



Condensed Interim Consolidated Financial Statements

September 30, 2020 and 2019

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Minera Alamos Inc. ("Minera Alamos" or the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

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

The accompanying unaudited 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 interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Minera Alamos Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		September 30,	December 31,
	Notes	2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		23,297,312	1,761,687
Restricted cash	6	30,389	30,389
Marketable securities	7 & 19	3,762,000	3,197,500
Accounts receivable	18	305,334	118,191
Prepaid and other		506,390	29,181
Taxes receivable		118,955	208,066
		<u>28,020,380</u>	<u>5,345,014</u>
Taxes receivable		1,484,410	1,140,983
Property Plant and Equipment	9	<u>3,727,568</u>	<u>859,398</u>
		<u><u>33,232,358</u></u>	<u><u>7,345,395</u></u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	18	1,150,237	1,557,151
Current portion of lease payable	11	108,632	101,361
Current portion of term loan	8	-	257,438
Senior secured loan	10 & 19	<u>2,405,000</u>	<u>2,188,852</u>
		<u>3,663,869</u>	<u>4,104,802</u>
Lease payable	11	18,997	101,385
Provisions	8	<u>48,400</u>	<u>48,400</u>
		<u>3,731,266</u>	<u>4,254,587</u>
Shareholders' Equity			
Share capital	12	95,949,818	73,488,365
Contributed surplus		3,711,913	3,711,913
Options reserve	14	3,127,100	3,129,125
Warrants reserve	13	274,195	158,440
Deficit		<u>(73,561,934)</u>	<u>(77,397,035)</u>
		<u>29,501,092</u>	<u>3,090,808</u>
		<u><u>33,232,358</u></u>	<u><u>7,345,395</u></u>

Basis of Presentation and Going Concern (note 2)
 Commitments and Contingencies (note 15)
 Subsequent Event (note 19)

Approved by the Board:

Signed: "Bruce Durham"

Director

Signed: "Darren Koningen"

Director

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
					\$
Expenses					
Depreciation and amortization	9	6,923	7,132	20,298	21,947
Exploration and evaluation	8	2,226,084	647,136	(1,525,255)	2,014,948
Insurance		18,343	9,735	40,347	32,412
Interest		56,095	52,825	164,342	167,940
Investor relations		72,644	61,389	217,733	249,369
Office and administration		175,430	118,091	418,194	407,654
Professional fees		64,275	157,838	524,441	296,451
Salaries and compensation	18	237,268	268,109	580,623	1,285,185
Share-based compensation		548,000	810,000	548,000	810,000
Transfer agent regulatory fees		25,794	12,963	104,514	27,781
Travel		17,832	63,109	76,045	193,789
		3,448,688	2,208,327	1,169,282	5,507,476
Other Items					
Gain on sale of marketable securities		(80,000)	-	(463,124)	-
Unrealized gain on marketable securities		(1,045,000)	-	(4,314,100)	-
Foreign exchange loss (gain)		18,891	20,397	(124,674)	(167,254)
Interest income		(48,165)	(600)	(98,485)	(2,606)
		(1,154,274)	19,797	(5,000,383)	(169,860)
Net Income (loss) and comprehensive loss for the period		(2,294,414)	(2,228,124)	3,831,101	(5,337,616)
Net loss per share:					
Basic and diluted		(0.01)	(0.01)	0.01	(0.02)
Weighted average number of common shares outstanding:					
Basic and diluted		418,371,130	375,120,403	410,300,685	348,217,975

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Note	Share Capital						Total equity
		Number of	Amount	Warrants	Contributed	Options	Deficit	
		Shares	\$	reserve	surplus	reserve	\$	
		#	\$	\$	\$	\$	\$	
Balance, January 1, 2019		300,951,929	65,369,627	4,044,022	3,711,913	2,648,300	(76,587,523)	(813,661)
Shares issued	11b(iii)	49,947,500	4,994,750	-	-	-	-	4,994,750
Share issue costs		-	(509,150)	173,880	-	-	-	(335,270)
Options issued	13	-	-	-	-	810,000	-	810,000
Options exercised	13	2,992,500	486,675	-	-	(329,175)	-	157,500
Warrants exercised	12	20,130,576	3,180,763	(971,022)	-	-	-	2,209,741
Warrants expired	12	-	-	(3,072,240)	-	-	3,072,240	-
Net loss for the period		-	-	-	-	-	(5,337,616)	(5,337,616)
Balance, September 30, 2019		374,022,505	73,522,665	174,640	3,711,913	3,129,125	(78,852,899)	1,685,444
Balance, January 1, 2020		376,339,353	73,488,365	158,440	3,711,913	3,129,125	(77,397,035)	3,090,808
Shares issued for mineral property		2,000,000	1,440,000	-	-	-	-	1,440,000
Shares issued on private placements	12	53,810,000	21,000,300	-	-	-	-	21,000,300
Share issue costs	12	-	(1,317,968)	156,541	-	-	-	(1,161,427)
Options issued		-	-	-	-	548,000	-	548,000
Options exercised	13	5,465,000	1,241,025	-	-	(550,025)	-	691,000
Warrants exercised		613,100	98,096	(36,786)	-	-	-	61,310
Warrants expired		-	-	(4,000)	-	-	4,000	-
Net income for the period		-	-	-	-	-	3,831,101	3,831,101
Balance, September 30, 2020		438,227,453	95,949,818	274,195	3,711,913	3,127,100	(73,561,934)	29,501,092

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		For the nine months ended September 30,	
	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Net income(loss) for the period		3,831,101	(5,337,616)
Adjustments to reconcile net loss to net cash flows:			
Non-cash adjustments:			
Shares issued for property acquisition		1,440,000	-
Accretion - term loan		2,412	38,020
Depreciation	7	20,298	21,947
Amortization of prepaid financing fees		51,806	67,972
Interest on lease liability		9,845	-
Interest expense		164,342	167,940
Share based compensation		548,000	810,000
Unrealized gain on marketable securities		(4,314,100)	-
Gain on sale of marketable securities		(463,124)	-
Foreign exchange on term loan		11,310	-
		<u>1,301,890</u>	<u>(4,231,737)</u>
Changes in non-cash operating adjustments:			
Accounts receivable		(187,143)	224,158
Prepaid expenses		(477,209)	118,431
Taxes receivable		(254,316)	(90,424)
Accounts payable and accrued liabilities		(406,913)	(330,933)
Net cash flows (used in) operating activities		<u>(23,691)</u>	<u>(4,310,505)</u>
Cash flows from investing activities			
Payment towards long-term liabilities		(271,160)	(311,324)
Acquisition of property plant and equipment	8	(2,888,468)	(51,706)
Proceeds on sale of marketable securities		4,212,724	-
Net cash flows from (used in) investing activities		<u>1,053,096</u>	<u>(363,030)</u>
Cash flows from financing activities			
Lease payments		(84,963)	-
Issuance of common shares	12	21,000,300	4,994,750
Share issue costs	12	(1,161,427)	(343,270)
Exercise of options	14	691,000	157,500
Exercise of warrants		61,310	2,217,742
Net cash flows from financing activities		<u>20,506,220</u>	<u>7,026,722</u>
Net increase in cash and cash equivalents		<u>21,535,625</u>	<u>2,353,187</u>
Cash and cash equivalents, beginning of period		<u>1,761,687</u>	<u>1,181,201</u>
Cash and cash equivalents, end of period		<u>23,297,312</u>	<u>3,534,388</u>

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2020 and 2019

1. GENERAL INFORMATION

Minera Alamos Inc. (the "Company") is a junior mining exploration company engaged directly and indirectly through its subsidiaries in the acquisition, exploration and development of mineral properties located in Mexico.

These condensed interim consolidated financial statements include the accounts of the Company, its Mexican subsidiaries Minera Alamos de Sonora S.A. de C.V., Molibdeno Los Verdes S.A. de C.V., Cobre 4H S.A. de C.V., Minera Mirlos, S. de R.L. de C.V., Corex Gold Corporation and Corex Global S de RL de SV. The Company's head office is located at 55 York Street East, Suite 402, Toronto, Ontario, Canada, M5J 1R7.

2. BASIS OF PRESENTATION AND GOING CONCERN

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. This is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These condensed interim consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations. There are no assurances that the Company will be successful in achieving these goals.

As at September 30, 2020, the Company had not yet achieved profitable operations and expects to incur further losses. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The global outbreak of COVID-19 (coronavirus), has had a significant impact on businesses through restrictions put in place by the Canadian and Mexican governments regarding travel, business operations and isolations/quarantine orders. At this time it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada, Mexico and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition.

3. STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019. Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in the opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The policies applied in these condensed interim consolidated financial statements are presented in Note 4 and are based on IFRS issued and outstanding as of November 25, 2020, the date the Board of Directors approved these condensed interim consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

These condensed interim consolidated financial statements are presented in Canadian dollars and are prepared on the historical cost basis, modified by the measurement at fair value of certain financial instruments.

(b) Accounting standards and interpretations effective in future periods

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Accounting standards and interpretations effective in future periods (Continued)

IFRS 3 – Business Combinations (“IFRS 3”) and IFRS 11 – Joint Arrangements (“IFRS 11”) were amended in December 2017. IFRS 3 was amended to clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, it re-measures previously held interests in that business. IFRS 11 was amended to clarify that when a party that participates in, but does not have joint control of, a joint operation obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

(c) Share-based payment

The Company’s share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as salary and compensation expense with a corresponding increase in equity. The fair value of the option grant is measured at grant date and each tranche is recognized on a graded 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 the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in common shares.

(d) Deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous year.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the consumption of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Deferred taxes (Continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Equipment

Equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in consolidated statement of loss and comprehensive loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, are capitalized.

The Company provides for depreciation of its equipment at the following annual rates:

Mining equipment	- 5 to 10 years straight line basis
Office equipment	- 20% to 45% declining balance
Vehicles	- 30% declining balance
Leasehold improvements	- Lesser of 5 years or lease term, straight line basis
Right of use assets	- Lesser of expected useful life or the lease term (including expected renewal periods), straight line basis

(f) Mineral properties and exploration and evaluation costs

The Company expenses all costs relating to the acquisition of, exploration for, and development of mineral properties and it credits all revenues received against the exploration expenditures. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized; this includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of loss and comprehensive loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

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

(h) Foreign currencies

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments

Financial assets

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (“IFRS 9”) to Replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides a revised model for recognition and measurement of financial instruments, and a single, forward looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning or after January 1, 2018, with early adoption permitted.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for financial instruments that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial instruments on this date.

IFRS 9 includes requirement for recognition and measurement, impairment, de-recognition and general hedge accounting. Financial assets within the scope of IFRS 9 are classified in the following measurement categories: at fair value through profit or loss, (“FVTPL”) amortized cost, or fair value through other comprehensive income (“FVOCI”). The Company determines the classification of its financial assets at initial recognition.

Financial assets

i. Financial assets recorded at fair value through profit or loss (“FVTPL”)

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income (“FVOCI”). Gains or losses on these items are recognized in consolidated statement of loss and comprehensive loss.

The Company’s cash and cash equivalents, restricted cash and marketable securities are classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest". Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other definitive evidence is received that a specific counterparty will default. The Company’s accounts and other receivables are classified as financial assets measured at amortized cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are measured at fair value, net of transaction cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis. The effective yield basis is a method of calculating the unamortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flow payments over the expected life of the financial liability to the net carrying amount on initial recognition. The Company's accounts payable and accrued liabilities, senior secured loan and term loan do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through consolidated statement of loss and comprehensive loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in consolidated statement of loss and comprehensive loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

De-recognition of financial liability

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

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's condensed interim consolidated financial statements.

Minera Alamos Inc.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2020 and 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

The Company recognizes expected credit loss for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets and liabilities	Classification Under IFRS 9
Cash	FVTPL
Restricted cash	FVTPL
Marketable securities	FVTPL
Accounts receivable, excluding HST receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Senior secured loan	Amortized cost
Term loan	Amortized cost

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

(j) Leases

The Company has adopted IFRS 16 with the date of initial application of January 1, 2019 using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17 — *Leases* (“IAS 17”), the accounting standard in effect for those periods.

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

- the contract involves the use of an explicitly or implicitly identified asset;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract term;
- the Company has the right to direct the use of the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases (Continued)

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right-of-use assets in the property and equipment line item on the statement of financial position and lease liabilities in the lease payable line item on the statement of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as an expense in the statement of loss.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit and short-term investments with remaining maturities of three months or less at time of acquisition. The Company does not hold any asset backed commercial paper.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Asset retirement obligations

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

(m) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Provisions

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(o) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(p) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Convertible instruments including stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada and Mexico.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income taxes

The measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax returns by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Asset retirement obligation

Asset retirement obligations have been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual rehabilitation costs ultimately depend on actual future settlement amount for rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimated useful life, depreciation and amortization

Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

Determination of the fair value of warrants

Estimating fair value for warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the expected volatility and expected life of warrants. The expected volatility is based on the average volatility of share prices of similar companies, over the period of the expected life of the warrants. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Determination of Stock-based compensation

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company has made estimates to the volatility, the probable life of the stock options granted and the time of exercise of those stock options. The expected volatility is based on the average volatility of share prices of similar companies, over the period of the expected life of the stock options. The expected life of the stock options is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Business combinations

Business combinations are accounted for using the acquisition method of accounting, whereby identifiable assets acquired, and liabilities assumed are recorded at fair value as of the date of acquisition with the excess of the purchase price over such fair value recorded as goodwill. If a transaction does not meet the definition of a business combination as per IFRS standards, the transaction is recorded as an acquisition of an asset.

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5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Impairment of long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flow expect to result from the use of the related assets. The Company’s policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset to which it belongs may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds its recoverable amount, being the higher of value in use or fair value, less costs to sell. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Exploration and evaluation expenditures

The application of the Company’s accounting policy for exploration and evaluation expenditures requires judgment to determine whether future economic benefits are likely to arise and whether activities have reached a stage where the technical feasibility and commercial viability of extracting the mineral resource is demonstrable.

6. RESTRICTED CASH EQUIVALENTS

As at September 30, 2020, the Company held GICs in the aggregate amount of \$30,389 (December 31, 2019 - \$30,389) as security for its corporate credit cards.

7. MARKETABLE SECURITIES

The Company holds 2,090,000 (December 31, 2019 - 9,450,000) common shares and Nil (December 31, 2019 - 3,350,000) share purchase warrants of Prime Mining Inc. (“Prime”) (formerly ePower Corp.) pursuant to an option agreement (note 8). The Prime shares are valued at \$3,762,000 as at September 30, 2020 (December 31, 2019 - \$2,929,500) based on their quoted market price. The warrants were sold during the period for proceeds of \$167,500.

	Shares	Warrants
	\$	\$
Fair Value Hierarchy	Level 1	Level 3
Balance, December 31, 2019	2,929,500	268,000
Sale of shares and warrants	(3,481,600)	(268,000)
Fair value adjustments	4,314,100	-
Balance, September 30, 2020	3,762,000	-

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8. MINERAL PROPERTIES AND EXPLORATION EXPENSE

	For the nine months ended September 30,	
	2020	2019
	\$	\$
Santana Mexico ^{(i) (ii) (iii)}	(4,136,936)	863,664
Cerro de Oro	2,125,764	-
La Fortuna, Mexico	309,619	474,852
Guadalupe de los Reyes, Mexico	-	337,162
Los Verdes, Mexico	153,357	185,906
Other	22,941	153,364
Total	(1,525,255)	2,014,948

(i) Included in the 2019 amount is a credit of \$82,335 representing proceeds from the sale of gold samples from test mining on the property.

(ii) During the period the Company sold a 3% Net Smelter Royalty for gross proceeds of \$5,000,000.

(iii) Subsequent to June 30 2020 all costs incurred related to the project were capitalized

Santana project, State of Sonora, Mexico

The Santana Property consists of 9 mining claims and covers approximately 3,100 hectares and is located approximately 200 kilometres east-southeast of Hermosillo, Sonora, Mexico. Additionally, the Company holds a 100% interest in two contiguous mining concessions that cover approximately 350 hectares, referred to as Santa Lucia and Hilda 35 Fraccion 1, located in Sonora State, Mexico.

The Hilda 35 Fraccion 1 is also subject to a 2% net smelter return royalty ("NSR"). Each 1% NSR can be purchased for USD \$1,000,000 within the three years following the conclusion of the feasibility study with positive results.

The Company fulfils its site restoration obligations as required. Management will continue to assess its site restoration obligations as future exploration activity is undertaken. At September 30, 2020 and December 31, 2019, the estimated costs for exploration and evaluation rehabilitation were \$48,400. Discounted present value was not calculated due to the expected short-term nature of the obligation.

During the nine month period ended September 30th 2020, the Company completed the sale of a perpetual 3% net smelter royalty on the Santana property for a gross cash payment of \$5,000,000.

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8. MINERAL PROPERTIES AND EXPLORATION EXPENSE (Continued)

Cerro de Oro, State of Sonora, Mexico

In September 2020 the Company finalized definitive option agreements with arm’s length parties to acquire 100% of the Cerro de Oro project comprising the Zacatecas I and Zacatecas II concessions near Concepcion del Oro, Zacatecas, Mexico. The acquisition of the two core claims in the district that contain a significant gold prospect increase the Company’s total claim holdings in the Concepcion del Oro district to approximately 6,500 ha in size. The two concessions are bounded by existing Minera Alamos concessions and the overall package is surrounded by a larger claim owned by the Company providing all the necessary land that would be required to facilitate the development of the deposit.

The agreements convey 100% ownership to the Company with no underlying royalties subject to meeting a schedule of payments. Failure by the Company to make any of the cash payments or share issuances would result in the property being returned to the vendors with no residual interest being retained by the Company. The payment schedule is as follows:

Amount (\$US)	Installment Due Date
400,000 cash + 2,000,000 shares ^(b)	Paid on Closing
300,000 cash ^(a) + 500,000 shares ^(b)	12 months from Closing
400,000 cash ^(a) + 500,000 shares ^(b)	24 months from Closing
800,000 cash ^(a) + 500,000 shares ^(b)	36 months from Closing
1,000,000 cash ^(a) + 500,000 shares ^(b)	48 months from Closing

- a) Installment payments will be in the form of cash. Alternately, should both parties agree a portion or the entire cash amount can be replaced with the issuance of an equivalent dollar value of shares. Shares, if issued, will be priced at prior days closing on the Exchange, ending on the Instalment Date listed in the table above and in accordance with the rules and requirements of securities laws and the TSX Venture Exchange.
- b) Payments in shares are subject to any and all restrictions on resale under applicable securities laws and TSX Venture Exchange requirements, typically being a hold period of four months and a day following the date of issue and any and all legending requirements. Should the Vendor elect to sell or dispose of any of the Payment Shares they will give Minera Alamos at least 10 business days advance notice to help facilitate such sales.

In addition to the earn-in commitments in the table above, a final bonus payment of US\$1,000,000 will be payable to the Vendor upon the production of 50,000 ounces of gold from the Cerro de Oro project.

8. MINERAL PROPERTIES AND EXPLORATION EXPENSE (Continued)

La Fortuna project, State of Durango, Mexico

On May 4, 2016, the Company announced the completion of the acquisition of 100% of the mineral claims known as the “La Fortuna” gold project located in the State of Durango, Mexico from Argonaut Gold Inc. and its wholly owned subsidiary Durango Fern Mines, S.A. de C.V., consisting of 4 claims totaling 994 hectares.

Pursuant to the terms of the purchase agreement, the Company paid the vendor USD \$750,000 on closing and has recognized the fair value of the remaining purchase obligation of USD \$1,250,000 due within a 24-month period. As at September 30, 2020 there are no payment remiaing. The net present value of the remaining payments, discounted at an effective interest rate of 15%, is recognized as follows: Nil (December 31, 2019 – \$257,438) and \$2,412 (June 30, 2019 - \$12,107) was recognized as an accretion expense. The Vendor is also entitled to a 2.5% net smelter returns royalty (“NSR”), subject to a maximum amount of USD \$4,500,000.

In May 2017, additional rights and options were granted on La Fortuna in connection with a private placement. The Subscriber and the Company entered into an investment agreement (the “Investment Agreement”) which provides for the following:

- *Royalty Option:* The Subscriber will be granted an option to purchase up to a 4.0% NSR in the La Fortuna Property for total consideration of \$9 million.
- *Royalty/Stream Right:* As long as the Subscriber holds common shares equal to at least 10% of the issued and outstanding common shares of the Company, on a non-diluted basis, the Subscriber will have a participation right on any and all royalties, streams, or similar interests granted on properties belonging to the Company.
- *Additional Rights:* The Subscriber has (i) the right to participate in half of any buybacks of existing La Fortuna royalties, and (ii) the right to acquire a 2.0% NSR on any property acquired within a 250-km radius of La Fortuna.
-

8. MINERAL PROPERTIES AND EXPLORATION EXPENSE (Continued)

Guadalupe de los Reyes (GDR), State of Sinaloa, Mexico

On October 23, 2017, the Company entered into an option agreement to acquire Minera Gold Stake S.A DE C.V. ("MGS"), a subsidiary of Vista Gold Corp. ("Vista"), which holds 100% interest in mineral rights collectively referred to as the Guadalupe de los Reyes Project. Pursuant to the terms of the Agreement, the Company will earn a 100% interest in the project by paying Vista a total of USD \$6.0 million in staged payments. Pursuant to an amending agreement dated October 24, 2018, the 12 month anniversary payment date was extended from October 23, 2018 to April 23, 2019. As compensation for the extension Vista received a cash payment of USD \$150,000 and interest of 1.5% per month from January 23 to April 23 on the USD \$1,500,000 anniversary payment.

Production from any open pit (heap leach) mining operations at the Project (the "Open Pit Royalty") will be subject to a minimum 1% NSR payable to Vista which could increase up to 2% if gold prices exceed USD \$1,600 per ounce. This royalty is capped at USD \$2.0 million.

Vista also retains the right to acquire a 49% non-carried interest in the development of underground gold resources should the Company decide at a later date to pursue potential zones of deep mineralization (excludes all open pit accessible mineralization). Where Vista chooses not to participate in the development of any underground resource or where they participate but are eventually diluted below a 10% interest Vista will retain a NSR on mineral production from such underground production (the "Underground NSR") at the same rate as the Open Pit Royalty. The Underground NSR is not capped.

On April 22, 2019 the Company entered into a binding letter agreement with Prime Mining Corp. ("Prime") (formerly ePower Metals Inc.) that outlined the terms and conditions upon which the Company assigned its option rights to acquire the Guadalupe de los Reyes gold property ("Los Reyes") in exchange for approximately 19.8% of the outstanding Prime common shares and certain other rights related to the development of Los Reyes (the "Transaction").

In addition, the following conditions were satisfied by Prime and the Company at the time of the transaction:

- Should Prime fail to complete any of the remaining Los Reyes option payments all rights to acquire Los Reyes will revert to the Company.
- A cash payment of US\$1,500,000 was made to the Company for the cost of the option payment the Company made to Vista on April 23, 2019.
- Prime assumed the Company's remaining option payments of US\$3,000,000 in favour of Vista
- Prime issued to the Company 9,450,000 common shares and 3,350,000 common share purchase warrants of Prime at a price \$0.50 per share for a period of twenty-four months.
- Prime entered into a governance agreement, providing for, among other things, Minera Alamos receiving the right to appoint one director to the board of ePower for so long as the Company holds at least 5% of Prime's outstanding common shares and the Company is entitled to a right of first refusal in the event Prime should at any time seek to raise financing to develop Los Reyes by way of the sale or grant of a royalty or stream.

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8. MINERAL PROPERTIES AND EXPLORATION EXPENSE (Continued)

Los Verdes project, State of Sonora, Mexico

The Company holds a 100% interest in a mining property known as Los Verdes, a molybdenum-copper property located in the State of Sonora, Mexico. Included in the Los Verdes project is the Bacanora claim totaling 55 hectares acquired on January 31, 2007. Included in the consideration paid for the claim is a 2% Net Smelter Royalty on the gross amount sold, less specific costs, of all or a portion of the ores or concentrate derived from the property.

In April 2012, the Company acquired, at auction from the General Mines Direction of Mexico, a title to the Potreritos molybdenum-copper deposit concessions in Sonora, Mexico. The property is situated approximately 2 km to the north of the Los Verdes property and referred to as the North Deposit. The Company is currently considering strategic alternatives for this project based on current industry/market expectations and a resizing of the planned operation.

9. PROPERTY PLANT and EQUIPMENT

Cost	Mining Equipment \$	Construction In Progress \$	Vehicles \$	Office and Equipment \$	Right of Use Building \$	Total \$
Balance at January 1, 2019	612,428	-	77,944	177,457	-	772,457
Additions (disposals)	51,706	-	26,208	2,080	296,037	121,580
Balance at December 31, 2019	664,134	-	104,152	179,537	296,037	1,243,860
Additions (disposals)	1,200,000	1,696,403	56,228	11,962	-	2,964,593
Balance at September 30, 2020	1,864,134	1,696,403	160,380	191,499	296,037	4,208,453
Accumulated depreciation						
Balance at January 1, 2019	29,798	-	67,355	154,208	-	251,361
Additions	10,871	-	14,705	6,027	101,498	133,101
Balance at December 31, 2019	40,669	-	82,060	160,235	101,498	384,462
Additions	7,382	-	7,577	5,339	76,125	96,423
Balance at September 30, 2020	48,051	-	89,637	165,574	177,623	480,885
Carrying amounts						
Balance at December 31, 2019	623,465	-	22,093	19,302	194,539	859,398
Balance at September 30, 2020	1,816,083	1,696,403	70,743	25,925	118,414	3,727,568

(i) Depreciation related to the right of use asset is included in office and administration expense.

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10. SECURED SENIOR LOAN

Under the terms of a Loan Agreement dated December 10, 2018, Osisko Gold Royalties Ltd. ("Osisko") has provided the Company with a \$2 million (the "Principal Amount") loan. The loan has a maturity date of 18 months from the date of issue and interest is payable on the Principal Amount at a rate per annum that is equal to LIBOR plus 8.5%, compounded monthly. During the year the maturity date of the loan was extended for an additional 6 months to 24 months and the interest rate reduced by 1% at the request of the lender. Accrued interest shall be payable at maturity. As at September 30, 2020, the loan balance includes deferred financing fees of \$Nil (December 31, 2019 - \$51,806) and accrued interest of 405,000 (December 31, 2019 - \$240,193). At the lender's election, the Principal Amount may be converted into a 1% NSR on the La Fortuna gold project. In addition, at the sole discretion of the lender, the maturity date of the loan could be advanced earlier than 18 months subject to providing 60 days' notice to the Company while the loan is outstanding. The loan is secured by substantially all of the assets of the Company. The Company has also issued 200,000 common share purchase warrants (the "Warrants") to the lender. Each Warrant entitles Osisko to acquire one common share at a price of \$0.30 during the term of loan (see note 13). The warrants expired in the period.

11. LEASE PAYABLE

	September. 30, 2020	December 31, 2019
Maturity Analysis – contractual undiscounted cash flows	\$	\$
Less than one year	114,287	113,465
Year two	19,063	104,847
Total undiscounted lease liabilities	133,350	218,312
Effect of discounting	(5,721)	(15,566)
Present value of lease payments	127,629	202,746
Less current portion	(108,632)	(101,361)
Long-term lease liabilities	18,997	101,385

12. SHARE CAPITAL AND OTHER EQUITY

(a) Authorized, issued and outstanding common shares

Authorized - unlimited number of common shares without par value

Issued and outstanding – 438,227,453 at September 30, 2020, and 376,339,354 at December 31, 2019.

(b) Transactions

- (i) On March 4, 2019, the Company closed a non-brokered private placement offering of 49,947,500 common shares of the Company at a price of \$0.10 per Common Share for aggregate gross proceeds of \$4,994,750. In connection with the Offering, the Company paid cash finder's fees of \$280,200 and issued 2,898,000 finder's warrants (the "Finder's Warrants"). Each Finder's Warrants is exercisable into one Common Share at \$0.10 for a period of two years following the closing of the Offering. The Finders Warrants were valued at \$173,880 using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 93%, risk free rate of return 2.0% and an expected life of two years. All securities issued under the Offering are subject to a four month hold period from the closing date under applicable Canadian securities laws.

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12. SHARE CAPITAL AND OTHER EQUITY (Continued)

- (ii) On January 14, 2020, the Company closed a non-brokered private placement offering of 30,000,000 common shares of the Company at a price of \$0.20 per Common Share for aggregate gross proceeds of \$6,000,000. All securities issued under the Offering were subject to a four month hold period from the closing date under applicable Canadian securities laws. In connection with the private placement fees and expenses of \$49,325 were incurred.
- (iii) On September 3, 2020, the Company closed a non-brokered private placement offering of 23,810,000 common shares of the Company at a price of \$0.63 per Common Share for aggregate gross proceeds of \$15,000,300. All securities issued under the Offering are subject to a four month hold period from the closing date under applicable Canadian securities laws. In connection with the private placement fees, finders warrants and expenses of \$1,317,968 were incurred. The Finders Warrants were valued at \$156,541 using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 73%, risk free rate of return 1.50% and an expected life of one year. All securities issued under the Offering are subject to a four month hold period from the closing date under applicable Canadian securities laws.

13. WARRANTS

A summary of warrant activity during the period ended September 30, 2020, and the year ended December 31, 2019, is as follows:

	September 30, 2020		December 31, 2019	
	Number of Warrants #	Average Exercise Price \$	Number of Warrants #	Average Exercise Price \$
Outstanding, beginning of period	2,774,000	0.11	83,746,748	0.15
Granted	711,548	0.63	2,574,000	0.10
Exercised	(613,100)	0.10	(22,447,425)	0.10
Expired	(200,000)	0.30	(61,099,323)	0.16
Outstanding, end of period	2,672,448	0.24	2,774,000	0.11

At September 30, 2020, the following warrants were outstanding and available to be exercised:

Grant Date	Number #	Exercise Price \$	Expiration	Fair Value \$	Remaining Years
March 4, 2019	1,960,900	0.10	March 4, 2021	117,654	0.42
September 3, 2020	711,548	0.63	September 3, 2021	156,541	0.93
	2,672,448	0.24		274,195	0.56

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14. SHARE - BASED PAYMENTS –STOCK OPTION PLAN

The Company has a stock option plan (the "Plan") available to its employees, officers, directors and consultants which has been approved as amended by the shareholders on November 21, 2019. The number of common shares is limited to 10% of the Company's issued and outstanding shares.

The exercise price of options granted in accordance with the plan must not be lower than the closing price for such shares as quoted on the Toronto Stock Exchange ("TSX") on the last business day prior to the date of the grant. The period for exercising an option shall not extend beyond a period of ten years following the date the option is granted. The total number of options held by insiders of the Company must not exceed 10% of the total number of shares issued and outstanding, unless approved by a majority of disinterested shareholders votes cast at a shareholders meeting.

The fair value of each option is accounted for in the consolidated statements of loss and comprehensive loss and the related credit is included in options reserve. Options granted vest immediately and expire five years from the date of issue.

During the period ended September 30, 2020, the Company issued 1,300,000 options (December 31, 2019 - 9,000,000) options.

At September 30, 2020, the following options were outstanding and available to be exercised:

Grant Date	Number	Exercise Price	Expiration	Remaining Years	Grant Date Fair Value
July 20, 2016	3,200,000	\$0.19	July 20, 2021	1.05	\$0.18
May 19, 2017	3,087,000	\$0.13	May 19, 2022	1.88	\$0.12
June 28, 2017	750,000	\$0.17	June 28, 2022	1.99	\$0.15
October 26, 2017	190,000	\$0.13	October 26, 2022	2.32	\$0.12
December 7, 2017	4,450,000	\$0.17	December 7, 2022	2.44	\$0.14
October 24, 2018	2,250,000	\$0.15	October 24, 2023	3.32	\$0.08
July 30, 2019	7,750,000	\$0.16	July 30, 2024	4.08	\$0.09
July 14, 2020	700,000	\$0.54	July 14, 2020	4.79	\$0.38
August 10, 2020	600,000	\$0.67	August 10, 2020	4.86	\$0.47
	22,977,500	\$0.16		2.69	\$0.19

A summary of stock option activity during the period ended September 30, 2020, and December 31, 2019 is as follows:

	September, 2020		December 31, 2019	
	Number of Stock Options #	Average Exercise Price \$	Number of Stock Options #	Average Exercise Price \$
Outstanding beginning of period	27,142,500	0.15	21,135,000	0.14
Granted	1,300,000	0.60	9,000,000	0.16
Exercised	(5,465,000)	0.13	(2,992,500)	0.05
Outstanding end of period	22,977,500	0.16	27,142,500	0.15

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15. COMMITMENTS AND CONTINGENCIES

Legal Matters

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and the Company accrues for adverse outcomes as they become probable and estimable.

16. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

(a) Credit risk management

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing to the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian banks, sales tax recoverable from the federal government of Canada and value added tax recoverable from the government of Mexico, where taxes are included in amounts receivable (Note 8).

The Company does not hold any asset backed commercial paper. The maximum credit risk exposure of the financial assets is their carrying value.

(b) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable of the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interest. The Company intends on fulfilling its obligations.

As of September 30, 2020, the Company had a cash and cash equivalents balance of \$23,297,312 and other current assets of \$4,723,068 (December 31, 2019 - \$1,761,681 and \$4,724,310 respectively) to settle current accounts payable, accrued liabilities of \$3,663,869 (December 31, 2019 - \$4,104,802).

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16. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

The following table details the Company's anticipated repayment schedule for its financial liabilities as at September 30, 2020:

	Contractual cash flows	Less than 1 year	1 -3 years	4 – 5 years	After 5 years
	\$	\$	\$	\$	\$
Accounts payable	1,150,237	1,150,237	-	-	-
Lease payable	127,629	108,632	18,997	-	-
Senior secured loan	2,405,000	2,405,000	-	-	-
Long term loan	-	-	-	-	-
	3,682,866	3,663,869	18,997	-	-

(c) Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

(i) Price risk

The Company is exposed to price risk with respect to commodity prices. Price risk is remote since the Company is not a producing entity.

(ii) Interest rate risk

The Company has cash balances and interest-bearing debt. The Company's current policy is to deposit excess cash in interest bearing accounts at its banking institutions.

Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company. The fair value of cash and cash equivalents, cash restricted for purchase of mineral property, advances receivable, accounts payable and accrued liabilities approximate carrying value due to the relatively short-term maturities of these instruments.

(iv) Foreign exchange risk

The Company is subject to foreign exchange risk as the Company has certain assets and liabilities, and makes certain expenditures, in Mexican Pesos and US dollars. The Company is therefore subject to gains and losses due to fluctuations in the Mexican Pesos and the US dollar relative to the Canadian dollar. The Company does not hedge its foreign exchange risk.

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16. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period.

As at September 30, 2020, the Company has net monetary assets denominated in Mexican Pesos of approximately MXD \$74,100,000 (December 31, 2019 –MXD \$12,512,000). A 10% change in the value of the Canadian dollar relative to the Mexican Pesos would result in a corresponding change in net income approximately \$444,000 (December 31, 2019 – \$87,000) based on the balance of these amounts held in Mexican Pesos as at September 30, 2020.

The Company is exposed to market price risk on its marketable securities. A 10% change in the price of the underlying shares would result in a change in the fair value of the marketable securities by approximately \$376,000.

The Company has a senior secured loan bearing interest at LIBOR plus 8.5%. A 10% change in LIBOR would result in no corresponding change in net loss as the loan was paid in full subsequent to the period end.

(d) Fair values

Financial assets include cash and cash equivalents, restricted cash, and accounts receivable. Financial liabilities include accounts payable and accrued liabilities, senior secured loan, and long-term loan. The carrying value of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities is considered representative of their respective fair values due to the short-term period to maturity. The carrying value of the senior secured loan and long-term loan approximates their fair value as the interest rates are consistent with the current rates offered for loans with similar terms.

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follow:

- Level 1 – valuation based on quotes prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents, restricted cash and marketable securities (shares) are classified as Level 1 and marketable securities (warrants) are classified as Level 3.

17. CAPITAL RISK MANAGEMENT

The Company's objectives for managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to add value to its projects, acquire additional potentials for resources and provide returns for shareholders;
- to provide an adequate return to shareholders by increasing the value of underlying assets through exploration and development of economic resources; and
- to generate an adequate return to shareholders by constructing and operating economically viable mineral deposits.

The Company considers its capital structure to consist of capital stock and contributed surplus. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration, development and operation of mineral properties; in relation to the risk it faces; and in consideration of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to maintain or adjust the capital structure, the Company may issue new shares, undertake debt, sell its ownership or an interest in its assets or joint venture its projects.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There are no externally imposed capital requirements for the Company.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended September 30, 2020.

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18. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the periods ended September 30, 2020 and 2019 was as follows:

	2020	2019
	\$	\$
Aggregate compensation	362,000	342,000
Stock-based compensation	266,000	582,750
	<u>628,000</u>	<u>924,750</u>

Included in accounts payable and accrued liabilities at September 30, 2020, payable to key management of the Company was \$418,00 in relation to outstanding compensation (December 31, 2019 - \$567,926).

Included in accounts receivable as at September 30, 2020, is an amount of \$147,433 (December 31, 2019 – \$56,133) due from key management of the Company.

19. SUBSEQUENT EVENTS

- a) Subsequent to the quarter end the Company retired the senior secured loan in full. An amount of \$2,000,000 in principal and \$405,000 in accrued interest payable was repaid to the Lender. All underlying security related to the loan has now been released.
- b) Subsequent to the quarter end the Company received a finder’s fee of \$3,500,000 for the introduction of parties to each other that ultimately lead to the purchase and sale of a mining project.
- c) Subsequent to the quarter end 300,000 options were exercised for \$46,000 and 50,500 warrants were exercised for proceeds of \$5,050.