Lupaka Gold Corp.

Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Presented in Canadian Dollars)

Independent auditor's report

To the Shareholders of Lupaka Gold Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lupaka Gold Corp. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Leonard Wadsworth.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2021

Lupaka Gold Corp.

Consolidated Statements of Financial Position
As at December 31, 2020 and 2019

(expressed in Canadian Dollars, Except Share Data)

	December 31, 2020 $	December 31, 2019 $
Assets		
Current assets		
Cash	6,024	76,122
Receivables (Note 4)	4,003	10,715
Prepaid expenses and deposits	1,601	12,234
	11,628	99,071
Non-current assets		
Equipment (Note 5)	354	1,062
Total assets	11,982	100,133
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	673,983	759,201
Due to related parties (Note 7)	33,500	29,400
Due to PLI (Note 9 (b))	-	20,847,435
Total liabilities	707,483	21,636,036
Shareholders' Equity		
Common shares (Note 10 (a))	59,725,318	59,625,318
Warrants (Note 10 (b))	1,375,919	1,524,254
Contributed surplus	6,924,748	6,708,970
Deficit	(67,879,206)	(88,552,165)
Accumulated other comprehensive income (loss)	(842,280)	(842,280)
Total equity	(695,501)	(21,535,903)
Total liabilities and equity	11,982	100,133

Nature of operations and going concern (Note 1)
Subsequent event (Note 16)

Approved and authorized for issue by the Board of Directors on April 29, 2021

signed "Gordon Ellis"
Director

signed "Mario Stifano"
Director

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

Lupaka Gold Corp.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended December 31, 2020 and 2019

(expressed in Canadian Dollars, Except Share Data)

	2020 $	2019 $
Operating expenses		
General and administration		
Salaries, benefits and fees	111,675	443,178
Professional and regulatory fees	54,526	157,688
Office and general	24,067	61,191
Shareholder and investor relations	12,518	40,967
General and administration	202,786	703,024
Operating loss	(202,786)	(703,024)
Loss due to loss of control over subsidiary (Note 9 (e))	-	(18,672,502)
Write-down of LGP assets	-	(16,707)
Re-measurement of PLI liability (Note 9 (b))	(1,352,618)	(14,593,225)
Discharge of PLI and other liabilities (Note 9 (b))	22,225,052	-
Financing expenses (Note 15)	3,311	(333,324)
Gain on metals derivative liability (Note 9)	-	283,681
Interest income	-	1,694
Net earnings (loss) for the year	20,672,959	(34,033,407)
Other comprehensive income (loss)		
Items that may be reclassified to profit or loss		
Currency translation adjustment on foreign operations	-	(388,958)
Reclassified to loss due to loss of control over subsidiary	-	(2,089,041)
Comprehensive income (loss) for the year	20,672,959	(36,511,406)
Weighted average number of shares outstanding		
Basic and diluted	151,296,253	143,361,246
Earnings (loss) per share, basic and diluted	$0.14	($0.24)

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

Lupaka Gold Corp.

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(presented in Canadian Dollars)

	2020 $	2019 $
Cash flows from (used in) operating activities		
Net earnings (loss) for the year	20,672,959	(34,033,407)
Adjustment for items not affecting cash:		
Loss due to loss of control over subsidiary (Note 9 (b))	-	18,672,180
Write-down of LGP assets	-	16,707
Re-measurement of PLI and other liability (Note 9(b))	1,352,618	14,593,225
Discharge of PLI and other liabilities (Note 9(b))	(22,225,052)	-
Unrealized foreign exchange (Note 15)	-	(3,482)
Finance expense (loan accretion) (Note 15)	-	1,045
Share-based compensation expense (Note 10)	67,443	153,317
Gain on metals derivative liability (Note 9)	-	(283,681)
Finance expense (Note 15)	-	328,038
Depreciation	708	708
	(131,324)	(555,350)
Changes in non-cash working capital		
Trade and other receivables	6,712	(1,085)
Prepaid expenses and deposits	10,633	23,235
Inventory	-	3,049
Accounts payables and accrued liabilities	(60,219)	532,335
Settlement liabilities	-	(334,015)
Due to/from related parties (Note 7)	4,100	(32,600)
Net cash used in operating activities	(170,098)	(364,431)
Cash flows from (used in) investing activities		
Mineral property costs	-	(423,042)
Net cash used in investing activities	-	(423,042)
Cash flows from financing activities		
Proceeds from private placement, net (Note 10)	100,000	635,763
Net cash from financing activities	100,000	635,763
Net decreases in cash	(70,098)	(151,710)
Cash- beginning of year	76,122	233,474
Effect of foreign exchange rate changes on cash	-	(5,642)
Cash - end of year	6,024	76,122
Supplemental disclosures		
Shares issued for debt	-	234,048
Shares for debt warrants issued	-	771,672

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

Lupaka Gold Corp.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019

(presented in Canadian Dollars, Except Share Data)

	2020		2019	
	Number	**$**	**Number**	**$**
Common shares (Note 10 (a))				
Balance – beginning of year	148,509,368	59,625,318	122,009,860	59,359,755
Issued pursuant to private placements	5,000,000	100,000	11,083,333	31,515
Shares issued for debt	-	-	15,416,175	234,048
Balance – end of year	153,509,368	59,725,318	148,509,368	59,625,318
Share purchase warrants (Note 10 (b))				
Balance – beginning of year		1,524,254		813,220
Issued pursuant to a private placement		-		587,162
Shares-for-debt warrants issued		-		771,672
Finders warrants issued pursuant to private placement		-		17,085
Share purchase warrants expired		(148,335)		(664,885)
Balance – end of year		1,375,919		1,524,254
Contributed surplus				
Balance – beginning of year		6,708,970		5,845,489
Share-based compensation		67,443		198,596
Share purchase warrants expired		148,335		664,885
Balance – end of year		6,924,748		6,708,970
Deficit				
Balance – beginning of year		(88,552,165)		(54,518,759)
Net income (loss) for the year		20,672,959		(34,033,406)
Balance – end of year		(67,879,206)		(88,552,165)
Accumulated other comprehensive income				
Balance – beginning of year		(842,280)		1,635,719
Currency translation adjustment on foreign operations		-		(388,958)
Reclassified to loss due to loss of control over subsidiary		-		(2,089,041)
Balance – end of year		(842,280)		(842,280)
Total shareholders' equity		(695,501)		(21,535,903)

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

1 Nature of operations and going concern

Lupaka Gold Corp. ("Lupaka" or "the Company") was incorporated in Canada on November 3, 2000 under the legislation of the Province of British Columbia, and is in the business of acquisition, exploration and development of mineral resource properties. Lupaka was dormant prior to January 1, 2010.

Lupaka's head office, and records and registered offices are located at 1569 Dempsey Road, North Vancouver, BC V7K 1S8. Lupaka's common shares trade in Canada on the TSX Venture Exchange ("TSX.V") and in Germany on the Frankfurt Exchange under the symbol LQP.

Collectively, Lupaka and its subsidiaries are referred to hereafter as "the Company".

The Company presently does not have any active projects as a result of its loss of ownership of the Invicta Gold Project ("Invicta") to PLI Huaura Holdings LP ("PLI"; see Note 9). However, management is continuing to seek out gold exploration projects for potential development and investment.

Going Concern

These Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

As at December 31, 2020, the Company has a working capital deficit (current assets less current liabilities) of $695,855 (December 31, 2019 - $21,536,965 deficit) and accumulated deficit of $67,879,206 (December 31, 2019 – accumulated deficit of $88,552,165). For the year ended December 31, 2020, the Company had net earnings of $20,672,959 (2019 – net loss of $34,033,407) and used cash in operating activities of $170,098 (2019 – cash used of $364,431).

The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from operating activities or to raise funds primarily through the issuance of shares or obtaining alternative financing, which it has been successful in doing so in the past. There can be no assurance that sufficient financing can be obtained in the future. As a result, there are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business.

As the outcome of these matters cannot be predicted at this time, if the Company is unable to generate positive cash flow from operating activities or obtain additional financing, management may be required to further curtail certain expenses.

In 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a potential material impact to the Company's activities, cash flows, liquidity and its ability to raise additional capital. Various restrictions on gatherings, work and access to remote communities near the Company's potential/future projects may also impact the Company's ability to perform operational activities.

2 Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently followed, unless otherwise stated.

2.1 Reclassification of comparative figures

Certain comparative amounts for the year ended December 31, 2019 have been changed as a result of a reclassification of such amounts.

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

These consolidated financial statements were approved by the Company's Board of Directors on April 29, 2021.

2.3 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.4 Basis of consolidation

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income (loss) and comprehensive income (loss) from the effective date of acquisition up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those used by the Company. Inter-company transactions, balances, loss, comprehensive loss and expenses are eliminated on consolidation, where appropriate.

The consolidated financial statements include the accounts of Lupaka and its wholly-owned subsidiaries, which are as follows:

- Andean American Gold Corp. ("AAG"), a Canadian company
- Lupaka Gold Peru S.A.C. ("LGP"), a Peru company
- Invicta Mining Corp S.A.C. ("IMC"), a Peru company, until the loss of control of IMC on July 2, 2019. See Note 9.
- Andean Exploraciones S.A.C. ("AES"), a Peru company (inactive)
- Greenhydro S.A.C. ("Greenhydro"), a Peru company (inactive)

2.5 Significant accounting judgments and key sources of estimate uncertainty

In preparing these consolidated financial statements, the Company is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgments used in developing and applying the accounting policies are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

Basis of preparation (continued)

Significant accounting judgments

The following are the significant judgments and estimates, that management made in the process of applying the Company's key accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Going concern assumption – presentation of the consolidated financial statements which assumes that the Company will continue in operation for the next twelve months, will obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

2.6 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

3 Significant accounting policies

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries disclosed in Note 2. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. Control exists where the parent entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

3.1 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian Dollars, which is

Lupaka's and AAG's functional currency. The functional currency of LGP, IMC (until the loss of control of IMC on July 2, 2019), AES and Greenhydro is United States Dollars ("USD").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items are re-valued using the spot rate at the consolidated statements of financial position date. Foreign exchange gains and losses resulting from

the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss. When a gain or loss on a non-monetary item is recognized in other comprehensive loss or income, any foreign exchange component of that gain or loss is recognized in other comprehensive loss or income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Significant accounting policies (continued)

(c) Subsidiaries

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of loss are translated at average exchange rates for the period;

(iii) Equity items are translated at historical rates; and

(iv) All resulting exchange differences are recognized in other comprehensive loss until the disposal of the subsidiary.

When the Company disposes or no longer controls a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in profit or loss.

3.2 Financial assets and other financial liabilities

a) Financial Assets at Amortized Cost
Cash and other receivables with fixed or determinable payments that are not quoted in an active market are classified as held at amortized cost. Such assets are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses.

b) Financial Assets at Fair Value Through Other Comprehensive Income (“FVOCI”)

Financial assets at FVOCI are equity securities that are not held for trading and which the Company has irrevocably elected at initial recognition to recognize in this category. Gains and losses arising from changes in fair value are recorded in other comprehensive income (“OCI”). When these equity securities are disposed, any related balance within FVOCI is classified to retained earnings and will not be reclassified to profit or loss.

c) Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost unless they are required to be measured at fair value through profit and loss (“FVTPL”), such as instruments held for trading or derivatives, or where the Company has opted to measure such liabilities at FVTPL. The amount due to PLI is measured at FVTPL.

Financial liabilities are recognized initially at fair value and subsequently measured at amortized cost and include accounts payable and accrued liabilities, loans, settlement liabilities and amounts due to related parties. Accounts payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable, accrued and settlement liabilities are measured at amortized cost using the effective interest method. Loans are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Significant accounting policies (continued)

De-Recognition of Financial Assets and Liabilities

A financial asset is de-recognized when the contractual right to the asset's cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

3.3 Mineral property under development

Mineral property under development is stated at cost less accumulated impairment charges, if any. The costs associated with mineral property under development include direct costs and acquired interests in development, exploration and production-stage properties. Mineral property under development also includes the capitalized costs of associated mineral properties after acquisition of the properties, the costs incurred during the development of mineral properties (once feasibility has been established) and the deferred stripping costs after the commencement of production. Capitalization of pre-commercial production ceases when the mining property is capable of commencement of mining operations in the manner intended by management.

When mineral property under development is brought into production, they will be amortized on a unit-of-production basis. Upon sale or abandonment of its mineral property under development, the cost and related accumulated depreciation are written off and any gains or losses thereon are included in income or loss for the year.

3.4 Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. All exploration and evaluation expenditures are expensed as incurred, net of proceeds from the sale of metal extracted during the evaluation and exploration phase.

Once management has determined that the property is economically viable and technically feasible, the decision to proceed with development has been approved, and the necessary permits are in place for its development, development costs will be capitalized to mineral property under development.

3.5 Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its non-current assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent with other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is determined as the higher of fair value less costs of disposal and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves and resources, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the consolidated statement of loss and comprehensive loss.

Significant accounting policies (continued)

Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or CGU in prior years. A reversal of impairment is recognized as a gain in the consolidated statement of loss and comprehensive loss. During the year ended December 31, 2019, the Company recorded an impairment of certain non-current assets related to Invicta as a result of loss of control over IMC, which owns Invicta. Also see Note 9(e).

3.6 Share capital

Common shares are classified as equity. The proceeds from the exercise of share options or warrants together with amounts previously recorded on grant date or issue date are recorded as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.7 Share-based compensation

The Company has a share-based compensation plan under which the entity receives services from employees, directors and non-employees as consideration for equity instruments (share options) of the Company.

The fair value of share options granted to employees is measured on the grant date and share options granted to non-employees are measured on the date that the goods or services are received.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, with a corresponding increase in contributed surplus. The total amount to be expensed is determined by reference to the fair value of the options granted and the related vesting periods. The fair value is determined by using the Black-Scholes option pricing model where the fair value of services cannot be estimated reliably. Non-market vesting conditions are included in the estimate of the number of options expected to vest. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of options expected to vest. Any change from estimate is recognized with a corresponding adjustment to equity. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

When share options are exercised, the proceeds received and the initial fair value of the share options in contributed surplus are credited to share capital.

3.8 Share purchase warrants

Share purchase warrants (“warrants”) are measured at their fair value on the date of grant and are recorded as a separate component of equity. When a warrant is exercised, the initial fair value of the warrant, as determined on the grant date, is transferred to share capital. The initial fair values of warrants that expire unexercised are transferred to contributed surplus.

3.9 Earnings per share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the year. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding, if dilutive. Diluted earnings

Significant accounting policies (continued)

per share is calculated using the treasury share method, in which the assumed proceeds from the potential exercise of those share options and warrants whose average market price of the underlying shares are used to purchase the Company's common shares at their average market price for the period. In a year when net losses are incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

For the year ended December 31, 2020 – 39,727,008 shares to be issued on the exercise of share options and share purchase warrants have been excluded from the calculation of diluted loss per share because the effect is anti-dilutive.

3.10 Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within financing costs.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

3.11 Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the year, except to the extent that it relates to items recognized in other comprehensive loss or income or directly in equity. In this case, the tax is also recognized in other comprehensive loss or income or directly in equity, respectively.

(a) Current tax

Current income taxes are calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Significant accounting policies (continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.12 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Chief Executive Officer. The Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the person who makes strategic decisions as the chief operating decision maker.

The Company’s operations are limited to a single reportable segment. The Company’s geographical segments are determined by the location of the Company’s assets and liabilities.

3.13 Valuation of equity units issued in private placements

The fair value of the common shares issued in the private placements was determined to be the pro rata portion of the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date and the pro rata fair value attributable to the warrants that was calculated using the Black-Scholes pricing model.

4 Receivables

Receivables consist of goods and services taxes due from the Government of Canada. The Company anticipates full recovery of its current receivables within one year.

5 Equipment

During the year ended December 31, 2019, the Company de-recognized assets on loss of control of IMC and wrote down LGP’s net assets. The remaining carrying value of the Company’s equipment as at December 31, 2020 was $354 (December 31, 2019 -- $1,062).

6 Mineral property under development

The Company’s Invicta Gold Project comprised the Company’s sole mineral property under development, until the loss of the Company’s ownership of IMC in July 2019.

With the Company’s loss of its ownership and control of IMC and all its assets and liabilities, the Company adjusted the carrying value of the components of the Invicta mineral property under development costs from approximately $23.25 million to $Nil. See also Note 9.

(presented in Canadian Dollars)

7 Related party transactions

Details of transactions between the Company and other related parties are disclosed below:

a) Related party expenditures

During the year ended December 31, 2020, the Company:

- accrued $4,000 for management fees to DFJ Consulting Services Ltd. a company owned by the CFO of the Company.

During the year ended December 31, 2019, the Company:

- accrued $16,000 (net of tax) for consulting and advisory services to Havilah Holdings Inc. ("Havilah"). Havilah is a co-owner of K-Rok Minerals Inc., a >10% shareholder of the Company, which is owned 60% by ABE Industries Inc. ("ABE"), 35% by Havilah and 5% by another individual. ABE is wholly-owned by Gordann Consultants Ltd., a company in which Gordon Ellis owns a 51% interest and his wife, Margaret Ellis, owns a 49% interest. Gordon Ellis is the Chairman and CEO of the Company and a director, and through his spousal and corporate ownerships is a greater than 10% shareholder of the Company;
- paid $40,100 in interest payments related to the Company's bridge loans, to a former officer, a director and former director and/or companies controlled by them or a related party, including $32,400 due as at December 31, 2018. As at December 31, 2018, these individuals' bridge loan holdings comprised all $90,000 of BL2 and all $450,000 of BL3. The bridge loan principal amounts and $18,600 of interest payments were repaid in their entirety in the Company's shares-for-debt transaction ("SFD Transaction") in March 2019 (Note 10). The balance of $21,500 in BL2 and BL3 interest was settled with the related note-holders for cash.

(b) Key management compensation

Key management includes directors and executive officers of the Company. The compensation paid or payable to key management for employee services for the years ended December 31, 2020 and 2019 is shown below:

	2020 **$**	**2019** **$**
Salaries, fees and benefits	40,827	405,603
Share-based compensation	53,226	173,922
Total	94,053	579,525

Of the $405,603,000 included in salaries and benefits during the year ended December 31, 2019, approximately $199,126 in remuneration was for severance paid in SFD Transaction Units and common shares in 2019. See Note 10.

(presented in Canadian Dollars)

Related party transactions (continued)

(c) Due to current and former related parties

Amounts due to or from related parties are unsecured and non-interest bearing and measured at the amount of consideration established and agreed to by the related parties.

As at December 31, 2020:

- $4,100 was payable to the Company's CFO for outstanding management fees, which is included in Accounts Payable
- $2,100 was payable to ABE and $27,300 was payable to Havilah for services rendered in 2019 and prior years, both of which are included in Due to Related Parties;
- $20,696 was payable to a former CEO of the Company for previously deferred salary, which is included in Accounts Payable;
- $15,641 was payable to a former CFO of the Company for outstanding management fees, which is included in Accounts Payable; and
- $266,750 was payable to a former CEO of the Company pursuant to a March 2018 settlement agreement between the parties, which is included in Accounts Payable.

8 Loans

Bridge Loan 2 ("BL2") and Bridge Loan 3 ("BL3")

During 2017, the Company completed bridge loan financings for gross proceeds of $900,000 with a group of third-party individuals and Insiders of the Company.

In May 2018, the Company paid $360,000 in principal plus $15,000 of accrued interest to noteholders who requested repayment in accordance with the terms of the bridge loan agreements.

In March 2019 the Company reached an agreement with the remaining bridge loan noteholders to convert all of the remaining principal and most of the interest into Units of the Company. Each Unit was priced at $0.06 and consisted of one common share of the Company and one transferable common share purchase warrant, with each warrant entitling the holder to acquire one common share of the Company at a price of $0.10 for a period of 30 months from the date of closing. Pursuant to the closing of the bridge loans, the Company issued share purchase warrants ("BL2 Warrants" and "BL3 Warrants") – see Note 10.

Following is a continuity schedule for the bridge loan warrants:

	BL2 Liability $	**BL3 Liability $**
Balance, December 31, 2018	88,955	450,000
Loan accretion	1,045	(450)
Loans repaid with Lupaka Units	(90,000)	–
Balance, December 31, 2019 and 2020	–	–

9 Due to PLI and loss due to loss of control over IMC

a) PLI Financing Agreement, Notice of Default and Early Termination, and Signing of Mutual Releases

By agreement dated June 30, 2016 and amended August 2, 2017, the Company executed the PLI Financing Agreement with PLI to fund US$7 million for the completion of development and to initiate production at IMC's Invicta Gold Project - see Deferred Revenue below.

On July 2, 2019, the Company received a formal Notice of Acceleration ("Acceleration Notice") from PLI regarding the PLI Financing Agreement. The Acceleration Notice claims that as a result of existing specified claims of alleged default, PLI declared an early termination date of the loan and requested immediate payment of approximately US$15.6 million. In October 2019, the Company was advised that PLI had seized all of the ownership shares of IMC, effective July 2, 2019, resulting in the Company losing control of IMC and Invicta.

On November 12, 2019, the Company received a Notice of Indemnification and Reservation of Rights letter dated November 8, 2019 from PLI Huaura Holdings L.P., which primarily demanded that the Company make the indemnification payments to PLI in respect of the PLI Financing Agreement (which PLI claims, as of October 31, 2019, totaled an aggregate of approximately US$16 million), and all other amounts outstanding under the PLI Financing Agreement were to be paid immediately on demand and that PLI hereby made a demand for payment of such amounts.

Arbitration Claim made under the Canada-Peru Free Trade Agreement ("CPFTA")

The specified claims of default relate primarily to the Company's inability to make scheduled repayments against the PLI Financing Agreement as a result of the ongoing illegal road blockade carried out by the community of Paran at Invicta. Despite numerous requests for resolution assistance from local and federal government officials of the Republic of Peru, the requested assistance was not provided and the blockade continued, resulting in the Company's loss of its ownership of IMC and the Invicta Gold Project.

On December 12, 2019, the Company delivered to the Peruvian Minister of Economy and Finance a Notice of Intent to Submit a Claim to Arbitration in accordance with the 2009 Free Trade Agreement between Canada and Peru (the "CPFTA Arbitration"). In this respect, the Company has engaged Lalive (London, UK) LLP to represent its interests in the CPFTA Arbitration.

While the Company and PLI disputed each other's actions and claims, effective July 22, 2020, mutual releases (the "Release") were executed between the Company and its subsidiaries (together, the "Lupaka Parties") and PLI Huaura Holdings L.P. ("PLI"), Invicta Mining Corp S.A.C. ("IMC") and certain associated parties of PLI (the "PLI Parties").

As a result, all claims made or in the process of being made by the Lupaka Parties against the PLI Parties are deemed to be released and forever discharged from each and every one of the PLI Parties; and all claims made or in the process of being made by the PLI Parties against the Lupaka Parties are deemed to be released and forever discharged from each and every one of the Lupaka Parties.

A significant outcome of the release to the Company is that the liability of $22,200,053 to PLI was fully discharged by the PLI Parties and is eliminated in these financial statements.

Due to PLI and loss due to loss of control over IMC (continued)

On August 4, 2020, the Company reported that it had entered into an Arbitration Funding Agreement with Bench Walk Advisors ("BWA") to support the Company's arbitration claim against the Republic of Peru under the 2009 Canada-Peru Free Trade Agreement ("FTA. The Agreement allows for up to USD$4.1 million to support the arbitration and related costs. Amounts advanced by BWA are repayable only upon completion of a successful claim and recovery. The actual amount received by BWA will vary in accordance with the actual settlement received by the Company from the Republic of Peru. As such, the financing is non-dilutive to current Lupaka shareholders. Precise terms of the Arbitration Funding Agreement (other than those set out herein) are confidential.

b) Due to PLI and loss on re-measurement of PLI liability

Management disagreed with PLI's estimate of approximately US$15.6 million (as of October 31, 2019) owed to PLI as a result of PLI's termination of the PLI Financing Agreement. However, in the absence of any discharge, payment or settlement of this disputed obligation, the amount payable to PLI was not derecognised as at December 31, 2019. As at December 31, 2019, the amount due to PLI was measured at $20,847,435. During the year, the Company recognised a loss of $1,352,618 until the date of discharge. As a result of the Mutual Release with PLI, the amount due to PLI of $22,200,053 was eliminated and a corresponding gain on discharge was recognized in the statement of income (loss).

10 Equity

a) Common shares

Authorized: unlimited with no par value.

On June 10, 2020, the Company completed a non-brokered private placement with third-party individuals raising gross proceeds of $100,000 and issuing 5,000,000 common shares at a price of $0.02 per common share. All of the shares issued are subject to a 4- month hold period from the date of issuance.

On March 13, 2019, the Company completed a non-brokered private placement unit Offering with third-party individuals raising gross proceeds of $665,000 and issuing 11,083,333 units (the "March 2019 Unit") priced at $0.06 per unit. Each March 2019 Unit consists of one common share and one transferable common share purchase warrant (each, a "March 2019 Warrant") entitling the holder to purchase one additional common share at $0.10 per share for a period of thirty months from the date of the closing of the Offering.

In connection with the subscriptions received in the Offering, the Company paid finders' fees of $19,450 and issued 322,500 non-transferable common share purchase warrants (each, a "Finders' Warrant") entitling the holder to acquire one common share of the Company at a price of $0.10 per share for a period of 30 months from the date of the closing of the Offering.

The Company also completed an SFD Transaction in March 2019. Under the SFD Transaction, the Company issued 14,566,175 Units to several creditors under the same terms and pricing as the Private Placement to settle $873,971 in bridge loans and short-term accounts payable in Canada. Each Unit converted at a deemed price of $0.06. Certain directors and officers of the Company participated in the SFD Transaction, totalling $156,250 converting to 2,604,166 Units. In addition to the finders' fees above, share issue costs totalled approximately $10,000 and related to both the Offering and the SFD Transaction.

(presented in Canadian Dollars)

Equity (continued)

On February 7, 2019, the Company issued 850,000 common shares to a creditor at a deemed price of $0.155 per share.

b) Share purchase warrants

As at December 31, 2020, the Company has 25,972,008 share purchase warrants outstanding at an exercise price of $0.10 per warrant, all of which expire on September 13, 2021.

The weighted average fair value of the Placement, SFD and Finders Warrants was estimated to be $0.05 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price ($)	0.10
Risk free interest rate (%)	1.66
Expected life (years)	90
Expected volatility (%)	112.4

Following is a continuity schedule of the Company's warrants, for the year ended December 31, 2020 and 2019:

	2020		2019	
	Number of share purchase warrants	Weighted average exercise price $	Number of share purchase warrants	Weighted average exercise price $
Warrants outstanding – beginning of year	28,094,795	0.11	14,402,662	0.15
Placement Warrants issued	-	-	11,083,333	0.10
SFD Warrants issued	-	-	14,566,175	0.10
Finders Warrants issued	-	-	322,500	0.10
Warrants expired	(2,122,787)	0.26	(12,279,875)	0.14
Warrants outstanding – end of year	25,972,008	0.10	28,094,795	0.11

c) Share options

The Company has in place an incentive share option plan dated September 20, 2010 (the "Option Plan") for directors, officers, employees and consultants to the Company. The Option Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine, within the limitations of the Option Plan, including:

- The maximum number of common shares issuable pursuant to options granted under the Option Plan shall not exceed 10% of the outstanding common shares issued at the date of grant and
- The terms of options are a minimum of one year and a maximum of ten years from the date the option is granted, with the most common option terms being five years.

(presented in Canadian Dollars)

Equity (continued)

Vesting terms are determined for each grant by the Company's Board of Directors. The options granted in the years ended December 31, 2020 and 2019 vest in equal amounts beginning as early as on the date of grant and ending up to eighteen months from the date of grant.

A summary of changes to share options outstanding and exercisable is as follows:

	2020		2019	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Options outstanding – beginning of year	12,230,000	0.12	10,162,500	0.14
Granted	3,975,000	0.05	4,200,000	0.06
Forfeited	(1,350,000)	0.18	(1,352,500)	0.13
Expired	(1,100,000)	0.06	(780,000)	0.13
Options outstanding – end of year	13,755,000	0.09	12,230,000	0.12

The weighted average fair value of the share options granted in the year ended December 31, 2020 was estimated to be $0.01 (year ended December 31, 2019 – $0.02) per option at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

	2020	2019
Weighted average exercise price ($)	0.05	0.06
Dividend yield	–	–
Risk free interest rate (%)	0.4	1.5
Expected life (years)	5.0	3.3
Forfeiture rate (%)	–	10.5
Expected volatility (%)	100.0	132.6

Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. The volatility was calculated using historical volatility of comparable companies as an expectation of the Company's future volatility.

Non-cash share-based compensation costs of $67,443 have been recorded for the year ended December 31, 2020 (2019 – $198,596), and allocated as follows:

	2020 $	2019 $
Salaries and benefits	59,770	139,115
Shareholder and investor relations	7,673	14,202
Development costs (capitalized)		
Project Administration	-	39,770
Community	-	5,509
Total share-based compensation	67,443	198,596

(presented in Canadian Dollars)

Equity (continued)

The following table summarizes information about share options outstanding and exercisable at December 31, 2020:

		Outstanding			Exercisable		
Year of Expiry	**Range of exercise prices $**	**Number of options outstanding**	**Weighted average exercise price $**	**Weighted average remaining contractual life (years)**	**Number of options exercisable**	**Weighted average exercise price $**	**Weighted average remaining contractual life (years)**
2021	0.16	1,405,000	0.16	0.9	1,405,000	0.16	0.9
2022	0.15	1,750,000	0.15	1.8	1,750,000	0.15	1.8
2023	0.12 – 0.23	2,350,000	0.16	2.7	2,350,000	0.16	2.7
2024	0. 05 – 0.10	4,200,000	0.06	3.6	3,275,000	0.06	3.6
2025	0.05	4,050,000	0.05	4.7	1,450,000	0.05	4.7
		13,755,000	0.09	3.3	10,230,000	0.11	2.9

11 Income tax expense

The significant components of the Company's deferred income tax assets and liabilities at December 31, 2020 and 2019 are as follows:

	2020 $	**2019 $**
Deferred income tax assets:		
Non-capital loss carry-forwards, net	6,880,785	2,239,501
Net capital loss carry-forwards	91,774	411,884
Share issuance costs	5,873	84,760
Other	-	45,887
Deferred income tax assets, net	6,978,432	2,782,032
Unrecognized tax assets	(6,978,432)	(2,782,032)
	-	-

(presented in Canadian Dollars)

Income tax expense (continued)

a) The tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

In dollars, except statutory rate	**2020** **$**	**2019** **$**
Earnings (loss) before income tax expense (recovery)	20,672,959	(34,033,407)
Average statutory rate	27.00%	27.00%
Expected income tax recovery at statutory rates	5,581,699	(9,189,020)
Non-deductible expenses	17,678	1,304,212
Loss of tax assets on loss of control	-	7,212,679
Effect of different tax rates in foreign jurisdictions	-	(1,105,846)
Tax benefits not recognized	29,430	9,094,823
Use of previously unrecognized tax assets	(5,628,807)	(7,316,848)
Income tax expense	–	–

b) Losses carried forward

The Company has non-capital losses in Canada, for which deductions against future taxable income are uncertain, of approximately $25.5 million. The Canadian losses, if not utilized, will expire over 2029 through 2040.

12 Segmented information

The Company had two reportable segments. Peru was the Company's principal operating business and included its mineral property under development. Canada includes the Canadian corporate office and the Company's Management.

The Company's reportable segments are based on the reports reviewed by Management that are used to make strategic decisions.

Earnings for the years ended December 31, 2020 and 2019 and total assets by segments are as follows:

	2020 **$**	**2019** **$**
Earnings (loss)		
Canada	20,672,959	(15,326,433)
Peru	-	(18,706,974)
	20,672,959	(34,033,407)

(presented in Canadian Dollars)

Segmented information (continued)

	December 31, 2020 $	December 31, 2019 $
Total assets		
Canada	11,982	100,133

13 Capital management

The Company's objective when managing capital structure is to maintain liquidity in order to ensure the Company's strategic acquisition and exploration objectives are met. In the management of capital, the Company defines capital as its shareholders' equity (December 31, 2020 – ($699,501); December 31, 2019 – ($21,536,965)).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company intends to continue to assess new resource properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company's annual and updated budgets are approved by the Board of Directors.

At December 31, 2020, the Company is seeking opportunities to obtain further funding to pay liabilities as they come due.

14 Financial risk factors

(a) Financial risk exposure and risk management

The Company's activities expose it to a variety of financial risks, which include credit, liquidity, market, foreign exchange, interest rate, and commodity price risks.

Financial risk management is carried out by the Company's management team with oversight from the Company's Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company manages its liquidity risk through the management of its capital structure and assets.

Financial risk factors (continued)

At December 31, 2020 and 2019, the Company's undiscounted contractual obligations and their maturity dates were as follows:

	December 31, 2020 $	December 31, 2019 $
Trade and other payables (within 1 year)	707,483	21,636,036

Market risk

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

Interest rate risk

The Company is exposed to financial risk related to the fluctuation of interest rates.

Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company had subsidiaries that operate in Peru and as such, a portion of its expenses were incurred in Peruvian Nuevo Soles, the Company's functional currency in Peru, and US Dollars. A significant change in the currency exchange rates would have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

The Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in US Dollars ("US$") as at December 31, 2020 and 2019:

	December 31, 2020 US$	December 31, 2019 US$
Cash	69	8,934
Current liabilities	(165,740)	(16,219,802)

Based on the above net exposure as at December 31, 2020, and assuming that all other variables remain constant, a 10% appreciation (depreciation) of the Canadian Dollar against the US Dollar would result in an increase or decrease of approximately +/- $21,000 (2019 – $2,105,000) in the Company's net earnings for the year.

(b) Fair value of financial instruments

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

(presented in Canadian Dollars)

Financial risk factors (continued)

- Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts.

The fair values of cash, trade and other receivables and trade and other payables approximate carrying value because of their short-term nature. At December 31, 2019, the Company had no financial instruments that would be categorized as Level 2 in the fair value hierarchy above, while the Due to PLI liability was categorized as Level 3 in the fair value hierarchy above.

15 Financing expenses

	2020 $	2019 $
Financing expenses	-	328,038
Foreign exchange gain	(3,311)	(3,482)
Interest expense	-	7,723
Loan accretion	-	1,045
Total	(3,311)	333,324

16 Subsequent event

On January 20, 2021, the Company announced that it had closed a $100,000 non-brokered private placement of 2,000,000 units at a price of $0.05 per unit. Each unit consists of one common share of the Company (“Share”) and one transferable common share purchase warrant (“Warrant Share”) entitling the holder to purchase an additional common share of the Company at a price of $0.10 for a period of three years from the closing (the “Placement”). All Shares issued and Warrants Shares (if exercised prior to May 21, 2021) are subject to a hold period expiring four months and one day from the closing date of the Placement in accordance with applicable securities laws. Closing of the Placement is subject to final acceptance by the TSX Venture Exchange. No finders’ fees were paid, and no Insiders participated in this Placement.