LOS ANDES COPPER LTD.

Consolidated Financial Statements

For the Years Ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Los Andes Copper Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Los Andes Copper Ltd., which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

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, 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.

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 audits.

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 Keith C. Macdonald.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
January 28, 2021

LOS ANDES COPPER LTD.
Consolidated Statements of Financial Position
As at September 30, 2020 and 2019
(Expressed in Canadian dollars)

	Note	2020	2019
		$	$
Assets			
Current Assets			
Cash and cash equivalents		3,992,856	1,390,162
Receivables	**6**	2,269,940	4,963
Prepaid expenses and deposits		142,549	87,888
		6,405,345	1,483,013
Non-Current Assets			
Property, plant and equipment	**14**	238,023	28,129
Unproven mineral right interests	**7**	74,804,725	83,132,406
Hydro-electric project water rights	**7**	8,250,000	8,250,000
		83,292,748	91,410,535
Total Assets		89,698,093	92,893,548
Liabilities			
Current Liabilities			
Trade payables and other liabilities	**9**	856,642	842,382
Lease liability short term	**14**	99,040	-
		955,682	842,382
Non-Current Liabilities			
Lease liability long term	**14**	125,644	-
Deferred income tax	**13**	9,224,616	8,720,266
		9,350,260	8,720,266
Total liabilities		10,305,942	9,562,648
Shareholders' Equity			
Share capital	**8**	103,368,850	103,368,850
Reserve	**8**	7,477,039	7,351,119
Deficit		(25,621,184)	(23,641,496)
Accumulated other comprehensive loss		(5,832,554)	(3,821,173)
Equity attributable to shareholders		79,392,151	83,257,300
Non-controlling interest	**4**	-	73,600
Total equity		79,392,151	83,330,900
Total Liabilities and Shareholders' Equity		89,698,093	92,893,548

Nature of operation and continuance of business (Note 1)

Approved by the Board of Directors on January 26, 2021:

"Frank O'Kelly"	*"Francisco Covarrubias"*
Director	Director

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

LOS ANDES COPPER LTD.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2020 and 2019
(Expressed in Canadian dollars)

	Note	2020	2019
		$	$
Expenses			
Consulting, salaries, management and directors' fees	9	444,663	422,953
Depreciation	14	113,433	4,339
Interest	14	34,205	-
Office and administration		43,723	57,292
Professional fees	9	288,557	81,862
Shareholder communications		158,231	72,211
Share-based compensation	8, 9	125,920	59,503
Transfer agent, filing and regulatory fees		65,701	41,718
		1,274,433	739,878
Hydro-electric Project			
Professional fees		6,461	7,035
Project supplies and expenses		196	326
		6,657	7,361
Loss before other items		(1,281,090)	(747,239)
Other Items			
Foreign exchange gain (loss)		(101,624)	85,032
Interest		-	35,829
		(101,624)	120,861
Loss before income taxes		(1,382,714)	(626,378)
Deferred income tax expense	13	(504,350)	(149,609)
Net loss		**(1,887,064)**	**(775,987)**
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Current translation adjustment		(2,011,381)	(2,320,783)
Total comprehensive loss for the year		**(3,898,445)**	**(3,096,700)**
Loss for the year attributable to:			
Owners of the Company		(1,887,064)	(775,917)
Non-controlling interest		-	(70)
		(1,887,064)	**(775,987)**
Comprehensive loss for the year attributable to:			
Owners of the Company		(3,898,445)	(3,096,700)
Non-controlling interest	4	-	(70)
		(3,898,445)	**(3,096,770)**
Loss per share, basic and diluted		(0.07)	(0.03)
Weighted average number of shares outstanding[1]		27,165,843	27,165,843

[1]Post 10:1 share consolidation

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

LOS ANDES COPPER LTD.
Consolidated Statements of Changes in Equity
For the years ended September 30, 2020 and 2019
(Expressed in Canadian dollars)

	Common Shares[1]	Share Capital	Equity reserve[2]	Accumulated other comprehensive income	Deficit	NCI	Total
	#	$	$	$	$	$	$
Balance, September 30, 2018	**27,165,843**	**103,368,850**	**7,291,616**	**(1,500,390)**	**(22,773,447)**	**147,340**	**86,533,969**
Share-based compensation	-	-	59,503	-	-	-	59,503
Repurchase of subsidiary shares	-	-	-	-	(92,132)	(73,670)	(165,802)
Net loss	-	-	-	-	(775,917)	(70)	(775,987)
Current translation adjustment	-	-	-	(2,320,783)	-	-	(2,320,783)
Balance, September 30, 2019	**27,165,843**	**103,368,850**	**7,351,119**	**(3,821,173)**	**(23,641,496)**	**73,600**	**83,330,900**
Share-based compensation	-	-	125,920	-	-	-	125,920
Repurchase of subsidiary shares	-	-	-	-	(92,624)	(73,600)	(166,224)
Net loss	-	-	-	-	(1,887,064)	-	(1,887,064)
Current translation adjustment	-	-	-	(2,011,381)	-	-	(2,011,381)
Balance, September 30, 2020	**27,165,843**	**103,368,850**	**7,477,039**	**(5,832,554)**	**(25,621,184)**	**-**	**79,392,151**

[1] Post 10:1 share consolidation
[2] Reserve consists of fair values of stock options and finder's warrants

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

LOS ANDES COPPER LTD.
Consolidated Statements of Cash Flows
For the years ended September 30, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
	$	$
Cash provided by (used in):		
Operating activities		
Net loss	(1,887,064)	(775,987)
Items not affecting cash:		
Deferred income tax expense	504,350	149,609
Depreciation	113,433	4,339
Share-based compensation	125,920	59,503
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(54,661)	(31,137)
Receivables	(26,852)	2,900
Trade payables and other liabilities	8,239	113,091
Net cash used in operating activities	(1,216,635)	(477,682)
Investing activities		
Purchase of property, plant and equipment	(4,146)	(34,299)
Unproven mineral right interests	(4,277,183)	(3,227,316)
Repurchase of subsidiary shares	(166,224)	(165,802)
Royalty purchase agreement	8,126,088	-
Net cash provided by (used in) investing activities	3,678,535	(3,427,417)
Financing activities		
Repayment of lease liability	(99,040)	-
Net cash used in financing activities	(99,040)	-
Change in cash for the year	2,362,860	(3,905,099)
Effect of exchange rate changes on cash	239,834	114,962
Cash, beginning of year	1,390,162	5,180,299
Cash, end of year	3,992,856	1,390,162

See Note 12 for supplemental cash flow information.

1. NATURE OF OPERATION AND CONTINUANCE OF BUSINESS

Los Andes Copper Ltd. ("Los Andes") is a company involved in the acquisition, exploration and development of advanced copper deposits in Latin America, including holding a 100% interest in the Vizcachitas copper project in Chile.

Los Andes was incorporated under the Business Corporations Act (British Columbia) in 1983 and is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “LA”. Its principal office is located at Suite 880-580 Hornby Street, Vancouver, B.C. V6C 3B6, Canada.

These consolidated financial statements include the accounts of Los Andes and of its controlled subsidiaries (collectively, the “Company”): Vizcachitas Limited, Compañía Minera Vizcachitas Holding, Sociedad Legal Minera San José Uno de Lo Vicuña El Tártaro y Piguchén de Putaendo (“San José SLM"), Gemma Properties Group Limited, Inversiones Los Patos S.A, DK Corporation, Rocín SPA, Hidroeléctrica de Pasada Rio Rocín SPA and Sociedad Los Juncos de la Unión SPA. During the year ended September 30, 2020, the Company acquired the remaining 0.95% interest in Hidroeléctrica de Pasada Rio Rocín SPA for $166,224 and the difference between the cost base and consideration paid was recognized as a direct charge to equity. As at September 30, 2020 the Company holds a 100% interest in Hidroeléctrica de Pasada Rio Rocín SPA.

At the date of these financial statements the Company has not yet determined whether any of its mineral right interests contain mineral reserves that are economically recoverable. Accordingly, the carrying amount of its mineral right interests represents the cumulative acquisition costs and exploration expenditures incurred to date, which does not necessarily reflect present or future values. The recovery of these costs is dependent on the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to undertake continuing exploration and development, and to resolve any environmental, regulatory or other constraints.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has made a positive assessment of its ability to continue as a going concern given that during the year ended September 30, 2020, the Company entered into Royalty Purchase ("RPA") and Net Smelter Returns Royalty ("RA") Agreements (Note 6).

Notwithstanding the above, the Company’s business activities are in the development stage, the Company has a history of recurring losses and no source of revenue or operating cash flow. Operations in recent years have been funded from the issuance of share capital, and cash on hand.

Given its current stage of operations, the Company’s ability to continue as a going concern is contingent on its ability to continue to obtain additional financing. In the event the Company is unable to raise adequate financing or meet its current obligations, the carrying value of the Company’s assets could be subject to material adjustments.

On March 11, 2020, the World Health Organization (“WHO”) declared coronavirus COVID-19 a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures will have a significant, negative effect on the economy of all nations for an undeterminable period of time, the extent of which is also uncertain.

These financial statements do not reflect adjustments to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern.

These financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

These financial statements were authorized for issue by the Board of Directors on January 26, 2021 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2. BASIS OF PRESENTATION

These financial statements have been prepared on an accrued basis and are based on the historical cost basis and modified where applicable.

3. ACCOUNTING STANDARDS

Accounting Policies Adopted During the Year

During the year, the Company has adopted revisions to certain accounting standards as described below. The adoption of these revisions did not result in any material changes to the financial statements.

Changes in accounting policies – IFRS 16

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of October 1, 2019. IFRS 16 replaces IAS 17 Leases ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2019 comparatives are not restated and a cumulative catch-up adjustment is recorded on October 1, 2019 for any differences identified, including adjustments to opening retained earnings balance. The Company chose to measure the right of use assets equal to the lease liability calculated for each lease on initial adoption, using a borrowing rate of 12%.

The following is the Company's new accounting policy for leases under IFRS 16:

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

The Company has elected to include non-lease components related to premises leases in the determination of the lease liability. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve-months or less and leases of low-value assets. The lease

payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries and the basis of consolidation

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally, but not in all cases, accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Judgement is also exercised in respect of the function currency of foreign subsidiaries.

The financial statements of subsidiaries (Note 1) are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated on consolidation.

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interest. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

The current non-controlling interest represents a 0% (2019: 0.95%) interest in Hidroelectrica de Pasada Rio Rocin SPA. During the year ended September 30, 2020, the Company repurchased the remaining 0.95% (2019: 0.95%) of the issued and outstanding common shares of Hidroeléctrica de Pasada Rio Rocín SPA for $166,224 (2019: $165,802) and the difference between the cost base and consideration paid was recognized as a direct charge to equity.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. As at September 30, 2020 and 2019, the Company did not have any cash equivalents.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct expenditures associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Amortization is calculated on a straight-line basis over the useful life of the asset at rates ranging from six to ten years once the asset is available for use.

VAT tax credits

Expenses incurred by the Company in Chile, including deferred exploration expenses, are subject to a Chilean Value Added Tax ("VAT"). The VAT is not refundable to the Company but can be used in future to offset amounts due to the Chilean Revenue Service by the Company resulting from VAT charged to clients on future sales. VAT tax credits are included in unproven mineral right interests as they originated from deferred exploration expenses.

Unproven mineral right interests

All acquisition costs, exploration and direct field costs are capitalized into intangible assets until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral right interests on an annual basis and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. Administration costs and other exploration costs that do not relate to a specific mineral right are expensed as incurred.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations.

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

Hydroelectric project

The Company capitalizes all costs, net of any recoveries, of acquiring the rights associated with hydroelectric project, until the rights to which they relate commence commercial operations, at which time these deferred costs will be amortized over the estimated useful life of the project or written-off if the rights are disposed of, impaired or abandoned. Acquisition costs include the cash consideration and the fair value of shares issued on the acquisition of hydroelectric project rights.

Management reviews the carrying amounts of hydroelectric project rights annually or when there are indicators of impairment and will recognize impairment based upon assessment of the probability of profitable exploitation of the rights.

Hydroelectric project development costs are expensed as incurred.

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of unproven mineral right interests. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

Income taxes

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that enough taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax

losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Related party transactions

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. Parties are also considered to be related if they are subject to common control or common significant influence. 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 or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

Share-based compensation

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the fair value of such goods and services cannot be specifically identified, it is measured at the fair value of the share-based compensation.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date the equity is issued.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases

the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

Share capital

The Company records proceeds from share issuances in share capital, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

Basic loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, and the effect of outstanding stock options and warrants would be anti-dilutive, basic and diluted loss per share is the same.

Financial instruments

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

a) Financial assets

A financial asset is recognized when the Company has the contractual right to collect future cash flows. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial assets are recognized at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) or amortized cost.

Cash and cash equivalents are recognized at their fair value and carried at amortized cost.

Receivables, excluding GST, are initially recognized at their fair value, less transaction costs and subsequently carried at amortized cost using the effective interest method less impairment losses.

Equity investments are initially recognized at their fair value. Changes in the fair value of equity investments are recognized in comprehensive income (loss) in the period in which they occur.

Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

<u>Effective interest method</u>

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying

amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

IFRS 9 replaces the incurred loss model from IAS 39 with an expected loss model ("ECL"). The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The ECL model applies to the Company's trade receivables.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, the Company separates instruments into the below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk.
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low.
3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate, the Company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis when they possess shared credit risk characteristics and days past due.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets, other than those at FVTPL and amortized cost, are assessed for indicators of impairment at each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

De-recognition of financial assets

A financial asset is derecognized when the contractual right to the asset's cash flows expire or the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

b) Financial liabilities

A financial liability is recognized when the Company has the contractual obligation to pay future cash flows. Financial liabilities such as accounts payable and other liabilities and lease liability are recognized at amortized cost using the effective interest rate method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred.

Reclamation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight-line method. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre- tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

Foreign currency translation

The functional currency of subsidiaries is the currency of the primary economic environment in which the entity operates, which has been determined to be the Chilean peso. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the parent entity is the Canadian dollar. The presentation currency of the Company is also the Canadian dollar.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's subsidiaries are translated into the Canadian dollar using exchange rates prevailing at the end of the period.

Income and expense items are translated at the average rate for the period. Exchange differences are recognized as the current translation adjustment in other comprehensive income and accumulated in equity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Use of judgements and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements

a) Unproven mineral right interests and hydro-electric project water rights

The application of the Company's accounting policies for unproven mineral right interests and hydro-electric project water rights requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

b) Title to unproven mineral right interests

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Right-of-use assets/lease liabilities

The measurement of the lease liability for the premises leases includes the 1-year extension option because under IFRS 16 if it is probable that a renewal option will be exercised, the renewal period has to be included into the lease liability. The incremental rate of borrowing used in the measurement of the lease liabilities was estimated by management to be 12% per annum.

d) Going concern

Critical judgement and estimates are applied for the determination that the Company will continue as a going concern for the next year.

Estimates

a) Deferred income tax

In the year ended September 30, 2020, the Company booked an increase in deferred income tax liability and corresponding deferred income tax expense of $504,350 (2019: $149,609). The Company's deferred income tax liability arises mostly from the difference between the book and tax value of its mineral right interests.

6. THE VIZCACHITAS PROPERTY

In 2007, the Company acquired all of the issued and outstanding shares of Vizcachitas Limited which at the time owned, a majority of the claims making up the Vizcachitas Property. Vizcachitas Limited owned 51% of the shares of San José SLM which owned the San José mining concessions (the "SJ Concession") and an additional 35 mining rights and concessions (the "Initial Properties") that comprised part of the Vizcachitas Property. In 2010, the Company completed the consolidation of the Vizcachitas Property through the acquisition from Turnbrook Corporation ("TBC") of all of the issued and outstanding securities of Gemma Properties Group Limited ("Gemma"), who indirectly owned 49% of the issued and outstanding shares of the San Jose SLM. With this transaction, the entire resource contained in the Vizcachitas Property came under unified ownership.

At September 30, 2020, the Company owns 52 exploitation mining concessions covering 10,771 hectares and 130 exploration claims covering a combined total of 36,800 hectares (including the Initial Properties) and is obligated to Net Smelter Returns ("NSR") royalty payments calculated on the basis of a production royalty from minerals produced at the Initial Properties of 2% on any surface production and 1% on any underground production.

In 2014, TBC and Turnbrook Mining Limited ("TBML") entered into a subscription agreement whereby TBC subscribed for common shares in the capital of TBML for consideration consisting of all of the common shares in the capital of the Company owned by TBC at that date. As at September 30, 2020, TBML owns a total of 14,373,614 or approximately 52.9% of the common shares of the Company (Note 7). TBC is the controlling shareholder of TBML, and TBC no longer has direct ownership of any of the Company's common shares.

Royalty Purchase Agreement

On December 3, 2019, the Company entered into a Royalty Purchase Agreement (the "RPA") and a Net Smelter Returns Royalty Agreement (the "RA") with RCF VI CAD LLC ("RCF"), a limited liability corporation in the State of Delaware. Pursuant to the Agreements, the Company will receive US$8 million as consideration for future payments calculated on the basis of a production royalty ("Royalty") from minerals produced from the SJ Concession that forms part of the Company's Vizcachitas Property. The purchase price is receivable as follows:

- US$500,000 ($658,475) on December 13, 2019;
- US$1,000,000 ($1,168,590) on January 7, 2020;
- US$1,625,000 ($2,303,991) on March 30, 2020;
- US$812,500 ($1,103,757) on June 30, 2020;
- US$812,500 ($1,089,791) on July 31, 2020;
- US$1,625,000 ($2,158,895) on September 30, 2020; and
- US$1,625,000 ($2,238,125) included in receivables at September 30, 2020 and was received subsequent to September 30, 2020.

The proceeds of $10,721,624 net of $80,024 in finder's fees and $277,387 in transaction expenses reimbursed to RCF have been accounted for as a recovery of costs incurred on the Vizcachitas Property (Note 7).

The Company will use the proceeds as described in the RPA budget, which includes the advancement of the pre-feasibility study and the baseline for the environmental approval package of the Vizcachitas Property. No material change can be made to the use of proceeds without the prior written consent of RCF.

As long as RCF (or its associates or affiliates) holds all or any part of the Royalty, or holds, directly or indirectly (including through TBML), common shares or securities convertible into common shares representing not less than 10% of the Company's issued and outstanding common shares (on a partially diluted basis), RCF has a right of first offer to provide future royalty or stream financing in relation to new claims that may subsequently form part of the Vizcachitas Property or in respect of claims currently forming part of the Vizcachitas Property where the Company or any of its affiliates has bought back all or part of a currently existing royalty, subject to the terms as described.

Pursuant to the RA, the Company will make payments to RCF on the basis of an NSR of 0.49% for underground production and 0.98% for open pit production on the SJ Concession. Following this transaction, the overall NSR level of the Initial Properties, including the SJ Concession, covering the mineral resources of the Vizcachitas Property is 2% for open pit mining methods and 1% for underground mining methods.

The obligations of the Company under the RA are guaranteed by the Company's subsidiary Sociedad Legal Minera San Jose Uno De Lo Vicuna, El Tartaro Y Piguchen De Putanendo (the "Guarantor"), with the guarantee being secured by a mortgage and charge over and against mining rights and mineral properties (as defined) and any related proceeds, governed by the laws of Chile and granted by the Guarantor in favour of RCF, subject to existing obligations of the Company and the Guarantor.

Existing Royalty Purchase Agreement

On May 15, 2020, the Company entered into a Contract of Promise of Sale (the "Existing Royalty Purchase Agreement" or "ERPA") with a group of individuals in Chile to purchase the existing royalty applied to the sale of all locatable minerals produced from certain concessions that form part of the Initial Properties for a purchase price ranging from US$6,800,000 to US$7,600,000. The purchase price is payable as follows:

- US$1,000,000 ($1,363,360) paid on May 15, 2020; and at the option of the Company:
  - US$5,800,000 by May 15, 2021 for a purchase price of US$6,800,000; or
  - US$2,500,000 by May 15, 2021 and US$3,600,000 by May 15, 2022 for a total purchase price of US$7,100,000; or
  - US$2,500,000 by May 15, 2021, US$2,300,000 by May 15, 2022 and US$1,800,000 by November 15, 2022 for a total purchase price of US$7,600,000.
  -

Second Royalty Purchase Agreement

On June 25, 2020, the Company entered into a Royalty Purchase Agreement ("RPA 2") with RCF and Vizcachitas Limited ("VL") and VL entered into a Net Smelter Returns Royalty Agreement ("RA 2") with RCF. Pursuant to RPA 2, the Company will receive US$9,000,000 as consideration for future payments calculated on the basis of a royalty of 2.00% NSR for open pit operations and a 1.00% NSR for underground operations from minerals produced from certain concessions that form part of the Initial Properties ("Royalty 2"). The Company can receive up to an additional US$5 million in the event that RCF sells Royalty 2 prior to commencement of commercial production of the Vizcachitas Property. The purchase price is receivable as follows:

- US$1,000,000 ($1,363,360) received on June 25, 2020;
- US$4,000,000 on or before the 15th business day prior to the first anniversary of the ERPA; and
- US$4,000,000 on or before the 15th business day prior to the second anniversary of the ERPA.

The Company will direct RCF to pay US$2.5 million and US$3.6 million of the second and third purchase price

payments, respectively, into trust for payment to the specified payees on the second and third anniversary dates of the ERPA.

In the event that RCF sells Royalty 2 (other than by a sale or transfer to an affiliate of RCF) prior to RCF making the second and/or third purchase price payments, the due dates for the payments will be accelerated to the closing date of the RCF sale. The ERPA also stipulates that the due dates for any outstanding payments will be accelerated so that they are also due 15 business days after the closing date of the RCF sale.

In the event of an RCF sale prior to the commencement of commercial production of the Vizcachitas Project by VL or an affiliate, RCF will pay a contingent royalty purchase price as follows:

- if the resale price is equal to or less than US$9 million – US$Nil; or
- if the resale price is greater than US$9 million – the resale price less US$9 million plus a 10% annual return on each purchase price payment, accruing from the date of payment.

Provided that the amount paid will not exceed US$5 million and no amount is payable if the RCF resale follows the commencement of commercial production.

The Company will use the resale proceeds to make the payments required to complete the purchase of the royalty pursuant to the ERPA. Any excess proceeds from the US$9 million purchase price will go towards the development of the mineral properties (as defined) in consultation with RCF. No material change can be made to the use of proceeds without the prior written consent of RCF.

The Company will cancel the royalty in the ERPA within 60 days following the date the royalty is fully or partially purchased pursuant to the ERPA, and Royalty 2 will be the only existing royalty over the mineral properties.

The right of first offer to provide future royalty or stream financing as described in the RPA above applies to RPA 2.

Pursuant to RA 2, VL will make payments to RCF on the basis of an NSR of 1% from the sale or other disposition of all locatable minerals produced from the properties by underground production and 2% from surface production. VL is not required to pay the royalty until such time as the amount otherwise payable under the royalty exceeds the positive difference, if any, between US$5 million and any contingent royalty price paid by RCF.

If the mining operations of the Company and its affiliates commence in, or predominantly shift to, a different area of the project than that identified in the June 13, 2019 Preliminary Economic Assessment of the Vizcachitas Project, RFC has the option to:

- sell Royalty 2 to VL for an amount equal to four times the US$9 million purchase price less the aggregate amount of royalty payments received by RCF as of the date of the change of production focus; or
- if RCF has not yet received US$36 million, swap Royalty 2 for a new royalty consistent with the terms of RPA 2 over the newly proposed development areas at a valuation equal to the valuation of Royalty 2 (having regard to royalty payments made to such date).

The obligations of VL under RA 2 are guaranteed by the Company and CMVH (the “Guarantors”), with the guarantee being secured by a mortgage and charge over and against mining rights and mineral properties (as defined) and any related proceeds, governed by the laws of Chile and granted by CMVH in favour of RCF, subject to existing obligations of the Company and the Guarantor.

7. UNPROVEN MINERAL RIGHT INTERESTS / HYDRO-ELECTRIC PROJECT WATER RIGHTS

The Company has the right to certain exploration concessions and exploitation concessions located in Region V, Chile. Title to mining right interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining right interests. The Company has investigated title to all of its mineral right interests, and to the best of its knowledge, all of its mineral right interests are in good standing.

	Total costs to September 30, 2018 $	Costs incurred in year ended September 30, 2019 $	Total costs to September 30, 2019 $	Costs incurred (recovered) in year ended September 30, 2020 $	Total Costs to September 30, 2020 $
VIZCACHITAS					
Acquisition costs	54,562,243	-	54,562,243	-	54,562,243
Water rights	5,945,768	-	5,945,768	-	5,945,768
VAT tax credits	2,352,063	126,885	2,478,948	110,459	2,589,407
Deferred exploration					
Automobile and travel	456,473	96,789	553,262	71,735	624,997
Assaying	628,226	56,661	684,887	21,600	706,487
Camp rehabilitation, maintenance and security	2,161,353	431,322	2,592,675	466,228	3,058,903
Core handling and storage	32,914	-	32,914	-	32,914
Drilling	5,355,087	19,911	5,374,998	-	5,374,998
Equipment and equipment rental	631,794	7,812	639,606	2,564	642,170
Exploration administration	3,358,046	1,274,400	4,632,446	1,652,511	6,284,957
Food and accommodation	366,087	14,867	380,954	3,084	384,038
Geological consulting (Note 9)	1,822,070	393,454	2,215,524	161,803	2,377,327
Other	85,663	13,419	99,082	79,453	178,535
Property & surface rights, taxes & tenure fees	1,465,143	206,483	1,671,626	191,477	1,863,103
Road repairs	34,105	13,451	47,556	-	47,556
Studies and other consulting	2,550,361	617,923	3,168,284	1,428,952	4,597,236
Subcontractors	1,269,366	-	1,269,366	-	1,269,366
Supplies	664,422	88,582	753,004	93,338	846,342
Sustainable development	29,501	-	29,501	-	29,501
Total deferred exploration	**20,910,611**	**3,235,074**	**24,145,685**	**4,172,745**	**28,318,430**
RPA – SJ Concession (Note 6)	-	-	-	(10,364,213)	(10,364,213)
Exchange rate differences	(1,566,324)	(2,433,914)	(4,000,238)	(2,246,672)	(6,246,910)
	82,204,361	**928,045**	**83,132,406**	**(8,327,681)**	**74,804,725**

Included within unproven mineral right interests are:

a) Water rights to a permanent, continuous and consumptive use of 500 liters per second (“lps”) (2019: 500 lps) flow from the Aconcagua River, located near the Vizcachitas Property, and

b) VAT tax credits available in Chile, originating from deferred exploration expenses.

c) The Rocin River Hydroelectric Project

In 2014, the Company acquired from TBML non-consumptive water rights over a section of the Rocin River, Putaendo, Fifth Region, Chile, together with the engineering and other studies and reports for the development of a hydroelectric facility (the “Hydroelectric Facility”). Consideration for the acquisition consisted of 3,750,000, Los Andes shares, valued at a share price of $2.20, for total consideration of $8,250,000.

The Rocin River water rights and associated studies are indirectly held by the Company’s subsidiary Rocin SPA (“Rocin”). In 2014, Rocin entered into an agreement (the “Agreement”) with Icafal Inversiones S.A. (“Icafal”) for the development and financing of the Hydroelectric Facility with an expected installed capacity of 28 to 30 MW on the Rocin River. Rocin in turn incorporated a subsidiary (the “Rocin Subsidiary”) to own, develop, build and operate the Hydroelectric Facility. At Septmeber 30, 2020, the Company held 100% of the issued and outstanding shares of the Rocin Subsidiary.

In 2017, Rocin and Icafal terminated the Agreement, and all studies and work performed by Icafal or by third parties retained by Icafal to the termination date were transferred to Rocin. These studies and work were transferred at no cost to Rocin, except for a reimbursement of $39,744, which represented approximately 19.8% of the work performed towards the environmental study as of the termination date. The termination of the Agreement provides that if any of the studies prepared by third parties are used by Rocin in the development of the Hydroelectric Facility, then Rocin shall reimburse Icafal the cost paid by Icafal to the third party of such study once the Hydroelectric Facility is in operation. The determination of whether a study should be reimbursed shall be made by Rocin at its sole discretion.

8. EQUITY

a) Authorized

Unlimited number of common shares without par value

Effective August 26, 2020, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the consolidation. As at September 30, 2020, the Company had 27,165,843 common shares issued and outstanding.

b) Financings

There were no share transactions during the years ended September 30, 2020 and 2019.

c) Equity Reserve

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based compensation and share purchase warrants issued on acquisitions of unproven mineral rights.

d) Share purchase options

The balance of share purchase options outstanding and exercisable as at September 30, 2020 and 2019 and the changes for the years then ended is as follows:

	Number of Options #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, September 30, 2018	**142,500**	**5.00**	**2.88**
Granted	72,500	5.00	-
Balance, September 30, 2019	**215,000**	**5.00**	**2.82**
Granted	37,000	5.00	4.99
Expired	(92,500)	5.00	
Balance, September 30, 2020	**159,500**	**5.00**	**3.69**
Unvested	(44,000)	5.00	3.94
Vested and exercisable*	**115,500**	**5.00**	**3.60**

The share purchase options have been restated to reflect the 10:1 share consolidation.

37,000 options were granted in the year ended September 30, 2020 and 72,500 options were granted in the year ended September 30, 2019.

The Company recorded share-based compensation expense of $125,920 during the year ended September 30, 2020 (2019 - $59,503) related to the vesting of previously granted options and the granting of 37,000 options during the year. The Company fair valued the options granted during the years ended September 30, 2020 and 2019 using the Black-Scholes option pricing model based on the following assumptions:

	2020	2019
Risk-free rate	0.31%	1.36%
Expected life of options (years)	5	5
Annualized Volatility	86.35%	69.57%
Dividend rate	Nil	Nil
Forfeiture rate	Nil	Nil

e) Warrants

As at September 30, 2020 the Company has 1,340,000 (2019 – 1,340,000) warrants outstanding and exercisable. The warrants have a weighted average exercise price of $5.00. The warrants outstanding at September 30, 2020 are as follows:

Warrants #	Exercise Price $	Expiry Date
393,500	5.00	May 7, 2023
946,500	5.00	June 7, 2023
1,340,000	**5.00**	

The Company's warrants outstanding have been restated to reflect the 10:1 share consolidation.

9. RELATED PARTY TRANSACTIONS

The Company's related parties consist of companies controlled by a Company director, the Company's President and Chief Executive Officer ("CEO"), the Company's former and current Chief Financial Officer ("CFO").

	Nature of Transaction
Sociedad Cartografica Limitada	Geological Consulting
Mineral Consulting Services Ltd.	Consulting
Kasheema International Ltd.	Management
Delphis Financial Strategies Inc.	Management
Malaspina Consultants Inc.	Accounting

The Company incurred the following fees during the year in the normal course of operations with companies controlled by key management, including the Company's Chief Executive Officer, Chief Financial Officer, and/or directors. Transactions have been measured at the exchange amount, which is the consideration determined and agreed to by the related parties.

	Years ended September 30	
	2020	**2019**
	$	**$**
Consulting, salaries, management and director's fees	443,156	426,418
Geological fees	242,099	238,902
Professional fees (accounting)	28,400	-
	713,655	665,320

Included in trade and other payables as at September 30, 2020 is $32,728 (2019 - $85,917) owing to related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

Key management compensation during the years ended September 30, 2020 and 2019 is as follows:

	Years ended September 30	
	2020	**2019**
	$	**$**
Consulting, salaries, management, geological and accounting fees	691,072	644,903
Share-based compensation	60,581	41,126
	751,653	686,029

10. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS

Financial risk management

The Company's activities expose it to a variety of financial risks, which include liquidity risk, interest rate risk, currency risk and credit risk.

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by raising additional capital as required from time to time.

The Company's financial liabilities fall due as indicated in the following table:

At September 30, 2020	Total	Less than 1 year	Between 1 and 2 years
	$	$	$
Trade payables and other liabilities	856,642	856,642	-
Lease liability	224,684	99,040	125,644

At September 30, 2019	Total	Less than 1 year	Between 1 and 2 years
	$	$	$
Trade payables and other liabilities	842,382	842,382	-

b) Currency risk

The Company faces foreign exchange risk exposures arising from transactions denominated in foreign currencies.

The Company's main foreign exchange risks arise with respect to the Chilean peso ("CLP") and to a lesser degree, the U.S. dollar. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary and maintains limited balances in foreign currencies to avoid continuous fluctuation. Based on the balances as at September 30, 2020, a 1% increase (decrease) in the Canadian dollar/CLP or Canadian/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately $163,000 in the Company's net loss and an increase or decrease of approximately $343,000 in other comprehensive loss.

c) Interest Rate Risk

Included in the results of operations of the Company are interest income on U.S. dollar, and Canadian dollar cash and cash equivalents. The Company receives interest on cash based on market interest rates. As at September 30, 2020, with other variables unchanged, a 1% change in Prime rates would have had no material impact on the Company's net loss and no effect on other comprehensive loss. The interest rates on the Company's premises leases are fixed during the term of the lease.

d) Credit Risk

Financial instruments that potentially subject the Company to credit risk consists of cash and cash equivalents. Cash is maintained with financial institutions in Canada and Chile and is redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Capital Risk Management

The Company's capital structure is comprised of working capital (current assets minus current liabilities) and equity. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations. The Company's management is responsible for capital management and to determine the future capital management requirements.

Capital management is undertaken to ensure a secure, cost-effective supply of funds and that the Company's corporate and project requirements are met.

Financial Instruments by Category

The Company's financial instruments consist of cash and cash equivalents, receivables, excluding GST, trade and other payables and lease liability. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The fair value of cash and cash equivalents, receivables and trade and other payables approximate their carrying values due to the short-term maturities of these financial instruments.

The Company is required to make disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

a. Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
b. Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly; and
c. Level 3 – Inputs that are not based on observable market data.

The Company has made the following classifications for its financial instruments:

	2020	2019
	$	$
Assets at amortized cost		
Cash	3,992,856	1,390,162
Receivables, excluding GST	2,238,125	-
	6,230,981	**1,390,162**
Liabilities at amortized cost		
Trade payables and other liabilities	856,642	842,382
Lease liability (total)	224,684	-
	1,081,326	**842,382**

11. SEGMENTED INFORMATION

At September 30, 2020 the Company has three reportable segments: mineral exploration, hydroelectric project and corporate, and has operations in two geographical areas, Canada and Chile.

Operating Segments

	Years ended September 30	
	2020	**2019**
	$	**$**
Net income (loss)		
Mineral exploration	(48,242)	(207,442)
Hydroelectric project	(8,843)	(94,892)
Corporate	(1,829,979)	(473,653)
	(1,887,064)	**(775,987)**

	September 30, 2020	September 30, 2019
	$	**$**
Assets		
Mineral exploration	77,457,405	83,493,740
Hydroelectric project	8,250,000	8,250,000
Corporate	3,990,688	1,149,808
	89,698,093	**92,893,548**

Geographic Segments

	Years ended September 30	
	2020	**2019**
	$	$
Net income (loss)		
Canada	(1,686,942)	(561,080)
Chile	(200,122)	(214,907)
	(1,887,064)	**(775,987)**

	September 30, 2020	September 30, 2019
	$	$
Assets		
Canada	6,260,627	1,149,808
Chile	83,437,466	91,743,740
	89,698,093	**92,893,548**

12. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

At September 30, 2020:

- Net exploration costs included in trade payables and other liabilities were $447,723 (2019: $441,702);
- Receivables of $2,238,125 (2019: $Nil) were included in unproven mineral right interests; and
- Exchange rate differences of $2,246,672 (2019: $2,443,914) were included in unproven mineral right interests.

Also see Note 14.

	Years ended September 30	
	2020	**2019**
	$	$
Cash received for interest	-	35,829

13. INCOME TAXES

a) Income tax expense reported differs from the amount computed by applying the tax rates applicable to the Company to the loss before the tax provision due to the following:

	September 30, 2020	**September 30, 2019**
	$	**$**
Loss for the year before income taxes	(1,382,714)	(626,378)
Statutory tax rate	27.00%	26.97%
Expected income tax recovery	(373,333)	(168,912)
Changes attributable to:		
Net adjustment for depreciation and non-deductible amounts	2,650,446	(18,381)
Unrecognized benefit of non-capital losses	50,146	187,293
Non-capital losses utilized	(2,327,259)	-
Adjustment of deferred income tax liability to actual	(504,350)	(149,609)
Total income tax expense	(504,350)	(149,609)

b) The components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	2020	**2019**
	$	**$**
Deferred tax liabilities: mineral properties & equipment	(9,364,206)	(8,800,783)
Deferred tax assets: non-capital losses net of valuation allowance	139,590	80,517
Net deferred tax liabilities	(9,224,616)	(8,720,266)

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	2020	**2019**
	$	**$**
Non-capital losses	384,000	9,553,000
Mineral properties	257,326	998,913
Capital losses	2,411,861	2,411,861
Unrecognized deductible temporary differences	3,053,187	12,963,774

At September 30, 2020, the Company had non-capital operating losses of approximately $384,000 (2019: $9,252,000) and had resource related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada. The operating losses expire in 2039.

The Company also has Chilean estimated net operating loss carry-forwards for tax purposes of approximately $517,000 (2019: $301,000). These losses carry-forward indefinitely.

14. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

As at October 1, 2019, the Company was the lessee to three premises leases. The incremental rate of borrowing for these leases was estimated by management to be 12% per annum.

The reconciliation of the lease liability as at October 1, 2019 is as follows:

	Premises
	$
Future aggregate minimum lease payments	272,416
Adjustments	69,710
	342,126
Effect of discounting at the incremental rate of borrowing	(88,562)
Lease liability as at October 1, 2019	253,564

The impact of the adoption of IFRS 16 on the Company's financial statements for the year ended September 30, 2020 is as follows:

Right-of-use assets

As at September 30, 2020, the right-of-use assets recorded for the Company's premises were as follows:

	Premises
	$
As at September 30, 2019	**-**
IFRS 16 adoption	253,564
Prepaid lease payments	-
Depreciation	(108,832)
Foreign exchange	54,660
As at September 30, 2020	**199,392**

Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	2020 **$**
Undiscounted minimum lease payments:	
Less than one year	133,959
Two to three years	111,828
	245,787
Effect of discounting	(21,103)
Present value of minimum lease payments	224,684
Less current portion	(99,040)
Long-term portion	125,644

Lease liability continuity

The net change in the lease liability is as follows:

	Premises **$**
As at September 30, 2019	**-**
IFRS 16 adoption	253,564
Cash flows:	-
Principal payments	(99,040)
Non-cash changes:	-
Foreign exchange	70,160
As at September 30, 2020	**224,684**

During the year ended September 30, 2020, interest of $34,205 (2019 – $Nil) was paid.

15. SUBSEQUENT EVENT

Subsequent to September 30, 2020, the Company received the final payment of US$1,625,000 ($2,066,545) related to the RPA (see Note 6).