Keon Capital Inc. (Previously - Prospero Silver Corp.)

Consolidated Financial Statements

Year ended December 31, 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Keon Capital Inc. (previously Prospero Silver Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Keon Capital Inc. (previously Prospero Silver Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency), 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, these consolidated financial statements present fairly, in all material respects, the financial position of 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 ("IFRS").

Basis for Opinion

We conducted our audits 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company is not able to finance day to day activities through current operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on 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 obtained at the date of this auditor's report includes 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 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.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. 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.

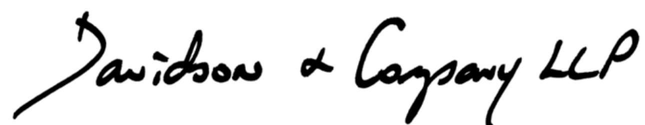
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Peter Maloff.



Vancouver, Canada

Chartered Professional Accountants

April 28, 2021

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		$ 10,318	$ 67,592
Marketable securities	3	-	25,977
Receivables	4	4,973	17,486
TOTAL ASSETS		$ 15,291	$ 111,055
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	$ 248,842	$ 30,822
Loan payable	8	10,059	-
TOTAL LIABILITIES		258,901	30,822
EQUITY (DEFICIENCY)			
Share capital	10	12,969,430	12,969,430
Share-based payment reserve	11	2,358,806	2,358,806
Deficit		(15,571,846)	(15,248,003)
TOTAL EQUITY (DEFICIENCY)		(243,610)	80,233
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		$ 15,291	$ 111,055

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

On behalf of the board:

[signed]:"William Murray",
Director

[signed]:"Murray Oliver"
Director

Keon Capital Inc. (Previously - Prospero Silver Corp.)
Consolidated Statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Note	Years ended December 31, 2020	December 31, 2019
Expenses			
Communications		$ 8,696	$ 14,106
Consulting fees	12	68,790	-
Corporate fees	12	60,500	-
Directors' fees	12	516	60,000
Filing fees		20,498	14,239
Foreign exchange loss		2,726	995
Investor relations	12	-	44,500
Office and miscellaneous		3,977	31,347
Professional fees		145,955	50,832
Salaries and wages		-	66,231
Share based compensation	10, 12	-	21,754
Travel		2,629	60,876
		(314,287)	(364,880)
Other items			
Loss on sale of subsidiary	1	-	(3,719,158)
(Loss)Gain on sale of Marketable Securities	3	(9,497)	921
Unrealized gain on marketable securities	3	-	2,612
Interest expense	12	(59)	-
Loss and comprehensive loss for the year		$ (323,843)	$ (4,080,505)
Loss per share – basic and diluted	10	$ (0.17)	$ (2.13)
Weighted average number of common shares outstanding – basic and diluted	10	1,915,728	1,915,728

Keon Capital Inc. (Previously - Prospero Silver Corp.)
Consolidated Statement of changes in equity (deficiency)
(Expressed in Canadian dollars)

		Share capital				
	Note	Number of shares	Amount	Share-based payment reserve	Deficit	Total
Balance at December 31, 2018		1,915,728	$12,969,430	$2,327,481	$(11,167,498)	$ 4,129,413
Comprehensive loss for the year		-	-	-	(4,080,505)	(4,080,505)
Share based compensation	10	-	-	31,325	-	31,325
Balance at December 31, 2019		1,915,728	12,969,430	2,358,806	(15,248,003)	80,233
Comprehensive loss for the year		-	-	-	(323,843)	(323,843)
Balance at December 31, 2020		1,915,728	$12,969,430	$2,358,806	$(15,571,846)	$ (243,610)

On July 07, 2020 the Company consolidated its share capital on a ten to one basis, and on February 11, 2020 the Company consolidated its share capital on a three to one basis. All share and per share information in these consolidated financial statements have been restated to retroactively reflect these consolidations for all periods presented.

	Years ended	
	December 31, 2020	December 31, 2019
Operating activities		
Loss for the year	$ (323,843)	$ (4,080,505)
Adjustments for:		
Loss on sale of subsidiary	-	3,719,159
Loss (Gain) on sale of marketable securities	9,497	(921)
Unrealized gain on marketable securities	-	(2,612)
Interest expense	59	-
Share based compensation	-	21,754
Changes in non-cash working capital items:		
Receivables	12,513	30,842
Prepaid expenses	-	48,009
Trade payables and accrued liabilities	218,020	(42,420)
Net cash used in operating activities	(83,754)	(306,695)
Investing activities		
Proceeds from sale of subsidiary	-	6,539
Proceeds from sale of marketable securities	16,480	7,739
Option proceeds on exploration and evaluation asset	-	436,484
Expenditures on exploration and evaluation assets	-	(550,838)
Net cash used in investing activities	16,480	(100,076)
Financing activities		
Proceeds from loan	10,000	-
Net cash generated by financing activities	10,000	-
Decrease in cash	(57,274)	(406,771)
Cash, beginning of year	67,592	474,363
Cash, end of year	$ 10,318	$ 67,592

Non-cash Transactions (Note 15)

1. Nature and continuance of operations

Keon Capital Inc. (Previously - Prospero Silver Corp.) (the "Company") was incorporated on March 31, 2008, under the laws of the province of British Columbia, Canada. The Company's shares traded on the TSX-Venture Exchange Tier 2 until opening of Trading on January 26, 2021, when the Company's listing transferred to NEX Venture market. Consequently, the Company's Tier 2 trading changed to tier 1 and the trading symbol changed from PSL to PSL.H. The Company's principal activity is the acquisition and exploration of mineral properties. The principal address and records office of the Company is located at Suite 1800 – 510 West Georgia Street, Vancouver, British Columbia, V6B 0M3.

The Company's common shares trade on the NEX Venture Market ("NEX") under the symbol "PSL.H".

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally and a consequent economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's product and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

During the year ended December 31, 2019, the Company determined that it would no longer carry out further exploration work on its Mexican mineral properties as a result of Fortuna Silver Mines Inc. (Fortuna) terminating its exploration agreement (Note 6). On December 27, 2019, the Company sold its subsidiary Minera Fumarola S.A., de C.V. ("Fumarola") with net assets totaling $3,725,697 for cash consideration of $6,539 (USD$5,000), resulting in a loss on the sale of the subsidiary of $3,719,158.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2020 the Company is not able to finance day to day activities through current operations. The Company's continuation as a going concern is dependent upon successful results from its ability to raise sufficient equity financings or borrowings to fund ongoing operations and project development, and ultimately achieving profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue. Management intends to finance operating costs over the next twelve months with existing working capital, private placements of common shares and loans from directors. While management has been successful in obtaining sufficient funding for its operating, capital and exploration requirements from the inception of the Company to date, there is no assurance that additional funding will be available to the Company, when required, on terms which are acceptable to management.

2. Significant accounting policies and basis of preparation

These consolidated financial statements were authorized for issue on April 28, 2021 by the directors of the Company.

2. Significant accounting policies and basis of preparation (cont'd)

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and including interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the preparation of annual consolidated financial statements.

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation and un-consolidated

These financial statements of the Company are prepared on a consolidated basis and include the accounts of the Company and also include 100% of the operations of Minera Fumarola S.A., de C.V. ("Fumarola") until the date of sale, being December 27, 2019. As of December 27, 2019, Fumarola's financial statements are no longer consolidated as a result of the sale of the subsidiary.

The consolidated financial statements include the accounts of the Company and its controlled entity until December 27, 2019. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Significant judgements

The preparation of these consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty;
- the allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its previous subsidiary.

2. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation

These financial statements are presented in Canadian dollars, which is the Company's functional currency. The Company's subsidiary was domiciled in Mexico and, when required, utilizes a mix of currencies in local transactions. As the subsidiary did not generate its own cash inflows and exclusively financed by Canadian dollars, management determined that its functional currency was also the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is the same as the Company's presentation currency are translated as follows:

- Monetary assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of such foreign operations are recognized in profit or loss.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

2. Significant accounting policies and basis of preparation (cont'd)

Exploration and evaluation expenditures (cont'd)

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farm outs or joint ventures of projects

The Company does not record any expenditures made by a third party (the "farmee"), which has joint ventured or entered into an option on its project. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during

2. Significant accounting policies and basis of preparation (cont'd)

Loss per share (cont'd)

the period. When outstanding share issuance rights have an anti-dilutive effect, only basic income (loss) per share is reported.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Impairment of non-financial assets

The carrying amount of the Company's long-lived assets (which includes equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount is the greater of an asset's fair value, less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows, largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

Current income tax:
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities for the current period. The tax rates and tax laws used are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax is recognized in other comprehensive income or equity, not in profit or loss, when relating to items that are accounted for directly in other comprehensive income or equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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 enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset only, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other exploration and evaluation or mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding

Significant accounting policies and basis of preparation (cont'd)

Restoration and environmental obligations (cont'd)
entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The incurred costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Equipment
Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a significant replaced part is derecognized. All other repairs and maintenance are charged to net income or loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a declining balance method to write off the cost of the assets to their expected residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

Class of plant and equipment	Depreciation rate
Computer equipment	Declining balance - 40%
Office equipment	Declining balance - 10%
Geophysical equipment	Straight line – 15 years
Transport equipment	Declining balance - 25%

Geophysical and transport equipment depreciation and amortization are included in field administrative costs, which are recorded in either project investigation costs or deferred exploration expenditures as appropriate.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2. ***Significant accounting policies and basis of preparation*** (cont'd)

Accounting standards issued

There are no IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

3. Marketable securities

	December 31, 2020	December 31, 2019
Opening Balance	$ 25,977	$ 30,404
Sold	(25,977)	(7,039)
Unrealized gain on marketable securities	-	2,612
Closing balance	$ -	$ 25,977

During the year ended December 31, 2020, the Company sold its investment in Magellan Gold Corp. for gross proceeds of $16,480 and has recognized a realized loss of $9,497 in the statements of loss and comprehensive loss

4. Receivables

	December 31, 2020	December 31, 2019
Goods and services taxes receivables	$ 4,973	$ 10,947
Other receivables		
Short-term	-	6,539
	$ 4,973	$ 17,486

5. Equipment

	Computer equipment	Office equipment	Geophysical equipment	Transport equipment	Total
Cost:					
At December 31, 2018	$ 12,431	$ 8,801	$ 27,478	$ 30,707	$ 79,417
Disposal	(12,431)	(8,801)	(27,478)	(30,707)	(79,417)
At December 31, 2019 and 2020	-	-	-	-	-
Depreciation:					
At December 31, 2018	(10,796)	(5,141)	(21,091)	(27,704)	(64,732)
Charge for the year	(655)	(366)	(1,832)	(751)	(3,604)
Disposal	(11,451)	(5,507)	(22,923)	(28,455)	(68,336)
At December 31, 2019 and 2020	-	-	-	-	-
Net book value:					
At December 31, 2019 and 2020	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil

All the equipment belonged to the subsidiary, Minera Fumarola S.A. de CV which was sold with the subsidiary on December 27, 2019. (Note 1).

6. Exploration and evaluation assets

The Company sold its Mexican subsidiary and its exploration and evaluation assets on December 27, 2019. (Note 1)

	Acquisition Costs	Exploration Expenditures	Total 2020	Total 2019
Pachuca SE, Mexico [(a) below]				
Beginning of year	$ -	$ -	$ -	$ 674,523
Incurred during the year	-	-	-	1,311,502
Option payments received	-	-	-	(1,300,257)
	-	**-**	**-**	**685,768**
El Petate, Mexico [(b) below]				
Beginning of year	-	-	-	794,988
Incurred during the year	-	-	-	104,439
	-	**-**	**-**	**899,427**
Santa Maria del Oro, Mexico [(c) below]				
Beginning of year	-	-	-	$ 929,319
Incurred during the year	-	-	-	8,546
	-	**-**	**-**	**937,865**
Baborigame, Mexico [(d) below]				
Beginning of year	-	-	-	534,335
Incurred during the year	-	-	-	1,084
	-	**-**	**-**	**535,419**
Florida, Mexico [(e) below]				
Beginning of year	-	-	-	34,266
Incurred during the year	-	-	-	-
	-	**-**	**-**	**34,266**
Other, Mexico [(h) below]				
Beginning of year	-	-	-	197,284
Incurred during the year	-	-	-	2,215
	-	**-**	**-**	**199,499**
Disposed on sale of subsidiary	**$ -**	**$ -**	**$ -**	**$ $(3,292,24)**
Total	**$ -**	**$ -**	**$ -**	**$ $ -**

The following is a description of the Company's exploration and evaluation assets and the related spending commitments: All exploration and evaluation assets and the related spending commitments were sold with the subsidiary on December 27, 2019.

a. Pachuca SE Project.
During the year ended December 31, 2013, the Company acquired the Pachuca SE property by staking.

6. Exploration and evaluation assets (cont'd)

Fortuna – initial agreement

During the year ended December 31, 2017, the Company secured a $1.5 million investment from Fortuna Silver Mines Inc. ("Fortuna"). Fortuna purchased 178,571 units in the Company at $8.40 per unit. The Company was required to spend $1.2 million to drill three of the Company's existing six projects, and $300,000 was required to be spent on the Company's project generative efforts (spent).

2018 Revised work program and amended Strategic Cooperation Agreement with Fortuna.

The Company and Fortuna amended their May 8, 2017 strategic financing agreement including an agreement for the repricing and triggering the exercise of Fortuna's 178,571 share purchase warrants to provide additional funding for the 2018 drill program and fixing the deadline for Fortuna to exercise its project selection options.

The Company amended the Fortuna warrants to reduce the exercise price from $10.50 to $4.50 per share, on the condition that, within 3 business days of the exercise price reduction becoming effective, Fortuna would fully exercise the warrants (completed). The funds will be applied toward the initial phases of work under the 2018 drill program. To fund the remainder of the 2018 drill program, the Company agreed to undertake an additional private placement financing with Fortuna as the only subscriber, at a price per share equal to the current market price of $2.25 (completed).

On September 17, 2018 the Company completed the private placement with Fortuna and issued 158,222 common shares at a price of $2.25 per share for gross proceeds of $356,000. In connection with the financing, the Company paid $13,436 in share issuance costs. Due to its shareholding Fortuna became a related party.

On December 10, 2018 Fortuna exercised its right to be granted an option to acquire up to a 70-per-cent interest in the Pachuca Southeast project by spending a total of US$8 million in qualifying expenditures and completing a preliminary economic assessment, with a minimum spend of US$1-million in the first year. During the year ended December 31, 2019, $1,300,257 was recovered of which $436,484 was received in cash. On September 12, 2019 Fortuna terminated the property option agreement.

b. El Petate Property

During the year ended December 31, 2012, the Company acquired the El Petate property by staking.

c. Santa Maria del Oro Property

During the year ended December 31, 2011, the Company acquired the Santa Maria del Oro property by staking.

d. Baborigme Property

During the year ended December 31, 2010, the Company acquired the Baborigame property by staking.

e. Florida Property

During the year ended December 31, 2016, the Company acquired the Florida property by staking.

h. Other Properties

Ocampo and Other Properties

During the year ended December 31, 2010, the Company acquired the Ocampo and Quiporito properties by staking.

6. Exploration and evaluation assets (cont'd)

The following table represents exploration expenditures incurred during the year ending December 31, 2019:

	Pachuca SE	El Petate	Santa Maria del Oro	Baborigame	Other	Total
Drilling	$ 850,007	$ -	$ -	$ -	$ -	$ 850,007
Fees, taxes and duties	220,308	38,020	6,902	931	1,709	267,870
Geological consulting	-	41,558	-	-	-	41,558
Laboratory analysis and assays	18,233	-	-	-	-	18,233
Logistic support	109,645	3,984	-	-	-	113,629
Stock-based compensation	-	9,571	-	-	-	9,571
Field administration	113,309	11,306	1,644	153	506	126,918
	$1,311,502	$ 104,439	$ 8,546	$ 1,084	$ 2,215	$1,427,786

7. Trade payables and accrued liabilities

	December 31, 2020	December 31, 2019
Trade payables	$ 16,536	$ 9,960
Amounts due to related parties (Note 12)	121,806	4,862
Accrued liabilities	110,500	16,000
	$ 248,842	$ 30,822

8. Loan payable

During the year ended December 31, 2020, the Company obtained a loan of $10,000 (December 31, 2019 - $Nil) from a director to cover ongoing operational expenses. The loan is unsecured, bearing interest at 9% per annum and is due on demand. During the year ending December 31, 2020 the Company accrued interest of $59 (December 31, 2019 - $Nil).

Subsequent to December 31, 2020, the Company entered into an amending loan agreement extending the repayment date to the earlier date of the Company successfully completing an equity financing of $500,000 and 24 months at an interest rate of 10%.

9. Restoration and environmental obligations

The Company is not aware of any restoration and environmental obligations at December 31, 2020 and 2019.

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

On July 7, 2020 the Company consolidated its share capital on a ten to one basis, and on February 11, 2020 the Company consolidated its share capital on a three to one basis. All share and per share information in these consolidated financial statements have been restated to retroactively reflect these consolidations for all periods presented.

At December 31, 2020 there were 1,915,728 issued and fully paid common shares outstanding (December 31, 2019 – 1,915,728).

For the year ended December 31, 2020:

There were no shares issued during the year.

For the year ended December 31, 2019:

There were no shares issued during the year.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2020 was based on the loss attributable to common shareholders of $323,843 (2019 - $4,080,505) and the weighted average number of common shares outstanding of 1,915,728 (2019 – 1,915,728). Diluted loss per share did not include the effect of stock options and warrants, as the effect would be anti-dilutive.

Stock options

The Company has adopted an incentive stock option plan (the ”Plan”), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants, including investor relations advisors, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares at the time each option is granted. The Plan contains restrictions on the number of options, including share compensation arrangements, to which any one service provider is entitled. Such options will be exercisable for a maximum period of up to 10 years from the date of grant. Extended vesting schedules to options issued were adopted by the Company. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company.

10. Share capital (cont'd)

Stock options (cont'd)

The changes in options during the years ended December 31, 2020 and 2019 were as follows:

	December 31, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	145,167	$ 5.81	158,167	$ 5.70
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options cancelled	(36,500)	5.09	(13,000)	4.80
Options outstanding, end of year	108,667	$ 6.05	145,167	$ 5.81
Options exercisable, end of year	108,667	$ 6.05	145,167	$ 5.81

Details of options outstanding as at December 31, 2020 are as follows:

Exercise price	Remaining Life	Number of options outstanding	Expiry
$1.50	0.17 years	5,500	March 4, 2021
$9.00	0.72 years	13,334	September 19, 2021
$7.80	1.39 years	59,000	May 24, 2022
$2.25	2.68 years	30,833	September 6, 2023
		108,667	

The weighted average price of options outstanding was $6.05 and the weighted average life was 1.62 years.

During the year ending December 31, 2020, no options were granted

During the year ending December 31, 2019, no options were granted, and only the vesting of options issued in prior years totalling $31,325 was recorded of which $21,754 was expensed and $9,571 was capitalized to exploration and evaluation assets.

Share purchase warrants

The following is a summary of the Company's share purchase warrant activity during the years ending December 31, 2020 and 2019:

	Number of shares	Weighted average exercise price
Outstanding, December 31, 2018	691,726	$ 6.30
Expired	(326,233)	9.00
Outstanding, December 31, 2019	365,493	$ 4.03
Expired	(365,493)	4.03
Outstanding, December 31, 2020	-	$ -

11. Share-based payment reserve

The share-based payment reserve represents the fair value of stock options or warrants until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital. On unit private placements, the share-based payment reserve records the residual value of the fair value of the shares allocated to warrants issued.

12. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 7):

	December 31, 2020	December 31, 2019
Companies controlled by directors or officers of the Company	$ 120,000	$ -
Directors and officers of the Company	1,806	4,862
	$ 121,806	$ 4,862

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended December 31, 2020, the Company obtained a loan of $10,000 (December 31, 2019 - $Nil) from a director to cover ongoing operational expenses. The loan is unsecured, bearing interest at 9% per annum and is due on demand. During the year ending December 31, 2020 the Company accrued interest of $59 (December 31, 2019 - $Nil). - Note 8.

Key management personnel compensation

	Year ended	
	December 31,2020	December 31,2019
Corporate fee – Incurred to a company controlled by a director	$ 40,000	$ -
Consulting fee paid to an officer of the Company	1,290	-
Accounting fee – Incurred to a company controlled by a director	40,000	-
Directors' fees incurred to directors and companies controlled by directors	516	60,000
Company officer and director – geological and administrative services – included in deferred exploration costs	-	82,747
Companies controlled by directors of the Company – geological and administrative services – included in deferred exploration costs	-	29,988
Companies controlled by an officer of the Company – included in investor relations costs	-	44,500
Interest paid to a director of the Company	59	-
Legal fee – Incurred to a company controlled by a director	40,000	-
Stock-based compensation	-	24,367
	$ 121,865	$ 241,602

Fortuna Silver Mines Inc.

Following the September 17, 2018 financing, Fortuna owned 515,365 common shares of the Company, representing 26.90% of the issued and outstanding common shares of the Company. Refer to Note 6.

12. Related party transactions (continued)

On December 10, 2018 Fortuna exercised its right to be granted an option to acquire up to a 70-per-cent interest in the Pachuca Southeast project by spending a total of US$8 million in qualifying expenditures and completing a preliminary economic assessment, with a minimum spend of US$1-million in the first year. During the period ending September 30, 2019, $1,300,257 was received. Refer to Note 6. On September 12, 2019 Fortuna Silver Mines Inc. has terminated the property option agreement.

13. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and risk is minimised by using major banks which have high credit quality as determined by rating agencies. The Company has secondary exposure to credit risk on its receivables. This risk is minimal as receivables consist primarily of refundable goods and services taxes.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company plans and budgets to maintain sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flow needs for operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is subject to capital market uncertainty. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2020:

	Within one year	Between one and five years	More than five years
Trade payables	$ 138,342	$ -	$ -
Loan payable	10,059	-	-

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2019:

	Within one year	Between one and five years	More than five years
Trade payables	$ 14,822	$ -	$ -

13. Financial risk and capital management (cont'd)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company did not hedge its exposure to fluctuations in foreign exchange rates.

All the company's financial assets and liabilities are denominated in Canadian Dollars and foreign exchange risk is minimal.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is periodically exposed to interest rate risk on its cash equivalents as these instruments are exposed to interest rate fluctuations on renewal. Management has assessed this risk as low.

Capital Management

The Company considers its cash, common shares, warrants and stock options as capital. The Company's policy is to maintain a strong capital base for investor and creditor confidence and to sustain future development of the business. Management considers the capital of the Company to consist of working capital and share capital.

There were no changes in the Company's approach to capital management during the year ended December 31, 2020 and 2019. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2020	December 31, 2019
Financial assets at amortized cost:		
Cash	$ 10,318	$ 67,592
Receivables	4,973	17,486
FVTPL:		
Marketable securities	-	25,977
	$ 15,291	$ 111,055

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2020	December 31, 2019
Financial liabilities at amortized cost:		
Trade payables	$ 138,342	$ 14,822
Loan payable	10,066	-

13. Financial risk and capital management (cont'd)

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company's marketable securities are classified as level 1.

14. Segmented information

Geographic segments

At December 31, 2020 and 2019 all the Company's assets were located in Canada.

15. Non-cash transactions

The Company incurred the following non-cash investing and financing transactions that are not reflected in the statement of cash flows:

	Years ended	
	December 31, 2020	December 31, 2019
Amortization of equipment capitalized	$ -	$ 3,604
Unrealized gain on marketable securities	$ -	$ 2,612
Share based compensation capitalized	$ -	$ 9,571
Exploration and evaluation costs paid by optionor	$ -	$ 863,733

16. Income Taxes

A reconciliation of the expected income tax recovery, based on Canadian federal and provincial tax rates, to the actual income tax recovery is as follows:

	December 31, 2020	December 31, 2019
Net loss for the year	$ (323,843)	$ (4,080,005)
Expected income tax recovery at the statutory tax rate	(87,000)	(1,102,000)
Change in statutory, foreign tax, foreign exchange rates and other	(28,000)	-
Impact of sale of subsidiary	-	2,245,000
Permanent differences	-	(170,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	21,000	(8,000)
Change in unrecognised deductible temporary	94,000	(965,000)
Total income tax expense (recovery)	$ -	$ -

16. Income Taxes (cont'd)

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

	December 31, 2020	December 31, 2019
Deferred tax assets (liabilities		
Marketable securities	-	(1,000)
Allowable capital losses	-	1,000
Non-capital losses	-	-
Net deferred tax liability	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry date range	2019	Expiry date range
Temporary differences				
Exploration and evaluation assets	$ 221,000	No expiry date	$ 221,000	No expiry date
Share issue costs	18,000	2040 to 2044	73,000	2039 to 2043
Allowable capital losses	4,371,000	No expiry date	4,362,000	No expiry date
Non-capital losses available for future periods	5,735,000	2026 to 2039	5,710,000	2026 to 2038
Canada	5,735,000	2026 to 2039	5,710,000	2026 to 2038

17. Subsequent events

Subsequent to December 31, 2020, the Company entered into an amending loan agreement extending the repayment date to the earlier date of the Company successfully completing an equity financing of $500,000 and 24 months at an interest rate of 10%.

The Company has entered into debt extension agreements covering $264,306 of otherwise presently due and payable liabilities of the Company, including a total of $165,306 owing to directors and officers of the Company. The debt extension agreements provide that amounts covered will be paid, without interest, within five business days of the date that is the earlier of:

i) the date on which the Company successfully completes cumulative common share equity financings, after the date hereof, of not less than $500,000; and
ii) 24 months from the date hereof.

In addition, the Company has secured agreements to: (a) terminate all existing employee, management and consulting service agreements, including an agreement with the Company's CEO,

17. Subsequent events (continued)

without any further payment or penalty, effective February 28, 2021; and (b) cancel all existing outstanding employee, director and consulting share purchase option agreements.

The Company has secured loan agreements in the aggregate amount of $50,000, including $27,500 from directors. The loans will be unsecured and bear interest calculated at 10% per annum. Repayment will be on the same terms as the debt extension agreements hereinbefore described. The loan agreements are subject to acceptance of the NEX Board of the TSX Venture Exchange.