



**ORESTONE MINING CORP.**  
*(An Exploration Stage Company)*

**Consolidated Financial Statements  
(Audited)**

**For the years ended  
January 31, 2021 and 2020**

Orestone Mining Corp.  
Suite 407 – 325 Howe Street  
Vancouver, British Columbia, Canada V6C 1Z7

Trading Symbol: ORS  
Telephone: 604-629-1929



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**Independent Auditor's Report**

**To the Shareholders of Orestone Mining Corp.**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Orestone Mining Corp., which comprise the consolidated statements of financial position as at January 31, 2021 and 2020 and the consolidated statements of comprehensive loss, changes in shareholders' 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 financial position of Orestone Mining Corp. as at January 31, 2021 and 2020 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 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 Orestone Mining Corp. 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.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that Company has not generated any significant revenues, and the continuing operations of the Company are dependent upon its ability to raise adequate financing to commence profitable operations in the future. These 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 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 Orestone Mining Corp.'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 Orestone Mining Corp. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Orestone Mining Corp.'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 Orestone Mining Corp.'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 Orestone Mining Corp.'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 Orestone Mining Corp. 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 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 Keith Macdonald.



**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada

May 31, 2021

**ORESTONE MINING CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT JANUARY 31**  
**(Expressed in Canadian dollars)**

	Note	2021	2020
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 69,719	\$ 159,419
Marketable securities	4	37	47
GST receivable		16,582	3,639
Due from related party	8	-	34,720
Prepaid expenses	8	12,720	23,537
		99,058	221,362
<b>Non-current</b>			
Exploration and evaluation assets	5	2,294,998	2,370,236
IVA receivable		45,690	-
Reclamation bonds	5	15,000	29,000
		2,355,688	2,399,236
		2,454,746	2,620,598
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		201,779	46,545
Due to related parties	8	44,129	13,020
		245,908	59,565
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	8,100,841	7,559,093
Reserves	6	2,903,628	2,423,238
Deficit		(8,795,631)	(7,421,298)
		2,208,838	2,561,033
		\$ 2,454,746	\$ 2,620,598

**Nature of Operations and Going Concern (Note 1)**  
**Events After the Reporting Period (Note 13)**

These consolidated financial statements are authorized for issue by the Board of Directors on May 31, 2021. They are signed on the Company's behalf by:

**“David Hottman”**

David Hottman, Director

**“Gary Nordin”**

Gary Nordin, Director

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

**ORESTONE MINING CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED JANUARY 31**  
**(Expressed in Canadian dollars)**

	Note	<u>2021</u>	<u>2020</u>
<b>Expenses</b>			
Filing fees		\$ 11,624	\$ 25,658
Investor relations		58,668	78,701
Marketing		10,243	30,975
Office, rent and miscellaneous	8	39,543	37,584
Project search		-	15,796
Professional fees	8	74,780	75,497
Salaries, benefits and consulting fees	8	253,195	199,711
Share-based payments	8	134,638	166,512
Travel	8	12,176	34,256
		<u>594,867</u>	<u>664,690</u>
<b>Other items</b>			
Impairment of exploration and evaluation assets	5	734,863	-
Foreign exchange loss		10,048	2,311
Gain on debt settlement		-	(23,231)
Interest income		(165)	(373)
Write off of amount due from related party	8	34,720	-
		<u>779,466</u>	<u>(21,293)</u>
Net loss before income taxes		<u>1,374,333</u>	<u>643,397</u>
Total comprehensive loss for the year		<u>\$ 1,374,333</u>	<u>\$ 643,397</u>
Basic and diluted loss per share		<u>\$ 0.04</u>	<u>\$ 0.03</u>
Weighted average number of common shares outstanding		<u>35,580,756</u>	<u>23,033,424</u>

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

**ORESTONE MINING CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars)

	Share capital			Reserves			Total share holders' equity	
	Number of shares	Amount	Shares subscribed	Warrants	Agent's Warrants	Share-based payments		Deficit
<b>Balance as at January 31, 2019</b>	12,546,108	\$ 6,317,718	\$ 35,000	\$ 874,909	\$ 98,399	\$ 697,891	\$ (6,777,901)	\$ 1,246,016
Shares issues:								
Private placement	14,623,841	1,200,316	(35,000)	616,994	-	-	-	1,782,310
Share insurance costs	-	(91,242)	-	-	-	-	-	(91,242)
Exercise of warrants	1,008,334	132,301	-	(31,467)	-	-	-	100,834
Share-based payments	-	-	-	-	-	166,512	-	166,512
Net loss and comprehensive loss	-	-	-	-	-	-	(643,397)	(643,397)
<b>Balance as at January 31, 2020</b>	<b>28,178,283</b>	<b>7,559,093</b>	-	<b>1,460,436</b>	<b>98,399</b>	<b>864,403</b>	<b>(7,421,298)</b>	<b>2,561,033</b>
Shares issues:								
Private placement	10,625,000	483,176	-	366,824	-	-	-	850,000
Share insurance costs	-	(29,182)	-	-	-	-	-	(29,182)
Exercise of warrants	444,546	87,754	-	(21,072)	-	-	-	66,682
Share-based payments	-	-	-	-	-	134,638	-	134,638
Net loss and comprehensive loss	-	-	-	-	-	-	(1,374,333)	(1,374,333)
<b>Balance as at January 31, 2021</b>	<b>39,247,829</b>	<b>\$ 8,100,841</b>	-	<b>\$ 1,806,188</b>	<b>\$ 98,399</b>	<b>\$ 999,041</b>	<b>\$ (8,795,631)</b>	<b>\$ 2,208,838</b>

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

**ORESTONE MINING CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	Note	2021	2020
<b>Cash provided by (used for):</b>			
<b>Operating activities</b>			
Net loss		\$ (1,374,333)	\$ (643,397)
Items not involving cash:			
Gain on debt settlement		-	(23,231)
Share-based payments		134,638	166,512
Loss (gain) on revaluation of marketable securities	4	10	(14)
Impairment of exploration and evaluation assets	5	734,863	-
Write-off of amount due from related party	8	34,720	-
Changes in non-cash working capital items:			
GST receivable		(12,943)	(2,559)
Due from related party		-	(34,720)
Prepaid expenses		10,817	(18,482)
Trade and other payables		(37,584)	(77,249)
Due to related parties		31,109	(176,060)
Cash (used in) operating activities		(478,703)	(809,200)
<b>Investing activities</b>			
Exploration and evaluation assets	5	(466,807)	(871,632)
IVA receivable		(45,690)	-
Reclamation bond	5	14,000	-
Cash (used in) investing activities		(498,497)	(871,632)
<b>Financing activities</b>			
Net proceeds from the private placement	6	820,818	1,691,068
Proceeds from exercise of warrants	6	66,682	100,834
Cash provided by financing activities		887,500	1,791,902
<b>Net increase (decrease) in cash</b>		(89,700)	111,070
<b>Cash - beginning of the year</b>		159,419	48,349
<b>Cash - end of the year</b>		\$ 69,719	\$ 159,419
<b>Supplemental disclosure with respect to cash flows:</b>			
Exploration and evaluation assets in trade and other payables		\$ 198,046	\$ 5,228

During the year ended January 31, 2020, the Company settled US\$43,163 (\$56,733) payable to a vendor for a cash payment of US\$25,489 resulting in a gain on debt settlement of \$23,231.

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



# ORESTONE MINING CORP.

Notes to the Consolidated Financial Statements  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian dollars)

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Orestone Mining Corp. (the “Company” or “Orestone”) was incorporated under the Business Corporations Act (British Columbia) on April 30, 2007 and its principal business activity is the acquisition and exploration of mineral properties. The address of the Company’s registered and head office is 19<sup>th</sup> Floor, 885 West Georgia Street, Vancouver, BC V6C 3H4. The Company’s shares are listed on the TSX Venture Exchange and trade under the symbol “ORS”.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. To date, the Company has not generated any significant revenues and is considered to be in the exploration stage. These uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

Management’s plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated financial statements of financial position. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue in existence.

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, potentially leading to an economic downturn. 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 ability to raise funds.

	January 31, 2021	January 31, 2020
Deficit	\$ (8,795,631)	\$ (7,421,298)
Working capital (deficiency)	\$ (146,850)	\$ 161,797

## 2. BASIS OF PRESENTATION

### (a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance and compliance with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

### (b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for marketable securities classified and measured at fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

## **ORESTONE MINING CORP.**

Notes to the Consolidated Financial Statements  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian dollars)

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### **2. BASIS OF PRESENTATION, (Continued)**

#### **(c) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the January 31, 2021 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2022)
- Amendments to IAS 16, Property, Plant and Equipment (effective January 1, 2022)

#### IAS 1, Presentation of Financial Statements

The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

#### IAS 16, Property, Plant and Equipment

The amendments clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment ("PPE") to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit entities from deducting amounts received from selling items produced from the cost of PPE while the asset is being prepared for its intended use. Instead, sales proceeds and the cost of producing these items will be recognized in profit or loss.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

Effective February 1, 2020, the Company adopted an amendment to IFRS 3 – Business Combinations, which clarifies the definition of a business and provides guidance in determining whether an acquisition is a business combination or a combination of a group of assets.

The adoption of the amendment to IFRS 3 had no impact on the Company's results and financial position.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Significant estimates and assumptions**

The preparation of 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 recoverability of the carrying value of exploration and evaluation assets.

#### **Significant judgments**

The preparation of 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 accounting policies 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 significant uncertainty;
- the assessment as to whether any impairment exists on the Company's exploration and evaluation assets; and
- the assessment as to whether any impairment exists on the IVA receivable.

## ORESTONE MINING CORP.

Notes to the Consolidated Financial Statements  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### Basis of consolidation

##### Subsidiaries

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Company's subsidiaries are:

	<u>% of ownership</u>	<u>Jurisdiction</u>	<u>Principal activity</u>
Intuitive Exploration Inc.	100%	Canada	Exploration company
Cerro Golpe De Rayo SpA (1)	100%	Chile	Exploration company

(1) On October 1, 2019, the Company acquired the 1,000 outstanding shares of Cerro Golpe De Rayo SpA ("Cerro") for the nominal amount of \$10 for the purpose of mining exploration and exploitation activities in northern Chile. See Note 5.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases.

##### Inter-company balances and transactions

Inter-company balances and transactions, including unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short-term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value. At January 31, 2021, the Company had \$69,719 in cash.

#### Foreign currency translation

##### Functional currency

The functional currency of the Company and its subsidiaries is measured using the currency of the primary economic environment in which those entities operate. The consolidated financial statements are presented in Canadian dollars, which are the presentation and the functional currency of the parent company and its subsidiaries.

##### Transactions and balances

Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates that prevailed at the period end exchange rate. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the period end exchange rate. Revenue and expenses are translated at average rates of exchange during the period. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

#### Exploration and evaluation assets

Exploration and evaluation assets 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.

## **ORESTONE MINING CORP.**

Notes to the Consolidated Financial Statements  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

#### **Exploration and evaluation assets, (Continued)**

Mining exploration tax credits from the Government of British Columbia ("BC METC") for certain exploration expenditures incurred in British Columbia are treated as a reduction of the exploration and development costs of the respective exploration property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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.

#### **Restoration and environmental obligations**

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.

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 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 mining assets with a corresponding 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 and 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 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

The Company currently has no known material rehabilitation and environmental costs. The Company however has reclamation bonds in place in the amount of \$15,000 in respect of the Captain property (Note 5).

#### **Impairment of non-financial assets**

The carrying amount of the Company's long-lived assets (which include exploration and evaluation assets) is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists.

## **ORESTONE MINING CORP.**

Notes to the Consolidated Financial Statements  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

#### **Impairment of non-financial assets, (Continued)**

An asset's 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 for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as a charge in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a recovery in the statement of comprehensive loss for the period.

#### **Share-based payments**

The Company grants share purchase options to directors, officers, employees and consultants to purchase common shares. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

#### **Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Basic and diluted losses per common share are calculated using the weighted-average number of common shares outstanding during the year.

#### **Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. On initial recognition, financial assets are classified and measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI").

The following financial assets are classified as measured at amortized cost - cash, due from related party, and reclamation bonds. The following financial asset is classified as fair value through profit or loss – marketable securities.

The following financial liabilities are classified as measured at amortized cost – trade and other payables and due to related parties.

The classification of financial assets is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset.

## **ORESTONE MINING CORP.**

Notes to the Consolidated Financial Statements  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

#### **Financial instruments, (Continued)**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statement of loss and comprehensive loss.

#### **Income taxes**

##### Current income tax:

Current income tax assets and liabilities for the current period 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, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. 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, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **Segment reporting**

The Company operates in two geographical segments, being Canada and Chile, and a single reporting segment, being the acquisition, exploration and development of mineral property interests.

## ORESTONE MINING CORP.

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### 3. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### Flow-through common shares

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or "premium," are recorded as a deferred charge. As expenditures are renounced, the charge is reversed. The net amount is recognized as flow-through share liability reversal.

### 4. MARKETABLE SECURITIES

				Fair Market
January 31, 2021	Shares	Cost		Value
Millrock Resources Inc.	333	\$ 75	\$	37

  

				Fair Market
January 31, 2020	Shares	Cost		Value
Millrock Resources Inc.	333	\$ 75	\$	47

### 5. EXPLORATION AND EVALUATION ASSETS

#### Captain Property

The Company owns a 100% interest in certain mineral claims comprising the Captain Property located near Fort St. James, British Columbia.

As at January 31, 2021, the Company had issued a \$15,000 (January 31, 2020 - \$29,000) reclamation bond to the Ministry of Energy, Mines and Petroleum Resources of British Columbia to guarantee reclamation of the environment on the Captain Property.

#### Resguardo Property

On August 16, 2018, the Company signed a unilateral purchase option agreement (the "Agreement") for a 100% interest in certain mining concessions in the Resguardo copper project in northern Chile. Following a review of the results from the reverse circulation drilling program in fiscal 2021, the low copper gold values encountered on the primary target did not justify further work and Orestone terminated the Agreement. This resulted in an impairment of \$734,863 as of January 31, 2021.

During the term of the Agreement, the Company made cash payments totalling US\$220,000 (\$288,934).

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**5. EXPLORATION AND EVALUATION ASSETS, (Continued)**

	<b>Captain Property</b>	<b>Resguardo Property</b>	<b>Total</b>
<b>Property acquisition costs</b>			
Balance, January 31, 2020	\$ 295,158	\$ 288,934	\$ 584,092
Staking claims	6,396	-	6,396
Balance, January 31, 2021	<u>301,554</u>	<u>288,934</u>	<u>590,488</u>
<b>Deferred exploration costs</b>			
Balance, January 31, 2020	1,955,507	126,401	2,081,908
Assays	5,308	15,584	20,892
Claim maintenance fee	-	26,397	26,397
Drilling	282,676	224,573	507,249
Field supplies and maps	11,339	6,368	17,707
Geological consulting	31,378	40,992	72,370
Legal	500	5,614	6,114
Other	2,500	-	2,500
Balance, January 31, 2021	<u>2,289,208</u>	<u>445,929</u>	<u>2,735,137</u>
<b>Mining exploration tax credit</b>			
Balance, January 31, 2020	(295,764)	-	(295,764)
Additions	-	-	-
Balance, January 31, 2021	<u>(295,764)</u>	<u>-</u>	<u>(295,764)</u>
Impairment	-	(734,863)	(734,863)
<b>Total</b>	<u>\$ 2,294,998</u>	<u>\$ -</u>	<u>\$ 2,294,998</u>



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**5. EXPLORATION AND EVALUATION ASSETS, (Continued)**

	<b>Captain Property</b>	<b>Resguardo Property</b>	<b>Total</b>
<b>Property acquisition costs</b>			
Balance, January 31, 2019	\$ 292,808	\$ 91,609	\$ 384,417
Staking claims	2,350	-	2,350
Property payments	-	197,325	197,325
Balance, January 31, 2020	295,158	288,934	584,092
<b>Deferred exploration costs</b>			
Balance, January 31, 2019	1,396,902	7,821	1,404,723
Assays	16,513	7,441	23,954
Camp, travel and meals	27,377	3,048	30,425
Claim maintenance fee	-	31,204	31,204
Drilling	481,860	-	481,860
Field supplies and maps	7,855	2,265	10,120
Geological consulting	25,000	15,918	40,918
Geophysical consulting	-	17,394	17,394
Surveying	-	17,242	17,242
Legal	-	24,068	24,068
Balance, January 31, 2020	1,955,507	126,401	2,081,908
<b>Mining exploration tax credit</b>			
Balance, January 31, 2019	(295,764)	-	(295,764)
Additions	-	-	-
Balance, January 31, 2020	(295,764)	-	(295,764)
<b>Total</b>	<b>\$ 1,954,901</b>	<b>\$ 415,335</b>	<b>\$ 2,370,236</b>

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### **6. SHARE CAPITAL**

#### **a. Authorized**

There are an unlimited number of common shares without par value.

#### **b. Share issuance**

##### **Fiscal 2021**

During the year ended January 31, 2021, the Company issued an aggregate of 444,546 common shares for gross proceeds of \$66,682 pursuant to the exercise of warrants.

On May 29, 2020, the Company completed a non-brokered private placement issuing 10,625,000 units ("Unit") at a price of \$0.08 per Unit for gross proceeds of \$850,000. Each Unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for one common share of the Company at a price of \$0.12 until May 29, 2022. If the closing trading price of the shares on the TSX Venture Exchange (or such other stock exchange on which the shares may be listed) is at or greater than \$0.25 per share for any 20 consecutive trading days at any time commencing after September 29, 2020, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and, in such case, the warrants will expire on the earlier of (a) the 10th trading day after the date on which such notice is given by the Company and (b) the original expiry date of the warrants. The warrants were ascribed a value of \$366,824 under the Black-Scholes valuation model with the residual being allocated to share capital. No finders' fees were paid in connection with the private placement. The Company incurred \$29,182 in share issue costs.

##### **Fiscal 2020**

During the year ended January 31, 2020, the Company issued an aggregate of 1,008,334 common shares for gross proceeds of \$100,834 pursuant to the exercise of warrants.

On August 20, 2019, the Company closed the first tranche of a non-brokered private placement by issuing 1,573,750 units ("Unit") at a price of \$0.16 per Unit for gross proceeds of \$251,800, and on August 23, 2019 closed the second and final tranche of \$416,000 by issuing 2,600,000 units at a price of \$0.16 per Unit. Each Unit consisted of one common share of the Company qualifying as a "flow-through" share pursuant to the Income Tax Act (Canada) ("Flow-Through Share") and one-half of one common share purchase warrant, with each whole warrant being exercisable to purchase one (non flow-through) common share of the Company at a price of \$0.22 until August 20, 2020 for the first tranche and until August 23, 2020 for the second tranche. The warrants were ascribed a value of \$121,647 under the Black-Scholes valuation model with the residual being allocated to share capital. Finders' fees amounting to \$26,040 were paid in connection with the private placement. The Company also incurred \$13,860 in share issue costs.

On April 29, 2019, the Company completed a non-brokered private placement issuing 10,450,091 units ("Units") at a price of \$0.11 per Unit for aggregate gross proceeds of \$1,149,510 (the "Offering"). Each Unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for one common share of the Company at a price of \$0.15 for two years from the date of issuance. The warrants were ascribed a value of \$495,347 under the Black-Scholes valuation model with the residual being allocated to share capital. Finders' fees amounting to \$25,846 were paid in connection with private placement. The Company also incurred \$25,496 in share issue costs.

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### 6. SHARE CAPITAL, (Continued)

#### c. Share purchase option compensation plan

The Company has adopted an incentive share option 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 Venture Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares.

The continuity of options is as follows:

Expiry date	Exercise price (\$)	January 31, 2019	Issued	Expired / cancelled	January 31, 2020	Issued	Expired / cancelled	January 31, 2021
November 22, 2022	0.15	385,000	-	-	385,000	-	-	385,000
April 28, 2023	0.15	400,000	-	-	400,000	-	-	400,000
June 4, 2023	0.15	100,000	-	(100,000)	-	-	-	-
October 4, 2023	0.15	250,000	-	(100,000)	150,000	-	-	150,000
June 3, 2024	0.15	-	1,015,000	-	1,015,000	-	-	1,015,000
August 29, 2024	0.20	-	300,000	-	300,000	-	(10,000)	290,000
June 8, 2025	0.12	-	-	-	-	1,150,000	-	1,150,000
Options outstanding		1,135,000	1,315,000	(200,000)	2,250,000	1,150,000	(10,000)	3,390,000
Options exercisable		1,135,000	1,315,000	(200,000)	2,250,000	862,500	(10,000)	3,102,500
Weighted average exercise price (\$)		\$ 0.15	\$ 0.16	\$ 0.15	\$ 0.16	\$ 0.12	\$ 0.20	\$ 0.14

At January 31, 2021, the weighted average remaining life of the outstanding and exercisable options is 3.37 years (January 31, 2020 – 3.87 years).

The assumptions used in the Black-Scholes Option Pricing Model to estimate the fair value of options were:

	2021	2020
Risk-free interest rate	1.32%	1.33% - 1.34%
Expected stock price volatility	168.90%	164.54% - 165.06%
Expected option life in years	5 years	5 years
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

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### 6. SHARE CAPITAL, (Continued)

#### d. Warrants

The continuity of warrants is as follows:

Expiry date	Exercise price (\$)	January 31, 2019	Issued	Exercised	Expired	January 31, 2020	Issued	Exercised	Expired	January 31, 2021								
June 14, 2019	0.15	500,000	-	-	(500,000)	-	-	-	-	-								
October 25, 2019	0.10	3,991,667	-	(1,008,334)	(2,983,333)	-	-	-	-	-								
August 20, 2020	0.22	-	786,875	-	-	786,875	-	-	(786,875)	-								
August 23, 2020	0.22	-	1,300,000	-	-	1,300,000	-	-	(1,300,000)	-								
April 28, 2021 <sup>(a)</sup>	0.15	-	10,450,091	-	-	10,450,091	-	(444,546)	-	10,005,545								
May 29, 2022	0.12	-	-	-	-	-	10,625,000	-	-	10,625,000								
Warrants outstanding		4,491,667	12,536,966	(1,008,334)	(3,483,333)	12,536,966	10,625,000	(444,546)	(2,086,875)	20,630,545								
Weighted average exercise price (\$)	\$	0.11	\$	0.16	\$	0.10	\$	0.11	\$	0.16	\$	0.12	\$	0.15	\$	0.22	\$	0.13

<sup>(a)</sup> Subsequently expired unexercised

At January 31, 2021, the weighted average remaining life of the outstanding warrants is 0.80 year (January 31, 2020 – 1.13 years).

The assumptions used in the Black-Scholes Option Pricing Model to estimate the fair value of warrants were:

	2021	2020
Risk-free interest rate	1.60%	1.68% - 1.81%
Expected stock price volatility	166.39%	155.22% - 156.04%
Expected option life in years	2 years	1 -2 years
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

#### e. Reserves

The reserves accounts record items recognized as share-based payments expense and other share-based payments. When stock options and warrants are exercised, the corresponding amount will be transferred to share capital. Amounts recorded for forfeited or expired unexercised options remain in the reserves account. Amounts recorded for cancelled or expired warrants remain in the reserves account.

### 7. LOSS PER SHARE

#### Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended January 31, 2021 was based on the loss attributable to common shareholders of \$1,374,333 (January 31, 2020 – \$643,397) and a weighted average number of common shares outstanding of 35,580,756 (January 31, 2020 – 23,033,424).

Diluted loss per share did not include the effect of 3,390,000 stock options (2020 – 2,250,000 stock options) and 20,630,545 warrants (2020 – 12,536,966) since they were anti-dilutive.

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**8. RELATED PARTY TRANSACTIONS**

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the year ended January 31, 2021:

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
David Hottman Chief Executive Officer, Director	\$ 67,200	\$Nil	\$Nil	\$Nil	\$ 23,648	\$ 90,848
Mark T. Brown Chief Financial	\$Nil	\$Nil	\$Nil	\$Nil	\$ 7,434	\$ 7,434
Bruce Winfield President, Director <sup>(a)</sup>	\$Nil	\$Nil	\$Nil	\$Nil	\$ 11,635	\$ 11,635
Gary D. Nordin Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 39,851	\$ 39,851
John Kanderka Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 19,477	\$ 19,477
James Anderson Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 6,525	\$ 6,525
Patrick Daniels Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 5,464	\$ 5,464

<sup>(a)</sup> Mark T. Brown and Bruce Winfield receive payments for their services through private companies they control. Please refer to the table on the next page.

For the year ended January 31, 2020:

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
David Hottman Chief Executive Officer, Director	\$67,200	\$Nil	\$Nil	\$Nil	\$ 7,794	\$ 74,994
Mark T. Brown Chief Financial	\$Nil	\$Nil	\$Nil	\$Nil	\$ 13,513	\$ 13,513
Bruce Winfield President, Director <sup>(a)</sup>	\$Nil	\$Nil	\$Nil	\$Nil	\$ 19,463	\$ 19,463
Gary D. Nordin Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 23,360	\$ 23,360
John Kanderka Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 9,731	\$ 9,731
Julia Aspillaga* Former Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 5,687	\$ 5,687
James Anderson Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 29,194	\$ 29,194
Patrick Daniels Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 5,687	\$ 5,687

<sup>(a)</sup> Mark T. Brown and Bruce Winfield receive payments for their services through private companies they control. Please refer to the table on the next page.

\* Julia Aspillaga resigned on October 29, 2019 (date of AGM where she did not stand for re-election)

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### 8. RELATED PARTY TRANSACTIONS, (Continued)

Related party transactions and balances:

Amounts in due to related parties:	Services for:	During the years ended		As at	
		January 31,		January 31,	
		2021	2020	2021	2020
David Hottman	Salaries and benefits	\$ 67,200	\$ 67,200	\$ 4,264	\$ -
Gary Nordin	Geological consulting	21,700	-	21,700	-
A private company controlled by a director of the Company	Rent	-	4,800	-	-
A private company with an officer in common with the Company	Accounting, management, financing and rent services	58,800	61,950	10,290	5,145
A private company controlled by President of the Company	Management services	90,000	60,000	7,875	7,875
<b>Total</b>		<b>\$ 237,700</b>	<b>\$ 193,950</b>	<b>\$ 44,129</b>	<b>\$ 13,020</b>

Amounts in prepaid expenses:	Services for:				
David Hottman	Funds advanced	\$ -	\$ 16,381	\$ 6,720	\$ 8,619
<b>Total</b>		<b>\$ -</b>	<b>\$ 16,381</b>	<b>\$ 6,720</b>	<b>\$ 8,619</b>

Amounts in due from related party	Services for:				
A private company with directors and officers in common <sup>(a)</sup>	Rent/Funds advanced	\$ -	\$ 1,200	\$ -	\$ 34,720
<b>Total</b>		<b>\$ -</b>	<b>\$ 1,200</b>	<b>\$ -</b>	<b>\$ 34,720</b>

<sup>(a)</sup> As management has determined that the collectability of this amount is doubtful, it was written off as of January 31, 2021.

Amounts owing to/from related parties are non-interest bearing, unsecured, and have no fixed terms of repayment. The changes during the period were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

### 9. FINANCIAL INSTRUMENTS

The fair value of the Company's cash, due from related party, trade and other payables and due to related parties approximate their carrying values.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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### 9. FINANCIAL INSTRUMENTS, (Continued)

Cash and marketable securities are measured using level 1 inputs. There were no transfers between levels 1, 2 and 3.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest risk and market risk.

#### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings, reclamation bonds and receivables (excluding GST). The Company manages credit risk by placing cash with major Canadian financial institutions. Management believes that credit risk related to these amounts is low.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash and cash equivalents, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

#### (c) Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk is minimal.

#### (d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: currency risk and price risk. The Company is not subject to currency risk as the functional currency is the Canadian dollar. The Company does not use any form of derivative or hedging instruments to reduce its foreign currency risk. The Company is not affected by price risk.

#### (e) Management of industry risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

#### (f) Currency risk

The Company's property interest in Chile makes it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign currencies. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has net monetary assets of \$53,846 denominated in US dollars.

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### 10. CAPITAL MANAGEMENT

The Company considers its capital structure to be shareholders' equity represented by assets over liabilities. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of exploration and evaluation assets.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

The Company is not subject to externally imposed capital restrictions.

### 11. INCOME TAXES

No provision has been made for current income taxes as the Company has no taxable income. A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	January 31, 2021	January 31, 2020
Net loss for the year	\$ (1,374,333)	\$ (643,397)
Statutory tax rate	27.00%	27.00%
Expected income tax recovery	(371,070)	(173,717)
Permanent differences, deductible and non-deductible amounts	226,951	25,694
Change in valuation allowance	144,119	148,023
Income tax recovery	\$ -	\$ -

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

	January 31, 2021	January 31, 2020
Exploration and evaluation assets	\$ 1,986,000	\$ 2,307,000
Loss carry-forwards	5,827,000	5,291,000
Equipment and other	44,000	48,000
Share issuance costs	85,000	86,000
Valuation allowance	(7,942,000)	(7,732,000)
Net deferred income tax assets	\$ -	\$ -



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### 11. INCOME TAXES, (Continued)

The Company has non-capital losses available for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses expire as follows:

	Loss carry-forwards
2028	\$ 82,258
2029	588,082
2030	565,162
2031	458,077
2032	550,304
2033	649,026
2034	547,818
2035	350,349
2036	304,988
2037	176,378
2038	178,595
2039	294,586
2040	551,333
2041	533,774
	<u>\$ 5,830,730</u>

The potential future tax benefit of these losses has not been recorded as a future tax asset due to the uncertainty regarding the utilization of these losses.

### 12. SEGMENTED FINANCIAL INFORMATION

The Company operates in one industry segment, being the acquisition, exploration and development of mineral property interests. Geographic information is as follows:

	January 31, 2021	January 31, 2020
Non-current assets		
Canada	\$ 2,309,998	\$ 1,983,901
Chile	45,690	415,335
	<u>\$ 2,355,688</u>	<u>\$ 2,399,236</u>

### 13. EVENTS AFTER THE REPORTING PERIOD

On March 2, 2021, the Company entered into a consulting agreement with a company to provide investor relations services for an initial term of six months at \$9,000 per month. In connection with the agreement, the Company granted 400,000 stock options to the consultant that can be exercised at \$0.12 per share until March 2, 2026. These options vest 25% immediately and 25% every quarter following the date of grant.

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### **13. EVENTS AFTER THE REPORTING PERIOD, (Continued)**

On March 23, 2021, the Company completed a non-brokered private placement of Units and Flow-Through common shares for \$1,854,470 (the "Offering"). In part "A" of the Offering the Company issued 10,228,556 units ("Unit") at a price of \$0.09 per Unit for gross proceeds of \$920,570. Each Unit consisted of one common share of the Company ("Common Share") and one common share purchase warrant ("Warrant"). Each Warrant is exercisable for one Common Share at a price of \$0.15 until March 23, 2022. In part "B" of the Offering the Company issued 7,183,847 common shares ("Flow-Through Shares") at a price of \$0.13 per Flow-Through Share for gross proceeds of \$933,900. The warrants were ascribed a value of \$368,228 under the Black-Scholes valuation model with the residual being allocated to share capital. Finders' fees amounting to \$61,846 were paid in connection with the private placement.

On April 1, 2021, the Company granted 1,615,000 stock options to directors, officers and consultants of the Company that can be exercised at \$0.12 per share until April 1, 2026. These options vest 25% immediately and 25% every quarter following the date of grant.

### **14. COMPARATIVE AMOUNTS**

Certain of the prior year's amounts have been reclassified to conform with the current year's presentation.