% of their shares owned with voting rights of a nominal value of S/ 1.00 each, fully subscribed and fully paid to in favor of the company Silver Mountain Resources Inc., domiciled in Canada. This agreement was registered in public records date June 15, 2021.

(c) On June 1, 2021, by signing the third addendum to the assignment of credit rights with Trafigura Pte. Ltd, it was agreed to amortize the debt for US$ 375,556, which became effective in said month. The reamining balance for US$ 3,004,444 will be amortized in 36 monthly installments from October 2021 to September 2024. With this, the agreement of the second addendum described in Note 12 is null and void.

Likewise, the parties agree that if the Company is listed on any Stock Exchange, the amortization of the monthly installments must be advanced and the Company must pay a minimum of US$ 1,168,395 equivalent to 14 monthly installments, plus interest.

(d) On September 11, 2021, 1 share of the Company was transferred to Mula Mining Corp. (which is a Canadian entity) through a private agreement since Peruvian Corporate Law requires companies to have more than one shareholder (plurality of shareholders) and does not allow a single shareholder to be the sole owner of the Company for more than 6 months.

Between December 31, 2020, and January 25, 2022, no other subsequent events have occurred that may affect the reasonableness of the financial statements issued and/or that need to be disclosed in notes.

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