

# **Eloro Resources Ltd.**

## **Condensed Interim Consolidated Financial Statements**

**December 31, 2020**

(expressed in Canadian dollars)

(unaudited)

### **Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements**

These unaudited condensed interim consolidated financial statements of Eloro Resources Ltd. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

# Eloro Resources Ltd.

## Consolidated Statements of Financial Position

(expressed in Canadian dollars)  
(unaudited)

	Notes	December 31, 2020 \$	March 31, 2020 \$
<b>Assets</b>			
Current			
Cash		23,754	15,421
Receivables		34,251	17,025
Marketable securities		47,050	29,250
Prepaid expenses		187,347	55,264
		292,401	116,959
Right-of-use asset	4	42,635	74,612
Exploration and evaluation	5	6,835,813	5,111,674
		7,170,849	5,303,245
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	14	463,437	434,935
Advances from officers	6	270,000	-
Due to Cartier Iron Corporation	7	-	49,275
Current portion of lease liabilities	8	44,937	42,914
		778,374	527,123
Lease liabilities	8	-	33,913
		778,374	561,036
<b>Shareholders' equity</b>			
Share capital	9	31,871,194	30,020,803
Warrants	9	629,324	61,000
Contributed surplus		3,608,761	3,314,486
Foreign currency reserve		74,539	68,984
Deficit		(29,791,343)	(28,723,064)
		6,392,475	4,742,209
		7,170,849	5,303,245
<b>Going concern</b>	2		
<b>Commitments and contingencies</b>	16		
<b>Subsequent events</b>	17		
<b>Approved by the Board:</b>			
	Thomas Larsen	Francis Sauve	
	<b>Director</b>	<b>Director</b>	

# Eloro Resources Ltd.

## Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended December 31,		9 months ended December 31,	
		2020 \$	2019 \$	2020 \$	2019 \$
<b>Expenses</b>					
Professional fees		20,205	5,383	36,323	19,578
Consulting fees	14	54,000	37,630	162,000	162,000
Financing bonus	14	-	-	30,000	-
Stock-based compensation	9	-	-	356,000	-
Investor relations and marketing		83,180	23,417	278,306	44,846
General and office		21,650	51,210	87,436	107,229
Travel		-	4,974	26,484	26,933
Depreciation	4	10,659	-	31,977	21,318
Interest	8	835	-	2,877	3,270
Financing fee	10	-	-	30,000	-
Foreign exchange loss		31,533	-	49,086	11,733
Loss (gain) on sale of marketable securities		-	(13,720)	(5,805)	(23,130)
Unrealized loss (gain) on marketable securities		1,300	23,775	(19,800)	88,375
Impairment of exploration and evaluation	5	-	16,748	528	27,255
Pre-acquisition exploration and evaluation		-	52,751	-	86,980
Refundable tax credit notices of assessment	11	4,000	6,000	4,000	20,000
Other		(1,132)	(1,309)	(1,132)	(7,348)
		226,230	206,859	1,068,279	589,039
<b>Loss</b>		(226,230)	(206,859)	(1,068,279)	(589,039)
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years (net of tax)</b>					
Currency translation adjustment		31,020	(28,843)	5,555	(29,500)
<b>Comprehensive loss</b>		(195,210)	(235,702)	(1,062,724)	(618,539)
<b>Loss per share-basic and diluted</b>		(0.00)	(0.01)	(0.02)	(0.02)
<b>Weighted average number of shares outstanding - basic and diluted</b>		47,755,655	36,642,883	45,630,625	36,896,807

# Eloro Resources Ltd.

## Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)  
(unaudited)

	Share capital \$ (note 9)	Warrants \$ (note 9)	Contributed surplus \$	Foreign currency reserve \$	Deficit \$	Total \$
<b>Balance, March 31, 2020</b>	30,020,803	61,000	3,314,486	68,984	(28,723,064)	4,742,209
Option payment	-	-	-	-	-	-
Private placement of units	2,050,000	-	-	-	-	2,050,000
Fair value of warrants issued	(601,000)	601,000	-	-	-	-
Fair value of broker warrants issued	(3,000)	3,000	-	-	-	-
Exercise of warrants	293,300	-	-	-	-	293,300
Fair value of exercised warrants	35,676	(35,676)	-	-	-	-
Exercise of stock options	67,750	-	-	-	-	67,750
Fair value of exercised stock options	61,725	-	(61,725)	-	-	-
Stock-based compensation	-	-	356,000	-	-	356,000
Share issue costs	(54,060)	-	-	-	-	(54,060)
Other comprehensive loss	-	-	-	5,555	-	5,555
Loss	-	-	-	-	(1,068,279)	(1,068,279)
<b>Balance, December 31, 2020</b>	<b>31,871,194</b>	<b>629,324</b>	<b>3,608,761</b>	<b>74,539</b>	<b>(29,791,343)</b>	<b>6,392,475</b>
<b>Balance, March 31, 2019</b>	28,005,717	1,164,937	3,065,885	111,267	(27,423,622)	4,924,184
Private placement of units	500,000	-	-	-	-	500,000
Fair value of warrants issued	(34,000)	34,000	-	-	-	-
Fair value of broker warrants issued	(1,000)	1,000	-	-	-	-
Fair value of expired warrants	1,138,937	(1,138,937)	-	-	-	-
Fair value of cancelled stock options	79,428	-	(79,428)	-	-	-
Share issue costs	(8,750)	-	-	-	-	(8,750)
Other comprehensive income	-	-	-	(29,500)	-	(29,500)
Loss	-	-	-	-	(589,039)	(589,039)
<b>Balance, December 31, 2019</b>	<b>29,680,332</b>	<b>61,000</b>	<b>2,986,457</b>	<b>81,767</b>	<b>(28,012,660)</b>	<b>4,796,895</b>

# Eloro Resources Ltd.

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

	9 months ended December 31,	
	2020	2019
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss	(1,068,279)	(589,039)
Items not affecting cash		
Depreciation	31,977	21,318
Stock-based compensation	356,000	-
Loss on sale of marketable securities	(5,805)	(23,130)
Unrealized (gain) loss on marketable securities	(19,800)	88,375
Impairment of exploration and evaluation	528	27,255
Changes in non-cash operating working capital		
Receivables	(17,226)	5,344
Prepaid expenses	(132,083)	(7,490)
Accounts payable and accrued liabilities	28,502	10,478
	<u>(826,186)</u>	<u>(466,888)</u>
<b>Financing activities</b>		
Advances from officers	270,000	-
Advances from Cartier Iron Corporation	(49,275)	-
Repayment of lease liabilities	(31,890)	(19,908)
Private placement of units	2,050,000	500,000
Share issue costs	(54,060)	(8,750)
Exercise of warrants	293,300	-
Exercise of stock options	67,750	-
	<u>2,545,825</u>	<u>471,342</u>
<b>Investing activities</b>		
Advances from Cartier Iron Corporation	-	324,494
Proceeds on sale of marketable securities	7,805	28,630
Exploration and evaluation	(1,724,667)	(284,998)
	<u>(1,716,862)</u>	<u>68,125</u>
<b>Net increase in cash</b>	2,778	72,580
<b>Cash, beginning of period</b>	15,421	31,328
<b>Currency translation adjustment</b>	5,555	(29,500)
<b>Cash, end of period</b>	<u>23,753</u>	<u>74,408</u>

# Eloro Resources Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

### December 31, 2020

(expressed in Canadian dollars)  
(unaudited)

#### 1. Nature of operations

Eloro Resources Ltd. (the "Company") is a public company engaged in the exploration and development of a gold-silver property in Peru, a polymetallic property in Bolivia and base metal properties in Québec.

The Company was incorporated under the Business Corporations Act of Ontario on April 11, 1985 and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

#### Grant of interest in Minera Tupiza S.R.L.

On July 29, 2020, the Company granted a 2% interest in its wholly-owned Bolivian subsidiary, Minera Tupiza S.R.L. ("Minera Tupiza") to an officer of Minera Tupiza ("Officer"). The Company has an option to increase its interest in Minera Tupiza to 99% by purchasing a 1% interest from the Officer for US\$3,000,000. The Company also has the right of first refusal to acquire any property in Bolivia that the Officer finds or acquires until one year from the date that the Officer ceases to be an officer or owner of an interest in Minera Tupiza.

#### 2. Going-concern

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

The Company is in the exploration stage and does not generate revenue. For the 9 months ended December 31, 2020, the Company recorded a loss of \$1,068,279 (2019 - \$589,039) and incurred a cashflow deficit from operations of \$826,186 (2019 - \$466,888). The losses and cashflow deficit limit the Company's ability to fund its operations and the acquisition, exploration and development of its mineral resource properties.

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. To date, there has been no material impact on the Company.

The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

#### 3. Basis of presentation

##### Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2020.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2020.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on March 1, 2021.

#### 4. Right-of-use asset

	December 31, 2020 \$	March 31, 2020 \$
Right-of-use asset	117,248	117,248
Accumulated depreciation	(74,612)	(42,636)
	<u>42,636</u>	<u>74,612</u>

#### 5. Exploration and evaluation

	March 31, 2020 \$	Expenditures \$	Impairment \$	December 31, 2020 \$
<b>Property</b>				
La Victoria	4,928,529	173,096	–	5,101,625
Iska Iska	183,145	1,551,043	–	1,734,188
Other	–	528	(528)	–
	<u>5,111,674</u>	<u>1,724,667</u>	<u>(528)</u>	<u>6,835,813</u>

#### La Victoria, Peru

The Company owns a 82% interest in La Victoria (March 31, 2020 - 82%), a gold-silver property covering 8,933 hectares, consisting of 9 concessions covering 3,533 hectares (Ccori Orcco 1, Roberto N°1, Rufina, Rufina N° 2, San Felipe 1, San Felipe 2, San Markito, Santa Ana 1 and Victoria-APB) and 7 claims covering 5,400 hectares (Romina 01, 02, 03, 04, 05, 06 and 07) in the Huandoval District, Pallasca Province, Ancash Department, in the North-Central Mineral Belt of Peru.

La Victoria is subject to a 2% net smelter royalty ("NSR"), of which, the Company has the option to reduce the NSR to 1% by making a payment of \$3,000,000.

#### Grant of option for a 25% interest in La Victoria

Burgundy Diamond Mines Ltd. ("BDM")(formerly EHR Resources Limited) owns an 18% interest in La Victoria and the Company has granted an option to BDM to increase its interest to 25%. The option agreement provides that BDM will have 45 days from the date that the Company receives all permits required to commence drilling at San Markito ("Notice Date") to provide written notice of its intention to proceed to increase its interest to 25%, failing which, the option will expire. In order to increase its interest, BDM must incur exploration expenditures of \$1,400,000 during the 9 months following the Notice Date.

Upon the earlier of BDM deciding to maintain an 18% interest in La Victoria or earning a 25% interest in La Victoria, a joint venture, with the Company as operator, will be formed to explore and develop La Victoria. If the Company or BDM does not fund its proportionate share of expenditures, its respective interest will be diluted and when its interest is diluted to less than 10%, the party's interest shall be reduced to a 2% net smelter royalty on all production. The other party will have the option to reduce the royalty from 2% to 1% by making a payment of \$3,000,000.

If either the Company or BDM acquires an interest in any property within 5 kilometres of La Victoria, the acquirer must offer the other party the opportunity to participate in the acquisition up to its participating interest.

In the event the Company or BDM proposes to sell any interest in La Victoria to a third party, the other party has a right of first refusal to match the terms and conditions of the proposed sale. In the event that the Company proposes to sell a majority of its interest in La Victoria to a third party, the Company must first consult with BDM about the identity of the third party and the proposed terms of sale and if the Company proceeds with the sale, BDM will be obliged to sell its interest to the third party on a pro rata basis in accordance with the terms of the sale to the third party.

## Iska Iska

On January 6, 2020, the Company signed a Definitive Agreement for an option to acquire a 99% interest in Iska Iska, a silver-polymetallic property consisting of one mineral concession totaling 900 hectares located in Potosi Department, southern Bolivia. In order to acquire its interest in Iska Iska, the Company will conduct an exploration and development program in the 4 years ended January 6, 2024 and issue common shares and make an option payment, as follows:

	Common shares		Option payment
	Number	\$	US\$
February 5, 2020 (issued)	250,000	100,000	—
January 6, 2022	250,000	—	—
January 6, 2024	—	—	10,000,000
	500,000	100,000	10,000,000

On October 14, 2020, the Company staked 9 additional properties covering 31,175 hectares.

### 6. Advances from officers

The advances from two officers are unsecured, non-interest bearing and due on demand. See note 17, *Subsequent events, Repayment of advances from officers*.

### 7. Due to Cartier Iron Corporation

The amount due to Cartier Iron Corporation ("Cartier") was unsecured, non-interest bearing and due on demand. Three directors of the Company are directors of Cartier.

### 8. Lease liabilities

	\$
Balance, March 31, 2020	76,827
Accretion of interest	2,877
Lease payments	(34,767)
Balance, December 31, 2020	44,937
<b>Lease liabilities</b>	
Current	44,937
Long-term	—
	44,937

The lease for premises is a joint and several commitment with Cartier. The remaining lease term is 1 year.

### 9. Share capital

#### Authorized

An unlimited number of common shares without par value.

An unlimited number of redeemable, voting, non-participating special shares without par value.



## Outstanding

	Number of common shares	Amount \$
Balance, March 31, 2020	39,742,262	30,020,803
Private placement of units, May 20, 2020	2,200,000	550,000
Fair value of warrants issued	–	(110,000)
Fair value of finder's warrants issued	–	(2,000)
Private placement of units, June 9, 2020	5,000,000	1,500,000
Fair value of warrants issued	–	(491,000)
Fair value of finder's warrants issued	–	(1,000)
Exercise of stock options	335,000	67,750
Fair value of exercised stock options	–	61,725
Exercise of warrants	511,600	293,300
Fair value of exercised warrants	–	35,676
Share issue costs	–	(54,060)
<b>Balance, December 31, 2020</b>	<b>47,778,862</b>	<b>31,871,194</b>

### Private placements of units

On May 20, 2020, the Company completed a private placement of 2,200,000 units at a price of \$0.25 per unit for proceeds of \$550,000. Each unit consisted of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for \$0.50 until November 20, 2021. In connection with the private placement, the Company paid a commission of \$5,679 and issued 22,750 finder's warrants with the same terms as the unit warrants. Directors and officers acquired 245,000 units.

On June 9, 2020, the Company completed a private placement of 5,000,000 units at a price of \$0.30 per unit for proceeds of \$1,500,000. Each unit consisted of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for \$0.50 until June 9, 2022. In connection with the private placement, the Company paid a commission of \$2,100 and issued 7,000 finder's warrants with the same terms as the unit warrants.

In connection with the purchase of 4,500,000 units, the Company granted the right for the subscriber to maintain its percentage holding of common shares by participating in any private placement of common shares or units until June 9, 2023.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

	Unit warrants	Finder's warrants	Unit warrants	Finder's warrants
Issue date	May 20, 2020	May 20, 2020	June 9, 2020	June 9, 2020
Expiry date	November 20, 2021	November 20, 2021	June 9, 2022	June 9, 2022
Warrants issued	1,100,000	22,750	2,500,000	7,000
Exercise price	\$0.50	\$0.50	\$0.50	\$0.50
Share price	\$0.30	\$0.30	\$0.38	\$0.38
Risk-free interest rate	0.30%	0.30%	0.30%	0.30%
Expected volatility based on historical volatility	101%	101%	113%	113%
Expected life of warrants	1.5 years	1.5 years	2 years	2 years
Expected dividend yield	0%	Nil	Nil	Nil
Forfeiture rate	0%	Nil	Nil	Nil
Fair value	\$110,000	\$2,000	\$491,000	\$1,000
Fair value per warrant	\$0.10	\$0.10	\$0.20	\$0.20

See note 17, *Subsequent events, Bought deal financing and Subsequent events, Exercise of stock options and warrants.*

### Common shares issued to Tartisan on acquisition of La Victoria

On October 17, 2016, as part of the consideration to acquire La Victoria, the Company issued 6,000,000 common shares to Tartisan Nickel Corp. ("Tartisan"). At December 31, 2020, Tartisan held 3,300,000 common shares which are subject to the following terms:

- a) effective April 17, 2018 until April 17, 2021, Tartisan will not sell more than 1,000,000 common shares during any 6-month period;
- b) Tartisan will provide the Company with 45 days' notice prior to any sale, during which time, the Company will have the right to identify purchasers for the common shares and have the right of first refusal to place the common shares pursuant to the terms of a mutually agreeable sale;

### Stock options

The Company may grant stock options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. At December 31, 2020, the Company may grant up to 4,777,886 stock options (March 31, 2020 - 3,974,226). The exercise price for stock options will not be less than the market price of the common shares on the date of the grant, less any discount permissible under the rules of the TSXV. The maximum term for stock options will be 5 years and stock options granted will vest immediately.

A summary of the Company's stock options outstanding and exercisable at December 31, 2020 is presented below:

	<b>Weighted- average exercise price \$</b>	<b>Number of stock options outstanding and exercisable</b>
Balance, March 31, 2020	0.48	3,680,000
Granted	0.60	1,005,000
Exercised	0.22	(325,000)
Balance, December 31, 2020	0.53	4,360,000

A summary of the Company's stock options outstanding at December 31, 2020 is presented below:

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of stock options outstanding and exercisable</b>
\$0.55	January 27, 2022	1,150,000
\$0.77	February 7, 2022	100,000
\$0.87	November 30, 2022	200,000
\$0.70	June 12, 2023	150,000
\$0.40	February 18, 2025	1,755,000
\$0.60	June 8, 2025	1,005,000
		4,360,000

### Grant of stock options

A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

Date of grant	June 9, 2020
Expiry date	June 9, 2025
Stock options granted	1,005,000
Exercise price	\$0.60
Share price	\$0.54
Risk-free interest rate	0.45%
Expected volatility based on historical volatility	87%
Expected life of stock options	5 years
Expected dividend yield	0%
Forfeiture rate	0%
Vesting	On date of grant
Fair value	\$356,000
Fair value per stock option	\$0.35

See note 17, *Subsequent events, Grant of stock options and Subsequent events, Exercise of stock options and warrants.*

## Warrants

A continuity of the Company's warrants outstanding at December 31, 2020 is presented below:

	Weighted-average exercise price \$	Number of warrants
Balance, March 31, 2020	0.53	1,411,400
Issued	0.50	3,629,750
Exercised	0.57	(511,600)
Balance, December 31, 2020	0.50	4,529,550

A summary of the Company's warrants outstanding at December 31, 2020 is presented below:

Exercise price	Expiry date	Number of warrants
\$0.50	May 26, 2021	550,585
\$0.50	May 28, 2021	389,215
\$0.50	November 20, 2021	1,107,750
\$0.50	June 9, 2022	2,482,000
		4,529,550

See note 17, *Subsequent events, Bought deal financing*.

## Restricted share units

The Company may grant 3,200,000 restricted share units and in combination with all share compensation arrangements, including the Company's stock option plan, will not exceed 20% of the issued and outstanding common shares in the capital of the Company. No restricted share units have been issued.

## 10. Financing fee

In the year ended March 31, 2020, a company, in which, three officers of the Company hold a minority interest, initially funded pre-acquisition costs for Iska Iska on behalf of the Company. In recognition of that assistance, the Company agreed to pay a financing fee of \$30,000 to the company.

## 11. Income taxes

### Refundable tax credit notices of assessment

On July 26, 2017, the Company received refundable tax credit notices of assessments from Revenu Québec for the repayment of \$367,360 ("Notices") for the return of refunds of \$280,961, \$25,217 and \$7,766 received by the Company for the refundable tax credit on eligible exploration expenditures incurred in Québec in respect of 2013, 2014 and 2016, respectively and interest thereon of \$53,416.

The Company has filed notices of objection with respect to the Notices and it is not yet possible for the Company to make any realistic prediction about the outcome of the Notices. Accordingly, no amount has been recorded as a liability in these consolidated financial statements.

Pending resolution of the Notices, the Company made payments on account of the assessments of \$50,000 which were recorded in the consolidated statement of loss and comprehensive loss in prior years.

## 12. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### *Accounts payable and accrued liabilities and due to Cartier*

The fair value of accounts payable and accrued liabilities and due to Cartier approximates their carrying value due to their short term to maturity.

### *Classification of fair value of financial instruments*

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data.

Marketable securities are measured at fair value at Level 1 of the fair value hierarchy.

### **13. Financial risk management**

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

#### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash balances. The maximum exposure to credit risk is equal to the balance of cash and due from Cartier.

The Company's limits its exposure to credit risk on its cash by holding its cash in deposits with high credit quality Canadian chartered banks.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

The Company has no revenues and relies on financing primarily through the issuance of equity to finance its on-going and planned exploration activities and to cover administrative costs (note 2).

#### ***Market risk***

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at December 31, 2020 had changed by 10%, with all other variables held constant, the unrealized gain (loss) would have decreased or increased by \$4,705.

#### ***Interest rate risk***

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments and the Company has no interest-bearing debt.

### Capital management

Capital of the Company consists of share capital, warrants, contributed surplus, foreign currency reserve and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

### 14. Related party transactions

#### Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	9 months ended December 31, 2020	December 31, 2019	December 31, 2020	Outstanding at March 31, 2020
	\$	\$	\$	\$
Consulting fees	162,000	162,000	116,027	119,467
Financing bonus	30,000	–	37,500	15,000
Stock-based compensation	205,455	–	–	–
	397,455	162,000	153,527	134,467

See notes 6, 7, 8 and 10 for other related party transactions and notes 9 and 17 for details of stock options granted to directors and officers.

### 15. Commitments and contingencies

#### Value-added tax

In Peru, the Company has paid a value added tax, *Impuesto General a las Ventas* ("IGV"), on the purchase of goods and services which may be recovered against IGV collected on sales by the Company. The Company has paid IGV of US\$373,441, of which, the Company is obligated to pay US\$352,079 to EHR upon recovery. The remaining IGV of US\$21,632 has been included in exploration and evaluation.

### 16. Segment information

The Company operates in one reportable segment being mineral exploration.

As the Company is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by project. The internal reporting framework is the most relevant to assist the Board with making decisions regarding this Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

The Company operates in Peru and Bolivia:

Location of non-current assets	\$
Peru	5,101,625
Bolivia	1,734,188
	6,835,813

## **17. Subsequent events**

### **Bought deal financing**

On January 5, 2021, the Company completed a bought deal financing of 4,080,660 units of at a price of \$1.55 per unit for gross proceeds of \$6,325,023. Each unit consists of one common share one-half of one warrant, with each of the 2,040,330 whole warrants entitling the holder to purchase one common share for \$2.00 until January 5, 2023. In connection with the financing, the Company paid a cash commission of \$442,752 (representing 7% of the gross proceeds of the financing) and 285,646 compensation warrants (representing 7% of the number of units issued pursuant to the financing) entitling the holder to purchase one common share for \$1.55 until January 5, 2023.

### **Repayment of advances from officers**

On January 6, 2021, the Company repaid the advances of \$270,000 due to two officers.

### **Grant of stock options**

On February 1, 2021, the Company granted 1,030,000 stock options to directors, officers, employees and consultants, entitling the holder to purchase one common share for \$4.45 until February 1, 2026.

### **Exercise of stock options and warrants**

Subsequent to December 31, 2020, the Company received \$345,000 on the exercise of stock options and \$1,631,089 on the exercise of warrants.