# Marimaca Copper Corp.

Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Unaudited, expressed in thousands of U.S. dollars, except where indicated)

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Marimaca Copper Corp.

**Condensed Interim Consolidated Statements of Financial Position**

As at March 31, 2021 and December 31, 2020

(Expressed in thousands of U.S. dollars, except where indicated)

| | | At March 31, 2021 | | At Dec 31, 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents (Note 3) | **$** | **44,614** | $ | 13,852 |
| Amounts receivable and prepaid expenses (Note 4) | | **1,294** | | 448 |
| | | **45,908** | | 14,300 |
| **Non-current assets** | | | | |
| Property, plant and equipment (Note 5) | | **11,198** | | 11,201 |
| Exploration and evaluation assets (Note 6) | | **46,291** | | 44,461 |
| **Total assets** | **$** | **103,397** | $ | 69,962 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities (Note 7) | **$** | **1,713** | $ | 2,201 |
| Current portion of other debt (Note 8) | | **3,000** | | 2,960 |
| | | **4,713** | | 5,161 |
| **Non-current liabilities** | | | | |
| Non-current portion of other debt (Note 8) | | **2,732** | | 2,657 |
| Restoration provision (Note 9) | | **4,970** | | 4,950 |
| **Total liabilities** | | **12,415** | | 12,768 |
| **Shareholders' equity (Note 10)** | | | | |
| Common shares | | **190,906** | | 161,891 |
| Contributed surplus | | **20,726** | | 12,818 |
| Accumulated other comprehensive income ("AOCI") | | **976** | | 719 |
| Deficit | | **(121,626)** | | (118,234) |
| **Total equity** | | **90,982** | | 57,194 |
| **Total liabilities and equity** | **$** | **103,397** | $ | 69,962 |

**Nature of Operations and Liquidity Risk** (Note 1)

**Commitments** (Note 15)

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

# Marimaca Copper Corp.

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

For the three months ended March 31, 2021 and 2020

(Expressed in thousands of U.S. dollars, except where indicated)

| | | For the three months ended | | |
|---|---|---|---|---|
| | | **March 31, 2021** | | March 31, 2020 |
| **Expenses** | | | | |
| Exploration expenditures (Note 11) | **$** | **1,300** | $ | 642 |
| Care and maintenance costs | | **503** | | 836 |
| Depreciation and amortization | | **3** | | 42 |
| Legal and filing fees | | **59** | | 77 |
| Other corporate costs | | **197** | | 140 |
| Salaries and management fees | | **253** | | 113 |
| Share-based compensation (Note 10(b)) | | **997** | | 54 |
| **Operating loss** | | **(3,312)** | | (1,904) |
| Finance expense | | **(116)** | | (842) |
| Foreign exchange gain | | **36** | | (363) |
| Other income (expense) | | **-** | | 131 |
| **Net Loss** | **$** | **(3,392)** | $ | (2,978) |
| **Items that may be reclassified subsequently to net income:** | | | | |
| Foreign currency translation adjustment | | **257** | | 7 |
| **Comprehensive Loss** | **$** | **(3,135)** | $ | (2,971) |
| | | | | |
| **Basic and diluted loss per share (Note 13)** | **$** | **(0.04)** | $ | (0.05) |
| **Weighted average shares outstanding (000's) basic** | | **77,876** | | 64,358 |
| **Weighted average shares outstanding (000's) diluted** | | **79,086** | | 64,504 |

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

# Marimaca Copper Corp.

**Condensed Interim Consolidated Statements of Shareholders' Equity**

For the three months ended March 31, 2021 and 2020

(Expressed in thousands of U.S. dollars, except where indicated)

| | Number of shares #000's | | Amount | | Contributed Surplus | | AOCI | | Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance - January 1, 2020 | 64,358 | $ | 142,678 | $ | 8,173 | $ | 928 | $ | (120,253) | $ | 31,526 |
| Share-based compensation | - | | - | | 54 | | - | | - | | 54 |
| Net loss | - | | - | | - | | - | | (2,978) | | (2,978) |
| Other comprehnsive income | - | | - | | - | | 7 | | - | | 7 |
| Balance - March 31, 2020 | 64,358 | $ | 142,678 | $ | 8,227 | $ | 935 | $ | (123,231) | $ | 28,609 |
| **Balance - January 1, 2021** | **73,641** | **$** | **161,891** | **$** | **12,818** | **$** | **719** | **$** | **(118,234)** | **$** | **57,194** |
| Private placement (Note 10(a)) | **13,764** | | **28,365** | | **7,079** | | **-** | | **-** | | **35,444** |
| Warrant exercises | **129** | | **495** | | **(75)** | | **-** | | **-** | | **420** |
| Options exercised | **203** | | **155** | | **(93)** | | **-** | | **-** | | **62** |
| Share-based compensation (Note 10(b)) | **-** | | **-** | | **997** | | **-** | | **-** | | **997** |
| Net loss | **-** | | **-** | | **-** | | **-** | | **(3,392)** | | **(3,392)** |
| Other comprehensive income | **-** | | **-** | | **-** | | **257** | | **-** | | **257** |
| **Balance - March 31, 2021** | **87,737** | **$** | **190,906** | **$** | **20,726** | **$** | **976** | **$** | **(121,626)** | **$** | **90,982** |

# Marimaca Copper Corp.

**Condensed Interim Consolidated Statements of Cash Flows**

For the three months ended March 31, 2021 and 2020

(Expressed in thousands of U.S. dollars, except where indicated)

| | | For the three month ended | | |
|---|---|---|---|---|
| | | **March 31, 2021** | | March 31, 2020 |
| **Cash flows from operating activities** | | | | |
| Net loss | **$** | **(3,392)** | $ | (2,978) |
| Items not affecting cash | | | | |
| Depreciation and amortization | | **3** | | 42 |
| Reversal of VAT receivable write down | | **-** | | (132) |
| Interest and arrangement fees | | **-** | | 764 |
| Share-based compensation (Note 10(b)) | | **997** | | 54 |
| Accretion on debt | | **115** | | 96 |
| Accretion on retirement obligation | | **20** | | 29 |
| | | **(2,257)** | | (2,125) |
| Change in non-cash operating working capital | | | | |
| Decrease (increase) in receivables and prepaid | | **(846)** | | 452 |
| Decrease in inventory | | **-** | | (12) |
| Decrease in accounts payable and accruals | | **(455)** | | (254) |
| **Cash used in operating actvities** | **$** | **(3,558)** | $ | (1,939) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Issuance of common shares (Note 10(a)) | | **35,926** | | - |
| Other debt (Note 8) | | **-** | | 2,000 |
| **Cash provided by financing activities** | **$** | **35,926** | $ | 2,000 |
| **Cash flows from investing activities** | | | | |
| Property, plant and equipment (Note 5) | | **-** | | (1) |
| Lease payments | | **-** | | (26) |
| Acquisition of exploration and evaluation assets (Note 6) | | **(1,863)** | | (7,737) |
| **Cash used in investing activities** | **$** | **(1,863)** | $ | (7,764) |
| | | | | |
| **Effect of exchange rate changes on cash** | | **257** | | 7 |
| **Increase (decrease) in cash and cash equivalents** | | **30,762** | | (7,696) |
| **Cash and cash equivalents: beginning of the period** | | **13,852** | | 9,865 |
| **Cash and cash equivalents: end of the period** | **$** | **44,614** | $ | 2,169 |

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

## Note 1 - Nature of operations and liquidity risk

***(a) Nature of operations***

Marimaca Copper Corp, formerly known as Coro Mining Corp. ("Marimaca Copper") is incorporated under *the Business Corporations* Act (British Columbia). Marimaca Copper is an exploration and development company focused on base metal projects in Chile.

The Company's principal asset is the Marimaca Copper Project (the "Marimaca Project"), located in the Antofagasta Region of northern Chile. The Marimaca Project comprises a set of claims (the "1-23 Claims"), properties 100% owned and optioned by the Company. When combined with the adjacent La Atómica, Atahualpa, Olimpo & Cedric, Llanos & Mercedes and other claims over which Marimaca Copper has the right to explore and exploit resources, this larger combined area is referred to as the "Marimaca District".

On May 27, 2020, Coro Mining Corp. changed its name to Marimaca Copper Corp. and commenced trading on the Toronto Stock Exchange under the symbol "MARI". The Company's registered office is Suite 2610, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, Canada.

***(b) Liquidity risk***

These unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue in operation for at least the next twelve months.

The Company is an exploration and development company that currently does not generate revenue from its assets. At March 31, 2021, the Company had working capital of $41.2 million (December 31, 2020 – working capital of $9.1 million), which management believes is sufficient to meet its property option payments, its obligations and to continue to fund operations for at least the next twelve months.

Beyond the next 12 months, the Company's ability to continue as a going concern and to advance the Marimaca Project will be dependent upon its ability to obtain the necessary financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

## Note 2 - Significant accounting policies

**a) Statement of compliance**

These unaudited condensed interim consolidated financial statements include the accounts of Marimaca Copper and its wholly-owned subsidiaries (its "subsidiaries") (hereinafter together with Marimaca Copper, the "Company"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim financial statements, including IAS 34 *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2020 and were prepared using the same accounting policies, method of computation and presentation as were applied in the annual consolidated financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on May 14, 2021.

The financial information included herein reflects all adjustments, consisting of only normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year. Seasonality is not considered to have a significant impact over the condensed interim consolidated financial statements

**b) Significant judgements, estimates and assumptions**

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires the Company to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dale of the condensed interim consolidated financial statements and the reported amounts of expenses during the reporting period. The areas of judgement and estimation are consistent with those reported in the annual consolidated financial statements for the year ended December 31, 2020 and the following discusses the most significant accounting judgements and estimates that the Company has made in the preparation of these condensed interim consolidated financial statements:

**Impact of the COVID-19 Pandemic**

The COVID-19 global health pandemic has had a significant impact on the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown. The adverse effects of the pandemic may continue for an extended and unknown period of time, particularly as variant strains of the virus are identified. The impact of the pandemic to date has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices and has raised the prospect of an extended global recession. As well, as efforts have been undertaken to slow the spread of the COVID-19 pandemic, the operation and development of mining projects has been impacted. The broader impact of the COVID-19 pandemic or future pandemics or similar public health emergencies on investors, businesses, the global economy or financial and commodity markets may also have a material adverse impact on Marimaca Copper's results of operations, financial condition and the trading price of Marimaca Copper's securities.

**Impairment of exploration and evaluation assets**

The application of the Company's accounting policy for impairment of exploration and evaluation assets requires judgement to determine whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore has expired or will expire in the future, and is not expected to be renewed; substantive expenditures on exploration activities and evaluation of mineral resources in the specific area is neither budgeted or 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 sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Management has assessed for impairment indicators on the Company's exploration and evaluation assets and has concluded that no impairment indicators exist as of December 31, 2020.

**Impairment of property, plant and equipment**

Each reporting period, property, plant and equipment assets are evaluated to determine whether there are any indications of impairment. If any such indication exists, an impairment test is performed and if indicated, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of the fair value less costs to sell and the value in use. The recoverable amount of the relevant cash generating units is calculated based on cash flow projections using assumptions and estimates that represent management's best estimate of the range of economic conditions that will exist over the remaining useful lives of the assets, and through a review of sales of comparative assets.

These calculations include key estimates such as future commodity prices, recoverable resources and reserves, operating and capital costs, inflation rate, discount rate and exchange rates. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flows to be generated from its projects.

**Decommissioning and restoration provisions**

Each reporting period, the Company updates the carrying value of its restoration provisions by estimating the future costs of remediating environmental disturbances after an asset is decommissioned or retired. Management updates the provision using future inflation rates and interest rates for the periods in order to get a present value. Although management has made its best estimate of these factors, there are uncertainties related to asset retirement obligations and the impact on the financial statements could be material as the eventual timing and expected costs to settle these obligations could differ from our estimates. The main factors that could cause expected cash flows to differ are changes to laws, local regulations, increase in expected costs, inflation rates and timing of cash flows (See note 10).

**Share-based compensation**

The Company applies the fair value method of accounting using the Black-Scholes model to determine the fair value of stock-options granted to employees, consultants and directors. The model includes significant assumptions as to the estimated life of the stock options, the forfeiture rate and the volatility of the stock. The Company uses historical data to estimate the expected future volatility of the stock, the estimated lives of the stock options and the forfeiture rate.

Stock options granted might include performance conditions related to the achievement of specified performance targets or a milestone and might pertain either to the performance of the Company as a whole or to some part of the enterprise, such as a subsidiary. The measurement of compensation costs for a stock-based award with a performance condition that will determine the number of options or shares to which all employees receiving the award will be entitled, is based on the best estimate of the outcome of the performance condition. The Company estimates forfeitures awards by individual employees and recognizes them as they occur. Management assesses all the factors and uses its judgment to calculate these estimates.

**c) New and Amended Standards Adopted by the Company**

*New Accounting Standards Issued But Not Yet Effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company's current or future reporting periods.

## Note 3 – Cash and cash equivalents

As at March 31, 20221, cash and cash equivalents comprised cash deposits held as follows: $44.2 million held in Canada and $0.4 million held in Chile.

## Note 4 - Amounts receivable and prepaid expenses

| *(In thousands of US dollars)* | | **March 31, 2021** | | December 31, 2020 |
|---|---|---|---|---|
| Prepaid expenses and other receivables | **$** | **1,294** | $ | 140 |
| Environmental bond | | **-** | | 308 |
| **Total amounts receivable and prepaid expenses** | | **1,294** | | 448 |
| Non-current portion | | **-** | | - |
| **Current portion** | **$** | **1,294** | $ | 448 |

## Note 5 - Property, plant and equipment

| *(In thousands of US dollars)* | Nora Plant | Ivan Plant | Other | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| January 1, 2020 | $ 4,626 | $ 11,217 | $ 853 | $ 16,696 |
| Disposals | (4,626) | (26) | (507) | (5,159) |
| Additions | - | - | (2) | (2) |
| December 31, 2020 | - | 11,191 | 344 | 11,535 |
| Additions | - | - | - | - |
| **March 31, 2021** | **$ -** | **$ 11,191** | **$ 344** | **$ 11,535** |
| Accumulated depreciation | | | | |
| January 1, 2020 | - | - | (352) | (352) |
| Depreciation | - | - | (166) | (166) |
| Disposals | - | - | 184 | 184 |
| December 31, 2020 | - | - | (334) | (334) |
| Depreciation | - | - | (3) | (3) |
| Disposals | - | - | - | - |
| **March 31, 2021** | **-** | **-** | **(337)** | **(337)** |
| Net book value | | | | |
| January 1, 2020 | 4,626 | 11,217 | 501 | 16,344 |
| December 31, 2020 | - | 11,191 | 10 | 11,201 |
| **March 31, 2021** | **$ -** | **$ 11,191** | **$ 7** | **$ 11,198** |

**Ivan Plant**
The Ivan Plant was purchased in June 2017 with the intention to process ore from the Marimaca Project. Currently, the plant is on care and maintenance. For Q1 2021, the Company recorded $0.5 million (Q1 2020 - $0.6 million) in care and maintenance expenses associated with the Ivan Plant.

## Note 6 - Exploration and evaluation assets

| | Marimaca Properties | | | | | Others | | |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of US dollars)* | 1-23 | LA | ATA | O&C | Ll&M | MD | | Total |
| Balance- January 1, 2020 | $ 8,121 | $ 6,534 | $ 12,579 | $ 518 | $ 55 | $ 389 | $ 761 | $ 28,957 |
| Exploration and evaluation costs | 2,332 | 23 | 136 | | - | 85 | - | 2,576 |
| Property acquisition costs | 11,096 | 1,500 | 200 | 700 | 50 | 150 | 136 | 13,832 |
| Disposal | (7) | - | - | - | - | - | (897) | (904) |
| Balance at December 31, 2020 | $ 21,542 | $ 8,057 | $ 12,915 | $ 1,218 | $ 105 | $ 624 | $ - | $ 44,461 |
| **Exploration and evaluation costs** | **1,075** | **-** | **-** | **-** | **-** | **-** | **-** | **1,075** |
| **Property acquisition costs** | **-** | **-** | **200** | **555** | **-** | **-** | **-** | **755** |
| **March 31, 2021** | **$ 22,617** | **$ 8,057** | **$13,115** | **$ 1,773** | **$ 105** | **$ 624** | **$ -** | **$ 46,291** |

**a) Marimaca property, Chile**

*1-23 Claims ("1-23")*
On September 10, 2019, the Company announced that it had entered into arrangements to acquire the remaining 49% of the corporate entity holding the Marimaca 1-23 claims. The transaction was completed in February 2020 with the payment of $6.0 million, resulting in the Company owning 100% of the corporate entity that holds the Marimaca 1-23 claims. The terms of the acquisition provide for certain deferred consideration payments to be made in October 2021 ($3.0 million) and February 2022 ($3.0 million). Security interests over the relevant shareholdings have been granted in order to secure these payments.

The sellers retain a 1.5% net smelter return royalty ("NSR") over the 1-23 Claims, with the Company retaining an option to buy-back 1% of the 1.5% NSR for $4.0 million at any time up to 24 months following the commencement of commercial production of the 1-23 Claims, as well as a right of first refusal over the NSR.

As at March 31, 2021, the carrying value of the 1-23 Claims (Marimaca project) was $22.6 (December 31, 2020 - $21.5 million) and is included in the exploration and evaluation assets on the statement of financial position.

*La Atomica claims ("LA")*
Under the terms of the August 2017 La Atomica Letter of Intent ("LOI") (Option Agreement signed October 2017), the Company may acquire 100% of the La Atomica property by paying a total of $6.0 million as follows: $0.6 million (paid); $1.0 million on the 24-month anniversary date (paid); and $4.4 million on the 36-month anniversary date. A 1.5% NSR is payable on the claims, with the Company retaining an option to purchase 0.5% of the 1.5% NSR for $2.0 million at any time.

In May 2020, the Company modified the Option Agreement to split into three tranches the $4.4 million payment due on the 36-month anniversary payable as follows: (i) $1.0 on the 36-month anniversary of the original agreement (paid); (ii) $1.1 million on the 42-month anniversary, and (iii) $2.6 million on the 48-month anniversary. These amended instalments include $0.3 million in interest calculated using a 0.9% monthly interest rate.

*Atahualpa claims ("ATA") - Formerly known as Sierra Miranda claims*
Under the terms of a January 2018 LOI, the Company acquired 100% of the Atahualpa, Tarso, Sierra and Sorpresa claims, which are immediately adjoining the Marimaca Project for a total cash consideration of $6.0 million (paid). A 2% NSR is payable on the claims under the original option agreement.

On February 1, 2019, the Company entered into an option agreement to purchase the outstanding 2% NSR for $2.2 million. The amount is payable in four tranches over 36 months as follows: $0.2 million upon closing (paid); $0.2 million on the 12-month anniversary of closing (paid); $0.2 million on the 24-month anniversary of closing (paid); and $1.6 million on the 36-month anniversary of closing.

*Olimpo y Cedro claims ("O&C") - Formerly known as Naguayan claims*
Under the terms of a January 2018 option agreement, the Company may acquire 100% of the Olimpo y Cedro properties for a total cash consideration of $6.5 million payable as follows: $0.2 million upon signing (paid); $0.3 million on the 12-month anniversary date (paid); $0.7 million on the 24-month anniversary date (paid); $1.75 million on the 36-month anniversary date; and $3.55 million on the 48-month anniversary date. A 1.5% NSR is payable, with the Company retaining an option to purchase 0.5% of the 1.5% NSR for $2 million within the first 12 months following the start of commercial production on the property. As these claims are not adjacent to the known mineralization, only acquisition costs have been capitalized.

In May 2020, the Company modified the Option Agreement to split into three tranches the $1.75 million payment due on the 36-month anniversary payable as follows: (i) $0.6 on the 36-month anniversary of the original agreement (paid); (ii) $0.2 million on the 38-month anniversary (paid); (iii) $1.1 million on the 48-month anniversary. These amended instalments include $0.1 million in interest calculated using a 0.9% monthly interest rate.

*Llanos and Mercedes ("Ll&M")*
Under the terms of a May 2019 option agreement, the Company may acquire the Llanos and Mercedes properties for a total consideration of $2.0 million payable as follows: $0.05 million upon signing (paid); $0.05 million on the 16-month anniversary (paid); $0.1 million on the 24-month anniversary; $0.125 million on the 30-month anniversary; $0.125 million on the 36-month anniversary; $0.15 million on the 42-month anniversary, and $1.4 million on the 48-month anniversary. In addition, the Llanos and Mercedes claims are subject to a 1% NSR with a buyback option for the NSR of $0.5 million exercisable up to 24 months from the start of commercial production. As these claims are not located adjacent to the known mineralization, only acquisition costs have been capitalized.

*Akicy*
Under the terms of a July 2020 option agreement, the Company may acquire the Cincy 1-10 and Esperada 1-17 (1-5 and 11-15) properties for a total consideration of $0.5 million payable as follows: $0.01 million upon signing (paid); $0.08 million on the 12-month anniversary; $0.11 million on the 24-months anniversary and $0.3 million on the 36-months anniversary. These claims are subject to a 1.5% NSR with a buyback clause to buy a 0.5% NSR for $0.5 million exercisable at any time. As these claims are not located adjacent to the known mineralization, only acquisition costs have been capitalized at this time.

*Emilia*
Under the terms of an August 2020 option agreement, the Company may acquire the Emilia 1-10 properties for a total consideration of $0.5 million payable as follows: $0.01 million upon signing (paid); $0.08 million on the 12-month anniversary; $0.11 million on the 24-months anniversary and $0.3 million on the 36-months anniversary. These claims are subject to a 1.5% NSR with a buyback clause to buy a 0.5% NSR for $0.5 million exercisable at any time. As these claims are not located adjacent to the known mineralization, only acquisition costs have been capitalized at this time.

*La Esperada*
Under the terms of a December 2020 option agreement, the Company may acquire the Esperada 1-17 (6-10 and 16-17) properties for a total consideration of $0.25 million payable as follows: $0.13 million upon signing (paid) and $0.12 million on the 12-month anniversary. These claims are subject to a 1.5% NSR with a buyback clause to buy a 0.5% NSR for $0.3 million exercisable at any time. As these claims are not located adjacent to the known mineralization, only acquisition costs have been capitalized at this time.

## Note 7 - Accounts payable and accrued liabilities

| *(In thousands of US dollars)* | | **March 31, 2021** | | December 31, 2020 |
|---|---|---|---|---|
| Accounts payable | **$** | **872** | $ | 1,228 |
| Accrued liabilities | | **841** | | 973 |
| | **$** | **1,713** | $ | 2,201 |

## Note 8 - Other debt

| *(In thousands of US dollars)* | | **March 31, 2021** | | December 31, 2020 |
|---|---|---|---|---|
| Marimaca acquisition debt | **$** | **5,732** | $ | 5,617 |
| Current portion | | **(3,000)** | | (2,960) |
| **Non-current portion** | **$** | **2,732** | $ | 2,657 |

**Marimaca acquisition debt**
On February 14, 2020, and later amended in May 2020, the Company signed the definite agreements acquiring the remaining 49% interest in the 1-23 Claims for a total cash consideration of $12.0 million which is payable as follows: (i) $6.0 million upon signing of the definitive agreements; (ii) $3.0 million in October 2021; and (iii) $3.0 million in February 2022. The sellers agreed to transfer their 49% interest in the 1-23 Claims upon the execution date of the definitive agreements. The

(Unaudited, expressed in thousands of U.S. dollars, except where indicated)

Company paid the initial $6.0 million upon execution of the definitive agreements and recorded the fair value of the remaining two instalments as a liability.

The fair value of the future instalments was estimated to be $5.1 million using an annual discount rate of 12% for two years. As at March 31, 2021, included under current portion of other debt, is $3.0 million in principal and accumulated interest related to the second instalment and $2.7 million in principal and interest is included under non-current portion of other debt. The carrying value of the loan is $5.7 million as at March 31, 2021.

## Note 9 - Restoration provision

| | | **March 31, 2021** | | December 31, 2020 |
|---|---|---|---|---|
| Balance, beginning of the period | **$** | **4,950** | $ | 6,274 |
| Accretion expense | | **19** | | 104 |
| Disposal | | **-** | | (1,427) |
| **Balance, end of period** | **$** | **4,970** | $ | 4,950 |

In calculating the present value of the restoration provisions as at March 31, 2021, management used risk-free rates between 1.6%-1.95% and inflation rates between 2.02%-2.12%. The undiscounted cash flows, before inflation adjustments, estimated to settle the restoration provisions are approximately equal to the discounted cash flows. No changes to the reclamation plans have been required as a result of the COVID-19 pandemic, but the Company will continue to closely monitor future inflation rates and other variables which may result in adjustments to the carrying value of the restoration provisions.

**Ivan**
As at March 31, 2021, the undiscounted restoration provision totalled $5.0 million which consists of costs associated with reclamation and closure activities for the Ivan Plant and mine site. These activities include costs for disposition of chemical materials, earthworks, and the dismantling and demolition of structures.

## Note 10 - Common shares

### a) Share capital

***Share consolidation***
On May 27, 2020, the Company completed a share consolidation of its share capital on the basis of twenty-five (25) pre-consolidation shares for one (1) post-consolidation share (the "Consolidation"). All references to the number of shares, options and per share amounts presented have been retroactively restated to reflect the Consolidation (post-consolidation basis).

***Authorized***
The Company authorized capital includes an unlimited number of common shares (87,693,407 common shares issued and outstanding as at March 31, 2021) having no par value.

***Private Placement***
On March 1, 2021, the Company announced the completion of a non-brokered private placement pursuant to which it issued 9,377,273 units ("Units") at a price of C$3.30 per Unit for gross proceeds of C$30.9 million ($24.5 million). Each Unit comprised one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional Common Share at an exercise price of C$4.10 until December 3, 2022. In connection with the private placement, the Company issued an aggregate of 181,545 Common Shares as consideration for services rendered valued at C$0.8 million ($0.7 million).

In addition, Greenstone Resources II LP and Greenstone Co-Investment No. 1 (Coro) LP (collectively, "Greenstone") have elected to acquire 4,205,333 Units pursuant to the exercise of pre-emptive anti-dilution rights in connection with the private placement described above, resulting in additional gross proceeds of approximately C$13.9 million ($11.0 million).

***Prospectus Offering***

On December 3, 2020, the Company completed a marketed prospectus offering issuing 9,200,000 Units of the Company, including 1,200,000 Units issued in connection with the full exercise of the over-allotment option granted to the underwriters (the "Prospectus Offering"), at a price of C$3.15 per Unit for aggregate gross proceeds of C$29.0 million ($22.5 million). Each Unit was comprised of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Common Share at an exercise price of $4.10 for a period of 24 months from the closing of the Offering. Total issuance cost associated with the Prospectus Offering included $0.9 million in cash consideration and 88,873 broker warrants, having an exercise price of C$3.15 for a period of 24 months from the closing of the Offering (the "Broker Warrants").

**b) Stock options**

During 2020, the Company adopted a new incentive plan (the "Omnibus Plan") which allows for the issuance of stock options and restricted share units ("RSUs") and replaced the Company old stock option plan. The maximum number of common shares of the Company available for issuance under the Omnibus Plan will not exceed 10% of the Company's issued and outstanding common shares, less the number of common shares subject to grants of stock options under the Company's previous plan.

During Q1 2021, the Company granted 200,000 stock options and 84,000 RSUs (Q1 2020 - Nil) under the Omnibus Plan. The stock options have a weighted average exercise price of C$4.60 per stock option (Q1 2020 – Nil) and a weighted average life of 5 years (Q1 2020 - Nil). The options will vest in three tranches, being 1/3 on the date of grant and 1/3 on each of the first and second anniversaries of the grant date. The fair value of the stock options was estimated to be C$0.6 million (Q1 2020 - Nil). The RSUs vested immediately upon grant and had a fair value of C$0.4 million.

Stock options were valued using the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted: risk-free rate – 0.24%; volatility – 86.0%; expected life – 5 years and dividend yield – 0%.

During the three months ended March 31, 2021, the Company recorded $1.0 million in share-based compensation (Q1 2020 - $0.05 million).

During the three months ended March 31, 2021, the Company issued 202,843 common shares upon the exercise of stock options for total cash proceeds of $0.06 million.

**c) Warrants**

During Q1 2021, the Company issued 6.8 million Warrants in connection with the completion of the private placement described in Note 9(a) above. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: risk-free rate – 0.24%; expected life – 1.75 years; volatility – 61%%; dividend yield – 0%, resulting in a fair value of C$8.9 million ($7.1 million).

During the three months ended March 31, 2021, the Company issued 129,250 common shares upon the exercise of Warrants for total cash proceeds of $0.4 million.

(Unaudited, expressed in thousands of U.S. dollars, except where indicated)

## Note 11 - Exploration expenditures

| | Three months ended March 31, 2021 | | |
|---|---|---|---|
| | Marimaca District | General | Total |
| **Drilling & trenching costs** | **$ 1,188** | **$ 8** | **1,196** |
| **General & administration costs** | **-** | **148** | **148** |
| **Property rental income** | **-** | **(44)** | **(44)** |
| **Total** | **$ 1,188** | **$ 111** | **$ 1,300** |

| | Three months ended March 31, 2020 | | |
|---|---|---|---|
| | Marimaca District | General | Total |
| Drilling & trenching costs | $ 187 | $ 157 | $ 344 |
| General & administration costs | 74 | 246 | 320 |
| Property rental income | - | (22) | (22) |
| Total | $ 261 | $ 381 | $ 642 |

**a) Marimaca District, Chile**
The Marimaca District is a large exploration area that could potentially be part of the Marimaca Project. The Marimaca District is located 25 kms east of the port of Mejillones in the II Region of Chile. Exploration activities on the Marimaca District include property exploration expenditures and costs associated with the Marimaca Project and other wholly-owned projects that are not adjacent to the Marimaca project.

Certain exploration related expenses are capitalized and included in exploration and evaluation assets (See Note 6) while district exploration expenses are expensed and recorded as exploration expenditures in the statement of loss and comprehensive loss.

**b) General, Chile**
General exploration includes the allocation of project administration costs like office salaries.

## Note 12 - Related party transactions

**Key management personnel**
The Company considers directors and officers of the Company to be key management personnel. Compensation was as follows:

| | **Three months ended March 31, 2021** | Three months ended March 31, 2020 |
|---|---|---|
| Short-term benefits[1] | **$ 249** | $ 200 |
| Share-based payments[2] | **1,273** | 47 |
| **Total** | **$ 1,522** | $ 247 |

[1] Includes salary, benefits and short-term accrued incentives/other bonuses earned in the period.
[2] Represents the expense of stock options and restricted share units during the period.

## Note 13 – Loss per share

| | Three months ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **Net loss** | **Shares (in 000s)** | **Loss per share** | Net loss | Shares (in 000s) | Loss per share |
| Basic loss per share | **$ (3,392)** | **77,876** | **$ (0.04)** | $ (2,978) | 64,358 | $ (0.05) |
| Effect of dilutive securities | **-** | **1,210** | **-** | - | 146 | - |
| Diluted loss per share | **$ (3,392)** | **79,086** | **$ (0.04)** | $ (2,978) | 64,504 | $ (0.05) |

## Note 14 - Segmented information

The chief operating decision-maker organizes and manages the business under one operating segment. The table below shows the geographical location of various assets and liabilities held by the Company as at March 31, 2021 and the net loss associated with each location for the three months ended March 31, 2021.

| | Chile | Canada | |
|---|---|---|---|
| | Marimaca | Corporate | Total |
| Current assets | $ 826 | $ 45,082 | **$ 45,908** |
| Non-current assets | 57,495 | (6) | **57,489** |
| Total assets | 58,321 | 45,076 | **103,397** |
| Current liabilities | 4,295 | 418 | **4,713** |
| Total liabilities | 11,997 | 418 | **12,415** |
| Net loss | $ (1,849) | $ (1,543) | **$ (3,392)** |

## Note 15 – Commitments

The Company has commitments under several option agreements as described in Note 6. The following table sets out the Company´s outstanding option payments as of March 31, 2021.

| *(In thousands of US dollars)* | **2021** | **2022** | **2023** | **Total** |
|---|---|---|---|---|
| La Atomica | $ 3,704 | $ - | $ - | **$ 3,704** |
| Atahualpa | - | 1,600 | - | **1,600** |
| Olimpo & Cedro | 1,291 | 3,550 | - | **4,841** |
| Llanos & Mercedes | 225 | 275 | 1,400 | **1,900** |
| Akicy, Emilia & La Esperada | 275 | 220 | 600 | **1,095** |
| **Total** | **$ 5,495** | **$ 5,645** | **$ 2,000** | **$ 13,140** |