FILO
MINING

2019 YEAR END REPORT

Management's Discussion and Analysis
and
Consolidated Financial Statements

For year ended December 31, 2019
(Audited)

FILO MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019
(Amounts in Canadian Dollars unless otherwise indicated)

The following management's discussion and analysis ("MD&A") of Filo Mining Corp. ("Filo Mining" or the "Company") should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019 and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is partly derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The effective date of this MD&A is March 19, 2020. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and the Company's website www.filo-mining.com.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

CORE BUSINESS

Filo Mining is a mineral exploration company, focused on its 100% controlled, flagship Filo del Sol Project, which is comprised of two adjacent land holdings: the Filo del Sol Property located in San Juan Province, Argentina, and the Tamberias Property, located in Region III, Chile. The Filo del Sol Project is located between the prolific Maricunga and El Indio gold belts, two major mineralized trends that contain such deposits as Caspiche, La Coipa, Veladero, and El Indio. The region is a stable mining jurisdiction and hosts a number of large-scale mining operations. The project area is covered under the Mining Integration and Complementation Treaty between Chile and Argentina, which provides the framework for the development of cross border mining projects.

The Company has completed a pre-feasibility study ("PFS") on the Filo del Sol Project, with an effective date of January 13, 2019, which demonstrated the project's robust economic potential. The PFS, which was based only on the oxide portion of the current Mineral Resource and used prices of US$3.00/lb copper, US$1,300/oz gold, and US$20/oz silver, yielded an after-tax net present value ("NPV") of US$1.28 billion at a discount rate of 8%, and generated an internal rate of return ("IRR") of 23%. Positive valuations were also maintained across a wide range of sensitivities on key assumptions. The PFS introduced an initial Probable Mineral Reserve estimate for the project, which is comprised of 259.1 million tonnes at 0.39% copper, 0.33 g/t gold and 15.1 g/t silver, containing 2.2 billion pounds of copper, 2.8 million ounces of gold and 126.0 million ounces of silver.

The Company's most recent Mineral Resource estimate for the Filo del Sol Project, with an effective date of June 11, 2018, is comprised of 425.1 million tonnes at 0.33% copper, 0.32 g/t gold and 10.7 g/t silver, containing 3.1 billion pounds of copper, 4.4 million ounces of gold and 146.9 million ounces of silver in the Indicated category, and an Inferred Mineral Resource estimate of 175.1 million tonnes at 0.27% copper, 0.33 g/t gold and 6.2 g/t silver for 1.1 billion pounds of copper, 1.8 million ounces of gold and 34.8 million ounces of silver. Moreover, the Filo del Sol Project continues to hold significant exploration potential, with less than 20% of the project area explored to date. The Company's Mineral Resource estimates are inclusive of the Mineral Reserve estimates as set forth above.

The technical information relating to the PFS is based on a technical report titled "NI 43-101 Technical Report, Pre-feasibility Study for the Filo del Sol Project" dated February 22, 2019, with an effective date of January 13, 2019 (the "Technical Report"). The Technical Report was prepared for Filo Mining by Ausenco Engineering Canada Inc. ("Ausenco"). The Qualified Persons, as defined under NI 43-101, responsible for the Technical Report are Scott Elfen, P.E., Ausenco; Robin Kalanchey, P.Eng., Ausenco; Bruno Borntraeger, P.Eng., Knight Piesold Ltd.; Fionnuala Devine, P.Geo., Merlin Geosciences Inc.; Ian Stillwell, BGC Engineering Inc.; Neil Winkelmann, FAusIMM, SRK Consulting (Canada) Inc.; James N. Gray, P.Geo., Advantage Geoservices Limited; and Jay Melnyk, P.Eng., AGP Mining Consultants, all of whom are independent of Filo Mining. The Technical Report is available for review under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.filo-mining.com.

The Company's strategy is to create value for its shareholders by expanding and increasing the quality of the resources and reserves at the Filo del Sol Project and by completing engineering and other studies that are required to prepare the Filo del Sol Project for eventual development by the Company or by third parties.

The Company has a strong management team and board with extensive experience in the resource sector, particularly in Chile and Argentina. The board and management team have an appropriate mix of geological, engineering, financial, and business skills to advance the Company's projects and to generate value for its shareholders.

2019 OPERATING HIGHLIGHTS

Conclusion of PFS and Definition of Maiden Probable Mineral Reserve Estimates

On January 13, 2019, the Company successfully completed a PFS on the oxide portion of the Filo del Sol deposit, which continued to demonstrate that the Filo del Sol Project exhibits strong economic potential. The PFS was headlined by a US$ 1.28 billion after-tax NPV using a discount rate of 8% and an IRR of 23%, at US$ 3.00/lb copper, US$ 1,300/oz gold, and US$ 20/oz silver.

The PFS also introduced initial Mineral Reserve estimates for the Filo del Sol Project, which at a 0.01 US$/tonne Net Value per Tonne ("NVPT") cut-off, were as follows:

	Tonnage	**Grade**				**Contained Metal**		
Category (all domains)	**(Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**NVPT ($/t)**	**Cu (M lbs)**	**Au (K oz)**	**Ag (K oz)**
Proven	-	-	-	-	-	-	-	-
Probable	259.1	0.39	0.33	15.1	25.30	2,226	2,764	126,028
Total Proven and Probable	**259.1**	**0.39**	**0.33**	**15.1**	**25.30**	**2,226**	**2,764**	**126,028**

Notes to accompany Filo del Sol Mineral Reserves table:

1. *Mineral Reserves have an effective date of 13 January 2019. The Qualified Person for the estimate is Mr. Jay Melnyk, P.Eng. of AGP Mining Consultants, Inc.*
2. *The Mineral Reserves were estimated in accordance with the CIM Definition Standards for Mineral Resources and Reserves;*
3. *The Mineral Reserves are supported by a mine plan, based on a pit design, guided by a Lerchs Grossmann (LG) pit shell. Inputs to that process are:*
    - *Metal prices of Cu $3.00/lb, Ag $20/oz, Au $1300/oz;*
    - *Mining cost of $2.00/t;*
    - *An average processing cost of $9.73/t;*
    - *General and administration cost of $2.02/t processed;*
    - *Pit slope angles varying from 29 to 45 degrees, inclusive of geotechnical berms and ramp allowances;*
    - *Process recoveries were based on rocktype. The average recoveries applied were 83% for Cu, 73% for Au and 80% for Ag, which exclude the adjustments for operational efficiency and copper recovered as precipitate which were included in the financial evaluation;*
4. *Dilution and Mining Loss adjustments were applied at ore/waste contacts using a mixing zone approach. The volumes of dilution gain and ore loss were equal, resulting reductions in grades of 1.0%, 1.3% and 1.0% for Cu, Au and Ag respectively;*
5. *Ore/Waste delineation was based on a Net Value Per Tonne (NVPT) breakeven cut-off considering metal prices, recoveries, royalties, process and G&A costs as per LG shell parameters stated above;*
6. *The life-of-mine (LOM) stripping ratio in tonnes is 1.52:1;*
7. *All figures are rounded to reflect the relative accuracy of the estimate. Totals may not sum due to rounding as required by reporting guidelines.*

To date, only the deposit's uppermost portion, which is comprised of oxide material, has been incorporated into the Company's engineering and economic studies, including the PFS. While the Company was aware of the existence of copper-gold mineralization below this oxide cap, exploration work on the size, scope and grade of this material had been limited. This deeper mineralization represents potentially transformative upside for the project, which the Company has recently drill-tested, as discussed below.

Confirmation of Large Copper-Gold Porphyry System Underlying Current Resource

During the 2018/2019 field season, which ended March 2019, the Company successfully completed seven diamond holes, totaling 4,747 metres. The 2018/2019 campaign confirmed the existence of a significant underlying porphyry copper-gold system, extending to depths of over 1,000 metres below surface, 530 metres deeper than previously known. Six of the seven holes completed during this campaign also ended in mineralization. The full assay results from the 2018/2019 drill program were received and disclosed in May 2019 and are summarized in the following table:

Hole-ID	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq[1] (%)
FSDH025	0.0	1,025.0	1,025.0	0.30	0.22	1.6	0.47
incl.	334.0	466.0	132.0	0.48	0.30	1.2	0.71
FSDH026	0.0	613.9	613.9	0.39	0.34	1.6	0.65
incl.	14.0	474.0	460.0	0.45	0.34	1.6	0.71
and incl.	14.0	94.0	80.0	0.73	0.43	1.8	1.06
and incl.	228.0	316.0	88.0	0.50	0.33	1.4	0.75
and incl.	420.0	474.0	54.0	0.49	0.37	3.3	0.79
FSDH027	0.0	545.4	545.4	0.22	0.28	1.8	0.44
incl.	318.0	422.0	104.0	0.37	0.34	3.5	0.65
FSDH028	16.0	563.5	547.5	0.40	0.78	8.0	1.04
incl.	**155.0**	**164.0**	**9.0**	**0.18**	**22.04**	**15.2**	**n/a**
and incl.	390.0	563.5	173.5	0.55	0.54	12.9	1.05
incl.	**496.0**	**563.5**	**67.5**	**0.61**	**0.68**	**24.0**	**1.31**
FSDH029	0.0	800.1	800.1	0.24	0.26	1.8	0.44
incl.	6.0	42.0	36.0	0.78	0.20	3.1	0.95
FSDH030	134.0	512.0	378.0	0.44	0.89	42.5	1.44
incl.	190.0	244.0	54.0	1.05	0.83	1.4	1.67
and incl.	262.0	388.0	126.0	0.19	1.79	121.5	2.50
incl.	**262.0**	**274.0**	**12.0**	**0.54**	**12.60**	**260.1**	**n/a**
and incl.	388.0	512.0	124.0	0.49	0.40	2.6	0.80
FSDH031	212.0	216.0	4.0	0.08	3.18	10.5	2.49

*[1] CuEq is calculated based on US$ 2.80/lb Cu, US$ 1,400/oz Au and US$ 16/oz Ag. The formula is: CuEq % = Cu % + (0.7292 * Au g/t) + (0.0083 * Ag g/t).*

These findings represented a step change in the Company's understanding of the geology of the Filo del Sol deposit, and continued to affirm that the current Mineral Resource is only a small portion of a much larger mineralization system.

Accordingly, for the 2019/2020 field season, which began in November 2019 and is currently being concluded, the Company executed an extensive field program to follow up on prior season's findings. Namely, a main focus of the program was to continue drilling the gold-copper-silver mineralization system, which hosts the Filo del Sol deposit, with a focus on extending the mineralization on strike and at depth. In addition, the campaign tested the Tamberias West prospect, a previously unexplored and recently permitted area located southwest of the current Mineral Resource, for additional near surface oxide mineralization. In addition, the 2019/2020 field program also included the undertaking of drone magnetometer and full 3D induced polarization ("IP") geophysical surveys to refine targeting.

To date, partial assay results on the first two diamond holes have been received and verified by the Company. These first assay batches are highlighted by an intercept of 600 metres of 1.12% Copper Equivalent[1] ("CuEq"), comprised of 0.67% copper and 0.44 g/t gold. A summary of these partial assay results are provided in the table below:

Hole-ID	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
FSDH032	192.0	978.0	786.0	0.57	0.40	13.6	0.97
incl.	**378.0**	**978.0**	**600.0**	**0.67**	**0.44**	**16.2**	**1.12**
and incl.	492.0	702.8	210.8	0.90	0.54	19.5	1.46
FSDH033	96.0	366.0	270.0	0.48	0.52	23.5	1.06
incl.	176.0	366.0	190.0	0.57	0.58	33.1	1.27
incl.	176.0	226.0	50.0	1.31	0.68	1.8	1.82
and incl.	264.0	284.0	20.0	0.03	0.42	223.1	2.19

The assay results, particularly those for hole FSDH032, demonstrate the size and scope of this deeper mineralization and reaffirm that a large porphyry mineralization system exists beneath the current Mineral Resource and extends to the north. It is important to note that the highlighted 600 metre intercept commences at effectively the floor of the PFS' open pit design.

In light of the COVID-19 pandemic, the Company has now curtailed its 2019/2020 field and drill campaign at the Filo del Sol Project (see the "Outlook and Statement on Readiness and Response to COVID-19" section below). The remaining assays from the 2019/2020 drill program will be released as data is received and verified by the Company.

CORPORATE UPDATE

Credit Facilities

On January 12, 2019, the Company obtained an unsecured US$ 5.0 million credit facility (the "January 2019 Facility") from Zebra Holdings and Investments S.à.r.l ("Zebra"), an insider of the Company, to provide additional financial flexibility to fund ongoing exploration at the Filo del Sol Project and for general corporate purposes. Zebra reports its security holdings in the Company as a joint actor with Lorito Holdings S.à.r.l. ("Lorito"), and at the time of entering into the January 2019 Facility they collectively held more than 20% of the Company's issued and outstanding common shares. The January 2019 Facility replaced an existing US$ 2.0 million facility from Zebra, which matured on January 12, 2019, and into which the outstanding balance owed thereunder was transferred. As consideration for the January 2019 Facility, Zebra will receive 300 common shares each month, for every US$ 50,000 in principal outstanding, prorated accordingly for the number of days outstanding. The January 2019 Facility matures on July 12, 2020, and no interest is payable in cash during its term.

On February 28, 2019, the Company obtained an additional unsecured US$ 5.0 million short-term credit facility (the "February 2019 Facility") from Zebra. As consideration for the February 2019 Facility, Zebra received 6,000 common shares of the Company upon respective thereof, and shall receive an additional 300 common shares each month, for every US$ 50,000 in principal outstanding on the facility, prorated accordingly for the number of days outstanding. The February 2019 Facility matured on February 28, 2020, and no interest was payable in cash during its term.

In addition, on April 26, 2019, the Company obtained an unsecured US$ 4.0 million credit facility (the "April 2019 Facility") from Zebra. As consideration for the April 2019 Facility, Zebra received 6,000 common shares of the Company upon execution thereof, and will receive an additional 300 common shares each month, for every US$ 50,000 in principal outstanding on the facility, prorated accordingly for the number of days outstanding. The April 2019 Facility matures on April 26, 2020, and no interest is payable in cash during its term.

Through the facilities described above, as of the date of this MD&A, the Company currently has access to US$ 9.0 million, which may be used, as necessary, to fund exploration at the Filo del Sol Project and for general corporate purposes. As of the date of this MD&A, the Company has no amounts outstanding against the facilities.

All common shares issued in conjunction with the facilities are subject to a four-month hold period under applicable securities laws.

Closing of Equity Financings for $40 Million

On August 30, 2019, the Company closed the sale of 7,275,000 common shares of the Company on a bought deal basis to a syndicate of underwriters led by BMO Capital Markets (the "Underwriters"), at a price of $2.75 per share (the "Issue Price") for total gross proceeds of approximately $20.0 million (the "Offering"). On August 30, 2019, the Company also closed a concurrent private placement of 7,272,727 common shares at the Issue Price for additional gross proceeds of approximately $20.0 million (the "Concurrent Private Placement"). Lorito acquired 1,818,182 common shares of the Company through the Offering for gross proceeds of $5.0 million, and Zebra was the sole subscriber in the Concurrent Private Placement. Share issuance costs related to the Offering and Concurrent Private Placement totaled $1.2 million, and included commissions, professional fees and regulatory fees.

Zebra and Lorito report their shareholding in the Company as joint actors and are related parties of the Company by virtue of their individual, and in the case of Lorito, combined, shareholding in the Company in excess of 20%. On August 30, 2019, following the close of the Financings, Zebra and Lorito held 27.38% and 8.54%, respectively, of the then issued and outstanding common shares of the Company.

Following closing of the Offering and Concurrent Private Placement, approximately $18.5 million of the net proceeds was used by the Company to fully repay amounts drawn under the credit facilities extended by Zebra. The Company has used, and plans to continue to deploy, the remaining net proceeds primarily for the ongoing exploration and development of the Filo del Sol Project, as well as for working capital, corporate overhead and general and administrative purposes.

OUTLOOK AND STATEMENT ON READINESS AND RESPONSE TO COVID-19

While the oxide material of the Filo del Sol deposit in itself represents a compelling production case, as outlined in the PFS, with an after-tax NPV of US$1.28 billion at an 8% discount rate and an IRR of 23%, the exploration results arising out of last two drill programs have confirmed the existence of a large porphyry system underlying the current Mineral Resource, which may be transformative for the flagship asset's size and scope. While the primary focus of the Company's most recent 2019/2020 field campaign has been the drilling of diamond holes to better define and extend this deeper mineralization, the Company has also drill-tested other targets on the project's extensive and largely unexplored land package, such as the Tamberias West area.

In light of the COVID-19 pandemic, the Company's 2019/2020 field program is being curtailed with demobilization of personnel and equipment currently underway. The Company is responding to COVID-19 within the framework of internal protocols, and local and national health authority requirements and recommendations. The health and safety of the Company's employees, contractors, visitors, and stakeholders is Filo Mining's number one priority. The Company's camp facilities and offices have implemented travel restrictions, surveillance, monitoring and response plans to reduce the risk of COVID-19 exposure and outbreak, including health screening of personnel when appropriate. All non-critical business travel has also been curtailed. We will continue to monitor the situation and are prepared to implement additional changes to minimize any potential impacts of the global outbreak that might emerge at the Company's project site or offices as necessary.

As a result of an earlier end to the 2019/2020 field program than initially planned, the Company's completed drilling will be lower than previously estimated and will total approximately 8,000 metres. Prior to the decision to conclude the field season early, the Company did successfully complete the planned drone magnetometer survey and full 3D IP geophysical survey. Despite the early curtailment to the 2019/2020 field season, the Company was able to achieve its key strategic operating objective for the season in successfully drill-testing the mineralization underlying the current Mineral Resource, as evidenced by hole FSDH032 described above.

The remaining assays results from the 2019/2020 field program will be made available as data is received and verified by the Company.

RESULTS FROM OPERATIONS

Year Ended	Dec-19	Dec-18	Dec-17
Net loss ($000's)	28,571	28,891	18,695
Loss per share, basic and diluted ($)	0.37	0.41	0.30
Total assets ($000's)	23,750	11,938	10,193

Filo Mining is a junior exploration company and, as such, its net losses are largely driven by its exploration and project investigation activities and there is no expectation of generating operating profits until it identifies and develops a commercially viable mineral deposit.

Key financial results for the last eight quarters are provided in the table below.

Three Months Ended	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18
Exploration costs ($000's)	5,759	1,895	4,332	11,022	5,183	2,208	3,595	13,132
Operating loss ($000's)	7,844	2,575	5,243	12,030	6,201	3,816	4,433	14,626
Net loss ($000's)	8,038	3,105	5,336	12,092	6,191	3,865	4,446	14,389
Net loss per share, basic and diluted ($)	0.09	0.04	0.07	0.17	0.09	0.05	0.06	0.22

Due to the geographic location of the Filo del Sol Project, the Company's business activities fluctuate with the seasons, through increased drilling and other exploration activities during the summer months in South America. As a result, a general recurring trend is the increase in exploration expenditures, and therefore net losses, for the fourth quarter and first quarter of a fiscal year, relative to the second and third quarters. In addition, other relevant factors, such as the financial position of the Company, other corporate initiatives, as well as the type and scope of planned exploration/project work, could affect the level of exploration activities and net loss in a particular period.

Filo Mining incurred a net loss of $28.6 million (2018: $28.9 million) for the year ended December 31, 2019. Exploration and project investigation costs are the most significant expenditures of the Company and account for approximately 81% (2018: 83%) of the net loss during the year ended December 31, 2019. This is reflective of the Company's accounting policy to expense its exploration costs through the consolidated statement of comprehensive loss, except for mineral property option payments and mineral property acquisition costs, which are capitalized.

Exploration and project investigation costs for the year ended December 31, 2019 were $23.0 million (2018: $24.1 million), which decreased slightly relative to the prior year. The decrease is generally the result of 2018 reflecting higher engineering, consultation and technical costs, such as metallurgical testwork, incurred in support of the PFS then underway, whereas during 2019, no similar technical studies were pursued. Detailed breakdowns of exploration costs for the years ended December 31, 2019 and 2018, are provided in the notes to the consolidated financial statements.

Excluding share-based compensation, administration costs for the year ended December 31, 2019 were $2.8 million (2018: $2.8 million). Share-based compensation, a non-cash cost, reflects the amortization of the estimated fair value of options over their vesting period and is based to a large degree on the Company's share price and its volatility. The actual future value to the option holders may differ materially from these estimates as it depends on the trading price of the Company's shares if and when the options are exercised. In addition, as the granting of options and their vesting is at the discretion of the Board, the related expense is unlikely to be uniform across quarters or financial years.

During the year ended December 31, 2019, the Company reported financing costs of $1,339,000, which increased relative to the prior year (2018: $54,000). This increase is the result of the Company's heavier use of credit facilities, as extended by Zebra, during 2019, and the larger resulting number of shares issued and issuable to Zebra as a result thereof.

Also, during the year ended December 31, 2019, the Company recognized a net monetary gain of $158,000 (2018: $39,000) in relation to the application of hyper-inflationary accounting for the Company's Argentine subsidiary, which began July 1, 2018. The monetary gains recognized are the results of changes in the Argentine price indices and changes to the Company's net monetary position during the respective periods. Further discussion regarding the application of hyper-inflationary accounting has been provided in the notes to the consolidated financial statements.

No tax recovery is recognized as a result of the nature of the Company's activities and the lack of reasonably expected taxable profits in the near term.

In other comprehensive income, the Company reported a foreign exchange translation loss of $514,000 (2018: $474,000) for the year ended December 31, 2019, on translation of subsidiary company accounts from their functional currency to the Canadian dollar presentation currency. For the year ended December 31, 2019, the foreign exchange translation loss is primarily the result of fluctuations of the Canadian dollar relative to the Chilean peso. In 2018, the foreign exchange translation loss also incorporated the impacts of fluctuations of the Canadian dollar exchange rate relative to the Argentine peso, however this ceased on July 1, 2018, with the Company's application of hyper-inflation accounting for the Company's Argentine subsidiary. As a result, beginning July 1, 2018, the Company began recognizing the impact of hyperinflation within other comprehensive income. For the year ended December 31, 2019, the impact of hyperinflation was a loss of $709,000 (2018: gains of $395,000), and consists of adjustments recognized on the continuing inflation of opening non-monetary balances during the period and the ongoing translation of the Company's Argentine subsidiary into the Canadian dollar presentation currency following July 1, 2018, as mentioned above.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2019, the Company had cash of $13.8 million and net working capital of $12.7 million, compared to cash of $2.4 million and a net working capital deficit of $0.6 million, as at December 31, 2018. The increase in the Company's cash and net working capital is due primarily to aggregate net proceeds totaling $38.8 million received from the Offering and Concurrent Private Placement, which closed on August 30, 2019. This cash inflow has been partially offset by $18.5 million used to fully repay amounts previously drawn under the credit facilities extended by Zebra and funds used in operations.

Based on Filo Mining's financial position at December 31, 2019, and exploration expenditures subsequent to year-end in relation to the 2019/2020 field season, the Company anticipates the need for further funding to support its planned South American operations, and for general corporate and working capital purposes. The Company is currently evaluating potential additional sources of financing. Historically, capital requirements have been primarily funded through equity financing, joint ventures, disposition of mineral properties and investments, and the use of short-term credit facilities extended by Zebra, such as those described in the "Corporate Update" section above. Zebra is a related party by virtue of its shareholding in the Company in excess of 20%.

While management is confident that additional sources of funding will be secured to fund planned expenditures for at least twelve months from December 31, 2019, factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets, and investor perceptions and expectations of the global copper, gold, and/or silver markets. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. If necessary, the Company may explore opportunities to revise the due dates of its liabilities, and/or settle its liabilities through the issuance of the common shares and other equity instruments. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

Moving forward, the Company continues to have the support of the Lundin Family Trusts, such as Zebra, the Company's largest shareholder, and expects that the majority of its treasury will be used to fund exploration and development of the Filo del Sol Project. On an ongoing basis, the Company evaluates and adjusts its planned exploration and administrative activities to ensure that adequate levels of working capital are maintained.

RELATED PARTY TRANSACTIONS

Under the normal course of operations, the Company may undertake transactions or hold balances with related parties. Other than those related party transactions identified elsewhere in this MD&A, the Company also engages with Josemaria Resources Inc. ("Josemaria", formerly NGEx Resources Inc.) and NGEx Minerals Ltd. ("NGEx Minerals"), related parties by way of directors, officers and shareholders in common, and Bofill Mir & Alvarez Jana Abogados Ltda. ("BMJAL"), a Chilean legal firm, of which a director of the Company is a partner.

Related party services

The Company has a cost sharing arrangement with Josemaria and NGEx Minerals. Under the terms of this arrangement, the Company provides management, technical, administrative and/or financial services (collectively, "Management Services") to Josemaria and NGEx Minerals, and vice versa. In addition, the Company engages BMJAL, as its legal counsel in Chile. These transactions were incurred in the normal course of operations, and are summarized as follows:

	Year ended December 31,	
	2019	**2018**
Management Services to Josemaria	1,217,414	735,822
Management Services to NGEx Minerals	238,003	-
Management Services from Josemaria	(336,044)	(555,443)
Management Services from NGEx Minerals	(363,373)	-
Legal services from BMJAL	(93,659)	(86,240)

Related party balances

The amounts due from (to) related parties, and the components of the consolidated statement of financial position in which they are included, are as follows:

	Related Party	December 31, 2019	December 31, 2018
Receivables and other assets	Josemaria	196,489	523,244
Receivables and other assets	NGEx Minerals	64,222	-
Accounts payable and accrued liabilities	Josemaria	(220,366)	(77,492)
Accounts payable and accrued liabilities	NGEx Minerals	(57,490)	-
Accounts payable and accrued liabilities	BMJAL	(22,617)	(15,463)

Extended Camp Use Agreement

On June 26, 2019, the Company, through its wholly-owned subsidiary, entered into a transaction with a wholly-owned subsidiary of Josemaria whereby the Company extended its right to use Josemaria's Batidero Camp in Argentina until at least April 1, 2021, being the end of the 2020/2021 field season, in exchange for a cash consideration of US$235,000, or approximately $331,000.

Key management compensation

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

		Year ended December 31,
	2019	**2018**
Salaries	987,604	1,087,500
Short-term employee benefits	47,542	45,477
Directors fees	97,000	97,000
Stock-based compensation	1,784,488	1,981,235
Incentive bonuses	490,000	470,000
	3,406,634	**3,681,212**

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant account policies are described in Note 3 the consolidated financial statements for year ended December 31, 2018, as on SEDAR at www.sedar.com.

New Accounting Pronouncements

The IASB and the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, IFRIC) have issued standards and amendments, or interpretations to existing standards, that were not yet effective and not applied by the Company as at December 31, 2019. These new standards and interpretations are not expected to be applicable for the Company for the annual period beginning on or after January 1, 2020.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS, such as the underlying consolidated financial statements for the year ended December 31, 2019, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenditures. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about estimates, assumptions and other sources of estimation uncertainty as at December 31, 2019 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are provided below:

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes periodic reviews of its mineral properties for indicators of impairment, and if identified would further review the carrying values of the applicable mineral properties to determine if their carrying values may exceed their fair value. In undertaking the initial review for indicators of impairment, and also any subsequent review of a mineral property's carrying value, management of the Company is required to make significant judgements and estimates. These judgments and estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables and other assets, and trade payables and accrued liabilities with carrying values considered to be reasonable approximations of fair value due to the short or near-term nature of these instruments.

As at December 31, 2019, the Company's financial instruments are exposed to the following financial risks, including credit, liquidity and currency risks:

(i) Credit risks associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.

(ii) Liquidity risks associated with the inability to meet obligations as they become due, as further described in the "Liquidity and Capital Resources" section above, is minimized through the management of its capital structure and by maintaining good relationships with significant shareholders and creditors, such as Zebra. The Company also closely monitors and reviews its costs to date and actual cash flows on a monthly basis. In assessing liquidity risk as at December 31, 2019, the Company has also considered the impact of funds made available through the credit facilities described above.

The maturities of the Company's financial liabilities as at December 31, 2019, are as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	3,553,545	3,553,545	-	-
Lease liabilities	72,803	60,658	12,145	
Total	**3,626,348**	**3,614,203**	**12,145**	**-**

(iii) Foreign currency risk can arise when the Company or its subsidiaries transact or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

At December 31, 2019, the Company's largest foreign currency risk exposure existed at the level of its Canadian headquarters, where the Company held a net financial asset position denominated in US dollars having a Canadian dollar equivalent of approximately $2.4 million. A 10% change in the foreign exchange rate between the US dollar and the Canadian dollar, the functional currency of the Company's Canadian headquarters, would give rise to increases/decreases of approximately $240,000 in financial position/comprehensive loss.

OUTSTANDING SHARE DATA

As at March 19, 2020, the Company had 88,218,451 common shares outstanding and 8,267,501 share options outstanding under its share-based incentive plan.

FINANCIAL INFORMATION

The Company's next scheduled financial report will be for the three months ended March 31, 2020, which is expected to be published on or around May 6, 2020.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which includes the acquisition, financing, exploration, development and operation of mineral and mining properties. There are a number of factors that could negatively affect the Company's business and the value of its common shares, including the more significant risk factors identified by the Company and listed below. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Other factors may arise that are not currently foreseen by management of the Company that may present additional risks in the future. Current and prospective security holders of the Company should carefully consider these risk factors, as they could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

COVID-19

The COVID-19 pandemic has negatively impacted global financial markets, and may continue to do so. As discussed in further detail below, the economic viability of the Company's business plan is impacted by its ability to obtain financing, and global economic conditions impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

In addition, as the health and safety of the Company's employees, contractors, visitors, and stakeholders (collectively, the "Stakeholders") are the Company's top priority, the Company will monitor developments with respect to COVID-19, both globally and within its operating jurisdictions, and will implement any such changes to its business as may be deemed appropriate to mitigate any potential impacts to its business and the Stakeholders. Such changes, may include, but are not limited to, temporary closures of the Company's project site or offices, and deviations from the timing and nature of previous operating plans.

Exploration and Development Risk

Mining exploration, development and operations generally involve a high degree of risk that cannot be eliminated, and which can adversely impact the Company's success and financial performance. Exploration for and development of mineral deposits involves a high degree of risk and few properties that are explored are ultimately developed into producing mines.

Major expenses are typically required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, among other things, the following:

- the interpretation of geological data obtained from drill holes and other sampling techniques;
- feasibility studies (which include estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed);
- the particular attributes of the deposit, such as size, grade and metallurgy; expected recovery rates of metals from the ore;
- proximity to infrastructure and labour; the ability to acquire and access land; the availability and cost of water and power; anticipated climatic conditions;
- cyclical metal prices; fluctuations in inflation and currency exchange rates;
- higher input commodity and labour costs; and
- government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

The risks and uncertainties inherent in exploration activities include but are not limited to: legal and political risk arising from operating in certain developing countries; civil unrest; general economic; market and business conditions; the regulatory process and actions; failure to obtain necessary permits and approvals; technical issues; new legislation; competitive and general economic factors and conditions; the uncertainties resulting from potential delays or changes in plans; the occurrence of unexpected events; and management's capacity to execute and implement its future plans. Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade, metallurgy and proximity to infrastructure and labour), the interpretation of geological data obtained from drilling and sampling, feasibility studies, the cost of water and power; anticipated climatic conditions; cyclical metal prices; fluctuations in inflation and currency exchange rates; higher input commodity and labour costs, commodity prices, government regulations, including regulations relating to prices, taxes, royalties, land tenure and use, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. Development projects will also be subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may adversely affect the Company's business. The Company's operations are subject to all of the hazards and risks normally encountered in the exploration and development of copper, gold, and silver projects and properties, including unusual and unexpected geologic formations, seismic activity, rock slides, ground instabilities or failures, mechanical failures, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of facilities, damage to life or property, environmental damage and possible legal liability.

We are concentrated in the copper/gold/silver mining industry, and as such, the Company's success will be sensitive to changes in, and the Company's performance will depend to a greater extent on, the overall condition of the copper/gold/silver mining industry. The Company's business may be negatively impacted by fluctuations in the copper/gold/silver mining industry generally. The Company may be susceptible to an increased risk of loss, including losses due to adverse occurrences affecting us more than the market as a whole, as a result of the fact that the Company's projects and properties are concentrated in the copper/gold/silver mining sector.

The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio and by balancing its exploration risks through joint ventures and option agreements with other companies.

Dependence on Single Project

The Filo del Sol Project is the Company's sole project and therefore, any adverse development with respect to the Filo del Sol Project will have a material adverse effect on the Company.

Mineral Reserves and Mineral Resources Estimates

The Company's reported Mineral Reserves and Mineral Resources are estimations only. No assurance can be given that the estimated Mineral Reserves and Mineral Resources are accurate or that the indicated level of copper, gold, silver or any other mineral will be recovered or produced. Actual mineralization or formations may be different from those predicted. It may take many years from the initial phase of drilling before production is possible and during that time the economic feasibility of exploiting a discovery may change. Market price fluctuations of copper, gold and silver and certain other metals, as well as increased production and capital costs or reduced recovery rates, may render the Company's Mineral Reserves uneconomic to develop. Moreover, short-term operating factors relating to the Mineral Reserves, such as the need for the orderly development of orebodies, the processing of new or different ore grades, the technical complexity of ore bodies, unusual or unexpected geological formations, ore dilution or varying metallurgical and other ore characteristics may cause Mineral Reserves to be reduced. Estimated Mineral Reserves may have to be recalculated based on fluctuations in the price of metals, or changes in other assumptions on which they are based. Any of these factors may require the Company to reduces its Mineral Reserves and Mineral Resources, which could have a negative impact on the Company's business.

Failure to obtain or maintain necessary permits or government approvals or changes to applicable legislation could also cause the Corporate to reduce its reserves. In addition, changes to mine plans could cause the Company to reduce its Mineral Reserves. There is also no assurance that the Company will achieve indicated levels of copper, gold or silver recovery or obtain the prices assumed in determining such Mineral Reserves.

Mineral resources that are not Mineral Reserves do not have demonstrated economic viability and there is no assurance that they will ever be mined or processed profitably. Due to the uncertainty which may attach to Mineral Resources, there is no assurance that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves; and no assurance that all or any part of an Inferred Mineral Resources exists or is economically or legally mineable.

Negative Operating Cash Flow

The Company is an exploration stage company and has not generated cash flow from operations. The Company is devoting significant resources to the development and acquisition of its properties, however there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it achieves commercial production at a particular project. The Company currently has negative cash flow from operating activities.

Permitting

The Company's development and exploration activities are subject to permitting requirements in both Argentina and Chile. In particular, comprehensive environmental assessments will be necessary for the Filo del Sol Project in Argentina in order to obtain the necessary approval for each of the Filo del Sol Project stages, which assessment will be conducted in compliance with Argentinian regulations. Project development will also require an environmental impact assessment study in Chile. Following the receipt of environmental approvals, additional permits, licences, authorizations, and certificates will be required to proceed to project construction, including, for example, mining water and fuel delivery, sewage water treatment, hazardous waste plans, drilling and closure plans. Failure to obtain required permits and/or to maintain compliance with permits once obtained could result in injunctions, fines, suspension or revocation of permits and other penalties.

There can be no assurance that the Company will obtain all such permits and/or achieve or maintain full compliance with such permits at all times. Activities required to obtain and/or achieve or maintain full compliance with such permits can be costly and involve extended timelines.

Previously issued permits may be suspended or revoked for a variety of reasons, including through government or court action. Failure to obtain and/or comply with required permits can have serious consequences, including: damage to the Company's reputation; stopping the Company from proceeding with the development of a project; negatively impacting further development of a mine; and increasing the costs of development and litigation or regulatory action against the Company, and may materially adversely affect the Company's business, results of operations or financial condition.

Environmental and Socio-Political Risks

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company conducts activities. The Company also aims to conduct its activities in accordance with high corporate social responsibility principles. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. The Company is subject to environmental regulation in the various jurisdictions in which it operates. Failure to comply with these laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may also be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Furthermore, environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Programs may also be delayed or prohibited in some areas due to technical factors, new legislative constraints, social opposition or local government capacity or willingness to issue permits to explore in a timely manner.

In parts of Argentina, there is environmental opposition to both mineral exploration and mining. Accordingly, there may be a certain degree of anti-mining sentiment that could potentially affect the risk of successfully exploring and developing the Company's assets in those provinces.

The Argentine Congress has passed legislation designed to protect the country's glaciers. This law would restrict development on and around glaciers. The detailed regulations that will govern implementation of the law have not yet been written but this legislation could affect the Company's ability to develop parts of the Company's properties in Argentina including the Filo del Sol Project. The Chilean Congress is also considering legislation designed to protect the country's glaciers. This legislation has not yet been approved but depending on its final language could affect the Company's ability to develop the Tamberias property.

Uncertainty of Funding and Dilution of Shareholders' Interests in the Company

The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of property interest. If the Company needs to raise additional funds, such financing may substantially dilute the economic and voting rights of the Company's shareholders and reduce the value of their investment. Since the Company's capital needs depend on market conditions and other factors beyond its control, it cannot predict or estimate the amount, timing or nature of any such future offering of securities. Thus, holders of Common Shares of the Company bear the risk of any future offerings reducing the market price of the Common Shares and diluting their shareholdings in the Company.

Foreign Operations Risk

The Company conducts exploration activities in foreign countries, including Argentina and Chile. Each of these countries exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks vary from country to country and can include, but are not limited to, civil unrest or war, terrorism, illegal mining, changing political conditions, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties. Changes in mining or investment policies or shifts in political attitudes may also adversely affect Corporation's existing assets and operations. Real and perceived political risk may also affect Corporation's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities.

Numerous countries have introduced changes to mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of law affecting foreign ownership, mandatory government participation, taxation and royalties, exploration licensing, export duties, and repatriation of income or return of capital. There can be no assurance that industries, which are deemed of national or strategic importance in countries in which the Company has assets, including mineral exploration, will not be nationalized. There is a risk that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company.

Indigenous Peoples

The Company operates in some areas including parts of the Tamberias area presently or previously inhabited or used by indigenous peoples. Various international and national laws, codes, resolutions, conventions, guidelines, and other material relate to the rights of indigenous peoples. Many of these materials impose obligations on government to respect the rights of indigenous people. Some mandate that government consult with indigenous people regarding government actions, which may affect indigenous people, including actions to approve or grant mining rights or permits. ILO Convention 169, which has been ratified by Argentina and Chile, is an example of such an international convention. The obligations of government and private parties under the various international and national materials pertaining to indigenous people continue to evolve and be defined. Examples of recent developments in this area include the United Nations Declaration of the Rights of Indigenous People and the International Finance Corporation's revised Performance Standard 7, which requires governments to obtain the free, prior, and informed consent of indigenous peoples who may be affected by government action, such as the granting of mining concessions or approval of mine permits. The Company's current and future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development of the Company's projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities. Opposition by indigenous people to the Company's operations may require modification of, or preclude operation or development of, the Company's projects or may require the Company to enter into agreements with indigenous people with respect to the Company's projects.

Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, those rights are in good standing. The results of the Company's investigations should not be construed as a guarantee of title. Other parties may dispute the title to a property, or the property may be subject to prior unregistered agreements or liens and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties, and the precise area and location of claims or the properties may be challenged and no assurances can be given that there are no title defects affecting such properties. The rules governing mining concessions in Chile and Argentina are complex and any failure by the Company to meet requirements would have a material adverse effect on the Company. Any defects in the title to the Company's properties could have a material and adverse effect on the Company.

No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. Although the Company has not had any problem renewing its licenses in the past there is no guarantee that it will always be able to do so. Inability to renew a license could result in the loss of any project located within that license.

The Company is earning an interest in the Tamberias property through an option agreement requiring property payments and acquisition of title to the properties is completed only when the option conditions have been met. If the Company does not satisfactorily complete these option conditions in the period laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write down its previously capitalized costs related to that property.

Dependence on Key Personnel

The Company's success will largely depend on the efforts and abilities of certain senior officers and key employees. Certain of these individuals have significant experience in the mining industry and, in particular the mining industry in South America. While the Company does not foresee any reason why such officers and key employees will not remain with the Company, if for any reason they do not, the Company could be adversely affected. In addition, certain of these individuals are also senior officers and key employees of Josemaria and/or NGEx Minerals and, pursuant to the terms of the Services Agreement, the employment costs associated with these individuals are shared between the Company, Josemaria and NGEx Minerals on a pro-rata basis. If such officers and key employees do not remain employed with Josemaria and/or NGEx Minerals for the purposes of the cost-sharing basis under the Services Agreement, the Company could be adversely affected. The Company has not purchased key man life insurance for any of these individuals.

No Operating History

Exploration projects have no operating history upon which to base estimates of future cash flows. Substantial expenditures are required to develop mineral projects. It is possible that actual costs and future economic returns may differ materially from Filo Mining's estimates. There can be no assurance that the underlying assumed levels of expenses for any project will prove to be accurate. Further, it is not unusual in the mining industry for new mining operations to experience unexpected problems during start-up, resulting in delays and requiring more capital than anticipated. There can be no assurance that Filo Mining's project/properties will move beyond the exploration stage and be put into production, achieve commercial production or that Filo Mining will produce revenue, operate profitably or provide a return on investment in the future. Mineral exploration involves considerable financial and technical risk. There can be no assurance that the funds required for exploration and future development can be obtained on a timely basis. There can be no assurance that Filo Mining will not suffer significant losses in the near future or that Filo Mining will ever be profitable.

Surface Access

The Company has surface access rights but does not own any surface rights at the Filo del Sol Project. The owners of the surface rights are in agreement with the Company's subsidiaries in conducting exploration activities on their ground.

From time to time, a land possessor may dispute the Company's surface access rights and, as a result, the Company may be barred from its legal temporary occupation rights. Surface access issues have the potential to result in the delay of planned exploration programs, and these delays may be significant. Such delays may have a material adverse effect on the Company.

The Company may require additional surface rights and property interests to further develop or exploit the resources on its properties, which will require negotiations with private landowners for the additional ownership and/or surface rights in order for the Company to fully operate. Surface rights may also be regulated and restricted by applicable law. There is no assurance that the Company will be able to obtain the required surface rights or negotiate successfully with private landowners to allow it to develop its properties and establish commercial mining operations on a timely basis. To the extent additional surface rights are available, they may only be acquired at significantly increased prices, potentially adversely impacting financial performance of the Company.

Conflicts of Interest

Some of the directors and employees/officers of the Company are also directors and employees/officers of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. In addition, certain individuals also serve as officers of Josemaria and/or NGEx Minerals and are subject to the Services Agreement. Such associations may give rise to conflicts of interest from time to time. In particular, one of the consequences will be that corporate opportunities presented to a director or employee/officer of the Company may be offered to another corporation or companies with which the director or employee/officer is associated and may not be presented or made available to the Company. The directors and employees/officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest that they may have in any project or opportunity of the Company, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by the procedures prescribed by the Company's Code of Business Conduct and Ethics and the CBCA.

Operations in Chile

Given its foreign operations in Chile, the Company is exposed to risks that are typical and inherent for companies that have material assets and property held in that jurisdiction. In particular, previously issued permits may be suspended or revoked for a variety of reasons, including through government or court action. Chile is typically viewed as a favourable mining jurisdiction; however, recently certain Canadian issuers have experienced regulatory action with regards to Chilean operations.

Non-compliance with applicable laws, regulations and permitting requirements (including allegations of such) may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed or causing the withdrawal of permits or mining licenses, and the imposition of corrective measures requiring material capital expenditure or remedial action resulting in materially increased cost of compliance, reputational damage and potentially impaired ability to secure future approvals and permits. The Company may be required to compensate third parties for loss or damage and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Metal Price Risk

The Company's portfolio of properties and investments have exposure to predominantly copper, gold, and silver. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing and metals-consuming countries throughout the world. The prices of these metals greatly affect the value of the Company, the price of the common shares of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures, option agreements and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.

Uncertainty of Funding

The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of property interest. If the Company needs to raise additional funds, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

Trading Price for the Common Shares is Volatile

The securities of publicly traded companies, particularly mineral exploration and development companies, can experience a high level of price and volume volatility and the value of the Company's securities can be expected to fluctuate depending on various factors, not all of which are directly related to the success of the Company and its operating performance, underlying asset values or prospects. These include the risks described elsewhere in this Prospectus. The trading price of the Company's Common Shares has been and may continue to be subject to large fluctuations, which may result in losses to investors. The trading price of the Company's Common Shares may increase or decrease in response to a number of events and factors, including:

- issuances of Shares or debt securities by the Company;
- the Company's operating performance and the performance of competitors and other similar companies;
- the addition or departure of key management and other personnel;
- the expiration of lock-up or other transfer restrictions on outstanding Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;
- changes in recommendations by research analysts who track the Company's Common Shares or the shares of other companies in the resource sector;
- the number of Common Shares to be publicly traded after an offering; and
- the factors listed under the heading "Cautionary Note Regarding Forward-Looking Information and Statements".

In addition, the market price of the Common Shares is affected by many variables not directly related to the Company's success and therefore not within the Company's control. Factors which may influence the price of the Company's securities, include, but are not limited to: worldwide economic conditions; changes in government policies; local community opposition to mining projects generally; investor perceptions; movements in global interest rates and global stock markets; variations in operating costs; the cost of capital that the Company may require in the future; the market price of metals, including copper, gold and silver; the price of commodities necessary for the Company's operations; recommendations by securities research analysts; the share price performance of the Company's competitors; news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related industry and market issues affecting the mining sector; publicity about the Company, the Company's personnel or others operating in the industry; loss of a major funding source; and all market conditions that are specific to the mining industry, including other developments that affect the market for all resource sector shares, the breadth of the public market for the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of Shares on the exchanges on which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Control of Filo Mining

As at the date of this MD&A, Zebra and Lorito, who report their security holdings as joint actors, are control persons of Filo Mining (as defined by the TSXV). As long as Zebra and Lorito maintain significant interests in Filo Mining, they will have the ability to exercise certain influence with respect to the affairs of Filo Mining and significantly affect the outcome of the votes of shareholders. There is a risk that the interests of Zebra and Lorito differ from those of other shareholders.

As a result of the significant holdings of Zebra and Lorito, there is a risk that the Company's securities are less liquid and trade at a relative discount compared to circumstances where these persons did not have the ability to influence or determine matters affecting Filo Mining. Additionally, there is a risk that their significant interests in Filo Mining discourages transactions involving a change of control of Filo Mining, including transactions in which an investor, as a holder of the Company's securities, would otherwise receive a premium for its Corporation's securities over the then-current market price.

Future Offerings of Debt or Equity Securities

The Company may require additional funds to finance further exploration, development and production activities, or to take advantage of unanticipated opportunities. If the Company raises additional funds by issuing additional equity securities, such financing would dilute the economic and voting rights of the Company's shareholders. Since the Company's capital needs depend on market conditions and other factors beyond its control, it cannot predict or estimate the amount, timing or nature of any such future offering of securities. Thus, holders of common shares of the Company bear the risk of any future offerings reducing the market price of the common shares and diluting their shareholdings in the Company.

Economic and Political Instability in Argentina

The Filo del Sol Project is located in San Juan Province, Argentina. There are risks relating to an uncertain or unpredictable political and economic environment in Argentina, especially as there is social opposition to mining operations in certain parts of the country. During an economic crisis in 2001 to 2003 and again in 2014, Argentina defaulted on foreign debt repayments and on the repayment on a number of official loans to multinational organizations. In addition, the government has renegotiated or defaulted on contractual arrangements. The recently elected government, which took office in December 2019, has reinstated currency controls previously lifted by the opposition government, which, among other impacts, restricts the ability of companies and its citizens to obtain United States dollars, in each case requiring Central Bank approval (resulting in, at times, a limitation on the ability of multi-national companies to distribute dividends abroad in United States dollars). While the political environment in Argentina continues to develop, and the status of currency controls and restrictions remains fluid, past actions indicate that the Argentinean government may from time to time alter or impose additional requirements or policies that may adversely affect the Company's activities in Argentina or in its ability to attract joint venture partners or obtain financing for its projects in the future.

Infrastructure

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power and water supplies are important determinants that affect costs. The Company's ability to obtain a secure supply of power and water at a reasonable cost depends on many factors, including: global and regional supply and demand; political and economic conditions; problems that can affect local supplies; delivery; and relevant regulatory regimes. Power and water are currently in short supply throughout Northern Chile and this may adversely affect the ability of the Company to explore and develop its Chilean projects. Unusual or infrequent weather phenomena, sabotage or government, and other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

Establishing such infrastructure will require significant resources, identification of adequate sources of raw materials and supplies and necessary cooperation from national and regional governments, none of which can be assured. There is no guarantee that the Company will secure these power, water and access rights going forward or on reasonable terms.

Global Financial Conditions Can Reduce Share Prices and Limit Access to Financing

The economic viability of the Company's business plan is impacted by the Company's ability to obtain financing. Global economic conditions impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

Significant political, market and economic events may have wide-reaching effects and, to the extent they are not accurately anticipated or priced into markets, may result in sudden periods of market volatility and correction. Periods of market volatility and correction may have an adverse impact on economic growth and outlook, as well as lending and capital markets activity, all of which may impact the Company's ability to secure adequate financing on favourable terms, or at all.

In the wake of the 2008 financial crises and Eurozone sovereign debt crisis, increased regulatory scrutiny contributed to financial institutions oftentimes applying more stringent lending criteria as compared to before the crises and the availability of debt was relatively low by historical comparison. While debt markets stabilized, and lending activity has since strengthened, there is no guarantee that credit market conditions will not worsen. Recently, certain economists and market commentators have pointed to historically high levels of household debt in Canada, the effect of which on the Canadian economy and credit markets is unknown. Should credit market conditions worsen, the Company may have difficulty borrowing on economically favourable terms, or at all.

While equity markets in Canada and the United States have enjoyed relatively healthy performance coming out of the 2008 financial crisis, there is no guarantee that favourable equity market conditions will persist. Furthermore, while recent overall equity market performance has been relatively healthy, certain sectors, such as metals and mining, and energy, have at times experienced periods of increased volatility and changing market sentiment during the recent past. A general risk-adverse approach to investing, which may become more predominant as a result of market turmoil, may limit the Company's ability to obtain future equity financing. Inability to obtain financing at all, or on acceptable terms, may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the global mining industry, global supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price. Uncertainty or adverse changes relating to government regulation, economic and foreign policy matters, and other world events have the potential to adversely affect the performance of and outlook for the Canadian and global economies, which in turn may affect the ability of the Company to access financing on favourable terms or at all. For example, recent uncertainty regarding Canada's ability to access North American markets via the North American Free Trade Agreement and increased levels of turmoil in certain geopolitical hotspots have the potential to increase uncertainty and volatility in Canadian and global markets, respectively. The occurrence of negative sentiment or events in the Canadian and broader global economy could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Currency Risk

The Company will transact business in a number of currencies including but not limited to the US Dollar, the Argentine Peso and the Chilean Peso. The Argentine Peso in particular has had significant fluctuations in value relative to the US and Canadian dollars. Ongoing economic uncertainty in Argentina as well as unpredictable changes to foreign exchange rules may result in fluctuations in the value of the Argentine Peso that are greater than those experienced in the recent past. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or a negative direction. The Company does not currently engage in foreign currency hedging activities.

Information Systems and Cyber Security

The Company's operations depend on information technology ("IT") systems. These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyber-attacks, as well as disruptions resulting from incidents such as cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Application of Anti-Corruption and Anti-Bribery Laws

The Company is required to comply with anti-corruption and anti-bribery laws, including the Extractive Sector Transparency Measures Act, the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act, as well as similar laws in the countries in which the Company conducts its business. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential, as well as the necessary labour and supplies required to develop such properties. The Company competes with other exploration and mining companies, many of which have greater financial resources, operational experience and technical capabilities than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. The Company may not be able to maintain or acquire attractive mining properties on terms it considers acceptable, or at all. Consequently, its financial condition could be materially adversely affected.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. For this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

QUALIFIED PERSON

The scientific and technical disclosure for the Filo del Sol Project included in this MD&A have been reviewed and approved by Bob Carmichael, P. Eng. (BC) and/or James Beck, B.A.Sc., P.Eng. Mr. Carmichael is Filo Mining's Vice-President of Exploration and a Qualified Person under National Instrument 43-101 Standards of Disclosure for Mineral Projects. ("NI 43-101"). Mr. Beck is Filo Mining's President and is also a Qualified Person under NI 43-101.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made and information contained herein in the MD&A constitutes "forward-looking information" and forward-looking statements" within the meaning of applicable securities legislation (collectively, "forward-looking information" or "forward-looking statements") concerning the business, operations, financial performance and condition of Filo Mining. The forward-looking information contained in this MD&A is based on information available to the Company as of the date of this MD&A. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance, (often, but not always, identified by words or phrases such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "projects" , "estimates", "budgets", "scheduled", "forecasts", "assumes", "intends", "strategy", "goals", "objectives", “potential”, “possible”, "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events, conditions or results “will”, "may", "could", "would", “should”, "might" or "will be taken", "will occur" or "will be achieved" or the negative connotations thereof and similar expressions) are not statements of historical fact and may be forward-looking statements.

All statements other than statements of historical fact may be forward-looking statements. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, the inherent uncertainties regarding Mineral Resource estimates, cost estimates, changes in commodity prices, currency fluctuation, financings, unanticipated resource grades, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations as well as other risks, and uncertainties and other factors, including, without limitation, those referred to in the “Risks and Uncertainties” section of the MD&A and in the Company’s most recent Annual Information Form, under the heading “Risks Factors”, and elsewhere, which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

The Company believes that the expectations reflected in the forward-looking statements and information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and information should not be unduly relied upon. This statement and information is as of the date of the MD&A. In particular, this MD&A contains forward-looking statements or information pertaining to the assumptions used in the PFS for the Filo del Sol Project, the assumptions used in the Mineral Reserves and Resources estimates for the Filo del Sol Project, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological conditions, as applicable; ability to develop infrastructure; assumptions made in the interpretation of drill results, geology, grade and continuity of mineral deposits; expectations regarding access and demand for equipment, skilled labour and services needed for exploration and development of mineral properties; and that activities will not be adversely disrupted or impeded by exploration, development, operating, regulatory, political, community, economic and/or environmental risks. In addition, this MD&A may contain forward-looking statements or information pertaining to: the Company's plans for its 2019/2020 field program at its 100% owned Filo del Sol Project, including the expected timing of results related thereto; potential upside at the Filo del Sol Project; assumptions and interpretations around prospectivity of the Tamberias West area; the Company’s ability to define and understand the structural controls applicable to the high-grade gold zones within the Filo del Sol deposit; the ability of the Company to secure additional financing and/or the quantum and terms thereof; support of the Lundin Family Trusts; exploration and development plans and expenditures; the timing and nature of studies and any potential development scenarios; opportunities to improve project economics; the success of future exploration activities; potential for resource expansion; potential for the discovery of new mineral deposits; ability to build shareholder value; expectations with regard to adding to Mineral Reserves or Resources through exploration; expectations with respect to the conversion of inferred resources to an indicated resources classification; ability to execute the planned work programs; estimation of commodity prices, Mineral Reserves and Resources, estimations of costs, and permitting time lines; ability to obtain surface rights and property interests; currency exchange rate fluctuations; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

Forward-looking information is based on certain assumptions that the Company believes are reasonable, including that the current price of and demand for commodities will be sustained or will improve, the supply of commodities will remain stable, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material labour dispute, accident, or failure of plant or equipment. These factors are not, and should not be construed as being, exhaustive. Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate, as the Company's actual results and future events could differ materially from those anticipated in such statements, as a result of the factors discussed in the "Risk and Uncertainties" section of this MD&A, and elsewhere, and in the "Risk Factors" section of the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR at www.sedar.com. All of the forward-looking information contained in this document is qualified by these cautionary statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

Statements relating to "Mineral Resources" are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the Mineral Resources described can be profitably produced in the future.

Independent auditor's report

To the Shareholders of Filo Mining Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Filo Mining Corp. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lana Kirk.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 19, 2020

Filo Mining Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	**December 31, 2019**	**December 31, 2018**
ASSETS			
Current assets:			
Cash		$ 13,753,440	$ 2,405,109
Receivables and other assets	*5*	2,595,966	2,414,486
		16,349,406	4,819,595
Non-current assets:			
Right-of-use asset		88,832	-
Mineral properties	*6*	7,312,220	7,118,233
		7,401,052	7,118,233
TOTAL ASSETS		23,750,458	11,937,828
LIABILITIES			
Current liabilities:			
Trade payables and accrued liabilities		3,553,545	3,218,576
Amounts owing pursuant to credit facility	*7*	-	2,202,548
Lease liabilities		60,658	-
		3,614,203	5,421,124
Non-current liabilities:			
Lease liabilities		12,145	-
		12,145	-
TOTAL LIABILITIES		3,626,348	5,421,124
SHAREHOLDERS' EQUITY			
Share capital	*8*	125,577,816	84,350,227
Contributed surplus		7,729,168	5,554,793
Deficit		(111,814,641)	(83,244,040)
Accumulated other comprehensive loss		(1,368,233)	(144,276)
TOTAL SHAREHOLDERS' EQUITY		20,124,110	6,516,704
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 23,750,458	$ 11,937,828

Nature of Operations and Liquidity Risk (Note 1)
Subsequent Event (Note 6)
Commitments (Note 16)

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

On behalf of the Board:

/s/Alessandro Bitelli
Director

/s/Adam I. Lundin
Director

Filo Mining Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	**2019**	**Year ended December 31, 2018**
Expenses			
Exploration and project investigation	*10*	$ 23,007,517	$ 24,117,885
General and administration:			
Salaries and benefits		1,786,349	1,664,034
Share-based compensation	*9c*	1,906,469	2,115,183
Management fees		198,700	226,225
Professional fees		177,260	132,109
Travel		139,500	143,392
Promotion and public relations		261,611	439,272
Office and general		214,481	237,942
Operating loss		27,691,887	29,076,042
Other expenses			
Financing costs	*3o,7*	1,338,936	53,719
Foreign exchange loss (gain)		(302,041)	223,265
Net monetary gain	*4*	(158,181)	(39,164)
Gain on disposal of mineral properties		-	(422,635)
Net loss		28,570,601	28,891,227
Other comprehensive loss (gain)			
Items that may be reclassified subsequently to net loss:			
Foreign currency translation adjustment		514,478	473,961
Impact of hyperinflation	*4*	709,479	(394,920)
Comprehensive loss		$ 29,794,558	$ 28,970,268
Basic and diluted loss per common share		$ 0.37	$ 0.41
Weighted average common shares outstanding		78,215,358	70,834,466

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

Filo Mining Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note	**2019**	**Year ended December 31, 2018**
Cash flows used in operating activities			
Net loss for the year		$ (28,570,601)	$ (28,891,227)
Items not involving cash:			
Share-based compensation	*9c*	2,469,795	2,720,921
Financing costs	*3o,7*	1,338,936	53,719
Net monetary loss		452,304	63,158
Gain on disposal of mineral properties		-	(422,635)
Unrealized foreign exchange loss		-	53,522
Net changes in working capital items:			
Receivables and other		(1,172,236)	(1,766,718)
Trade payables and accrued liabilities		1,563,745	2,263,185
		(23,918,057)	(25,926,075)
Cash flows from financing activities			
Proceeds from equity financings, net	*8*	38,797,273	24,384,864
Drawdown of credit facilities		16,603,165	2,127,288
Repayment of credit facilities		(18,454,800)	-
Proceeds from exercise of share options		790,558	408,275
Repayment of lease liabilities		(102,130)	-
		37,634,066	26,920,427
Cash flows used in investing activities			
Mineral properties and related expenditures	*6*	(654,579)	(528,895)
Proceeds from disposal of mineral properties		-	64,919
		(654,579)	(463,976)
Effect of exchange rate change on cash		(1,713,099)	(542,674)
Increase (decrease) in cash during the year		11,348,331	(12,298)
Cash, beginning of year		$ 2,405,109	$ 2,417,407
Cash, end of year		$ 13,753,440	$ 2,405,109

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

Filo Mining Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2018		62,268,450	$ 59,481,338	$ 2,877,642	$ (54,352,813)	$ (65,235)	$ 7,940,932
Share-based compensation		-	-	2,720,921	-	-	2,720,921
Shares issued pursuant to the equity financings		9,823,195	25,540,307	-	-	-	25,540,307
Share issuance costs		-	(1,155,443)	-	-	-	(1,155,443)
Shares issued pursuant to credit facilities		12,300	31,980	-	-	-	31,980
Exercise of options		471,250	452,045	(43,770)	-	-	408,275
Net loss and other comprehensive loss		-	-	-	(28,891,227)	(79,041)	(28,970,268)
Balance, December 31, 2018		**72,575,195**	**$ 84,350,227**	**$ 5,554,793**	**$(83,244,040)**	**$ (144,276)**	**$ 6,516,704**
Balance, January 1, 2019		72,575,195	$ 84,350,227	$ 5,554,793	$ (83,244,040)	$ (144,276)	$ 6,516,704
Share-based compensation	*9c*	-	-	2,469,795	-	-	2,469,795
Shares issued pursuant to the equity financings	*8*	14,547,727	40,006,249	-	-	-	40,006,249
Share issuance costs	*8*	-	(1,208,976)	-	-	-	(1,208,976)
Shares issued pursuant to credit facilities		497,196	1,344,338	-	-	-	1,344,338
Exercise of options		598,333	1,085,978	(295,420)	-	-	790,558
Net loss and other comprehensive loss		-	-	-	(28,570,601)	(1,223,957)	(29,794,558)
Balance, December 31, 2019		**88,218,451**	**$ 125,577,816**	**$ 7,729,168**	**$(111,814,641)**	**$ (1,368,233)**	**$ 20,124,110**

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

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Filo Mining Corp. (the "Company" or "Filo Mining") was incorporated on May 12, 2016 under the Canada Business Corporations Act in connection with the plan of arrangement to reorganize Josemaria Resources Inc. ("Josemaria", formerly NGEx Resources Inc. ("NGEx")), which was completed on August 16, 2016.

The Company's principal business activities are the exploration and development of the Filo del Sol and Tamberias Properties, which are comprised of adjacent mineral titles in the San Juan Province in Argentina and in Chile. Its registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada. The Company's common shares trade on the TSX Venture Exchange (the "TSXV") and the NASDAQ First North Growth Market under the symbol "FIL".

While these consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that it will be able to meet its existing obligations and commitments and fund ongoing operations in the normal course of business for at least twelve months from December 31, 2019, the Company anticipates the need for further funding to support its planned South American operations, and for general corporate and working capital purposes. The Company is currently evaluating potential additional sources of financing. Historically, capital requirements have been primarily funded through equity financing, joint ventures, disposition of mineral properties and investments, and the use of short-term credit facilities extended by Zebra Holdings and Investments S.à.r.l ("Zebra"), such as those described in Note 7 below. Zebra is a related party by virtue of its shareholding in the Company in excess of 20%.

While management is confident that additional sources of funding will be secured to fund planned expenditures for at least twelve months from December 31, 2019, factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets, and investor perceptions and expectations of the global copper, gold, and/or silver markets. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. If necessary, the Company may explore opportunities to revise the due dates of its liabilities, and/or settle its liabilities through the issuance of the common shares and other equity instruments. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. These consolidated financial statements are prepared on a historical cost basis except for certain financial assets, which are measured at fair value.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 19, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements of the Company include the following subsidiaries:

Subsidiaries	Jurisdiction	Nature of operations
NGEx Filo del Sol Holdings Inc.	Canada	Holding company
NGEx Chile Holdings Inc.	Canada	Holding company
Filo del Sol Uruguay S.A.	Uruguay	Holding company
Frontera Holdings (Bermuda) IV Ltd.	Bermuda	Holding company
Frontera Holdings (Bermuda) V Ltd.	Bermuda	Holding company
Filo del Sol Exploracion S.A.	Argentina	Exploration company
Frontera Chile Limitada	Chile	Exploration company

The Company consolidates an entity when it has power over that entity, is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

All the Company's subsidiaries are wholly-owned and all intercompany balances, transactions, including income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

b) Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about estimates, assumptions and other sources of estimation uncertainty as at December 31, 2019 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are provided below:

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes periodic reviews of its mineral properties for indicators of impairment, and if identified would further review the carrying values of the applicable mineral properties to determine if their carrying values may exceed their fair value. In undertaking the initial review for indicators of impairment, and also any subsequent review of a mineral property's carrying value, management of the Company is required to make significant judgements and estimates. These judgments and estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties.

c) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of its material subsidiaries, which have operations in Chile and Argentina, is the Chilean peso and the Argentine peso, respectively.

For the Company's Argentine subsidiary, which is affected by hyper-inflationary accounting as described in Notes 3n and 4 below, and uses the Argentine peso as its functional currency, the results and financial position of this subsidiary are translated into the presentation currency using the exchange rate prevailing at the date of the statement of financial position.

The results and financial position of all other subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated using the exchange rate prevailing at the date of that statement of financial position.

- Income, expenses, and other comprehensive income for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

- All resulting exchange differences are recognized as a separate component of equity and in other comprehensive income.

d) Mineral properties and exploration expenditure

The Company capitalizes acquisition costs for property rights, including payments for exploration rights and estimated fair value of exploration properties acquired as part of an acquisition.

Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves. When it has been established that a mineral property is considered to be sufficiently advanced to the development stage and economic viability has been demonstrated, all further expenditures for the current year and subsequent years are capitalized as incurred and subsequently amortized on a units of production based on proven and probable reserves of the assets to which they relate.

e) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units, or "CGU's"). Value in use is determined as the present value of future cash inflows expected to be derived from a CGU using a pre-tax discount rate that reflects the current time value of money and the risks specific to that CGU.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

f) Financial instruments

(i) Classification and measurement

The following table shows the classification and measurement of the Company's financial instruments:

	Measurement basis	Classification under
Cash	Note 1	Amortized cost
Receivables and others	Note 1	Amortized cost
Trade payables and accrued liabilities	Note 1	Amortized cost
Amounts owing pursuant to credit facility	Note 1	Amortized cost

Note 1 – Financial assets and liabilities at amortized costs are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

(ii) De-recognition

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risk and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on de-recognition of financial assets and liabilities are generally recognized in the consolidated statements of comprehensive losses.

(iii) Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized costs based on a probability-weighted estimate of credit losses over the expected life of the financial asset.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

g) Cash

Cash includes cash on hand, and deposits held with financial institutions with a fixed deposit term of three months or less, net of bank overdrafts.

h) Current and deferred income tax

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

i) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

j) Share-based compensation

The Company has a share-based compensation plan, whereby it is authorized to grant share options to officers, employees, directors, and other eligible persons. The fair value of the options is measured at the date the options are granted, using the Black-Scholes option-pricing model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the common shares and an expected life of the options. The fair value less estimated forfeitures is charged over the vesting period of the related options as an expense on its financial statements.

k) Provisions

Provisions for restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

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

l) Leases

On January 1, 2019, the Company adopted IFRS 16, *Leases*, which sets out the accounting standards for the recognition, measurement, presentation and disclosure of leases, as described in Note 3o below.

m) Segment reporting

As the Company primarily focuses its activity on the exploration and development of mineral properties, its operating and reportable segments are the Filo del Sol Project, comprised of the Filo del Sol Property and the Tamberias Property, other general exploration and project generation initiatives, and the Company's corporate administration function. Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer, the chief operating decision-maker for the Company, obtains and reviews operating results of each operating segment on a monthly basis.

n) Hyperinflation

On July 1, 2018, the Company adopted IAS 29, Financial Reporting in Hyper-Inflationary Economies, which outlines the use of the hyper-inflationary accounting to consolidate and report its Argentine operating subsidiary.

The application of hyper-inflationary accounting requires restatement of the Argentine subsidiary's non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Wholesale Price Index (Indice de Precios Mayoristas or "IPIM") for periods up to December 31, 2016, and the Retail Price Index (Indice de Precios al Consumidor or "IPC") thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE").

As the consolidated financial statements of the Company have been previously presented in Canadian dollars, a stable currency, the comparative period amounts do not require restatement.

o) Adoption of new accounting policy: leases

On January 1, 2019, the Company adopted IFRS 16, *Leases*, which specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for almost all leases, unless the lease term is 12 months or less or the underlying asset has a low value, in which case, lease payments are recognized as an expense on a straight-line basis over the lease term or another systematic basis, if deemed more representative.

The Company has adopted IFRS 16 retroactively from January 1, 2019, but has not restated the 2018 comparative periods presented, as permitted under the specific transitional provision in the standard. Accordingly, any adjustments arising from the new lease accounting rules have been recognized in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which were previously classified as 'operating leases' under the principles of the predecessor standard, IAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate used to measure the opening lease liability on January 1, 2019 was 12.6%.

Accordingly, on January 1, 2019, the Company recognized a total lease liability in the amount of approximately $199,000.

On January 1, 2019, the Company did not have any leases, which were previously classified as finance leases under IAS 17.

A corresponding right-of-use asset has also been recognized on January 1, 2019, in relation to the leased properties, mainly offices and warehouses in South America, which was measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments recognized at the date of initial application, as applicable. The Company did not have any onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Accordingly, on January 1, 2019, the Company recognized a total right-of-use asset in the amount of approximately $199,000.

In applying IFRS 16 for the first time, the Company used a practical expedient permitted by the standard, which allowed the Company to not reassess whether its contracts are, or contain, a lease at the date of initial application. Instead, pursuant to this practical expedient, for contracts entered into before the transition date, the Company was permitted to rely on its previous assessments made under IAS 17 and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

As a result of adopting IFRS 16, the Company recognized accretion on the lease liability in the amount of approximately $16,000 for the year ended December 31, 2019, as financing costs in the consolidated statement of loss. The Company also recognized approximately $95,000 for the year ended December 31, 2019, in amortization of the right-of-use asset through exploration and project investigation costs.

p) New accounting pronouncements

The IASB and the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, IFRIC) have issued standards and amendments, or interpretations to existing standards, that were not yet effective and not applied by the Company as at December 31, 2019. These new standards and interpretations are not expected to be applicable for the Company for the annual period beginning on or after January 1, 2020.

(Expressed in Canadian Dollars, unless otherwise stated)

4. HYPERINFLATION

Argentina was designated a hyper-inflationary economy as of July 1, 2018 for accounting purposes.

The Company recognized a loss of $709,479 for the year ended December 31, 2019 (2018: gain of $394,920) in relation to the impact of hyperinflation within other comprehensive income, which is primarily the result of devaluation of the Argentine Peso relative to the Canadian dollar during the respective periods.

As a result of changes in the IPC and changes to the Company's net monetary position during the year ended December 31, 2019, the Company recognized a net monetary gain $158,181, respectively during the year ended December 31, 2019 (2018: $39,164) to adjust transactions recorded during the year into a measuring unit current as of December 31, 2019.

The level of the IPC at December 31, 2019 was 283.4 (December 31, 2018: 184.2), which represents an increase of approximately 54% over the IPC at December 31, 2018, and an approximate 22% increase over the average level of the IPC during the year ended December 31, 2019.

5. RECEIVABLES AND OTHER ASSETS

	December 31, 2019	**December 31, 2018**
Taxes receivable	1,060,702	660,881
Other receivables	968,536	1,064,246
Prepaid expenses and deposits	566,728	689,359
	2,595,966	**2,414,486**

6. MINERAL PROPERTIES

	Filo del Sol	**Tamberias**	**Total**
January 1, 2018	**$ 3,177,844**	**$ 3,301,500**	**$ 6,479,344**
Additions	-	528,895	528,895
Adjustment for the impacts of hyperinflation	357,961	-	357,961
Effect of foreign currency translation	(84,823)	(163,144)	(247,967)
December 31, 2018	**$ 3,450,982**	**$ 3,667,251**	**$ 7,118,233**
Additions	-	654,579	654,579
Adjustment for the impacts of hyperinflation	(40,255)	-	(40,255)
Effect of foreign currency translation	-	(420,337)	(420,337)
December 31, 2019	**$ 3,410,727**	**$ 3,901,493**	**$ 7,312,220**

The Company's primary mineral property assets are the Filo del Sol and Tamberias Properties (together, the "Filo del Sol Project"), which are comprised of adjacent mineral titles in the San Juan Province in Argentina and in Chile, and are 100% controlled by Filo Mining either through direct ownership or option agreements.

Filo del Sol Property (San Juan Province, Argentina)

Sole ownership of the Filo del Sol Property was acquired by Filo del Sol Exploracion S.A., a wholly owned subsidiary of the Company, in October 2014, through the acquisition of its then joint exploration partner's 40% interest in the property.

Tamberias Property (Region III, Chile)

Through its wholly owned subsidiary, Frontera Chile Limitada, the Company is party to an option agreement with Compania Minera Tamberias SCM ("Tamberias SCM") whereby the Company can earn a 100% interest in the Tamberias Property by making certain scheduled option payments. In addition, Tamberias SCM will retain a 1.5% net smelter royalty, which will be paid only after the Company has recovered all its exploration and development costs.

As at December 31, 2019, the Company's total remaining option payments totalled US$16.3 million

Effective January 3, 2020, the Company amended the terms of the remaining option payments payable pursuant to option agreement with Tamberias SCM, so that the remaining option payments, which total US$16.3 million, have been deferred and rescheduled from June 30, 2020 to June 30, 2026. Pursuant to these amendments, the next option payment, which is due June 30, 2020, will be US$550,000.

7. CREDIT FACILITIES

On January 12, 2019, the Company obtained an unsecured US$5.0 million credit facility (the "January 2019 Facility") from Zebra, a related party of the Company by virtue of its shareholding in the Company in excess of 20%, to provide additional financial flexibility to fund ongoing exploration at the Filo del Sol Project and for general corporate purposes. Zebra reports its security holdings in the Company as a joint actor with Lorito Holdings S.à.r.l. ("Lorito"), and at the time of entering into the January 2019 Facility they collectively held more than 20% of the Company's issued and outstanding common shares. The January 2019 Facility replaced an existing US$2.0 million facility from Zebra, which matured on January 12, 2019, and into which the outstanding balance owed thereunder was transferred. As consideration for the January 2019 Facility, Zebra will receive 300 common shares each month, for every US$50,000 in principal outstanding, prorated accordingly for the number of days outstanding. The January 2019 Facility matures on July 12, 2020, and no interest is payable in cash during its term.

On February 28, 2019, the Company obtained an additional unsecured US$5.0 million short-term credit facility (the "February 2019 Facility") from Zebra. As consideration for the February 2019 Facility, Zebra received 6,000 common shares of the Company upon execution thereof, and shall receive an additional 300 common shares each month, for every US$50,000 in principal outstanding on the facility, prorated accordingly for the number of days outstanding. The February 2019 Facility matures on February 28, 2020, and no interest is payable in cash during its term.

On April 26, 2019, the Company obtained an additional unsecured US$4.0 million short-term credit facility (the "April 2019 Facility") from Zebra. As consideration for the April 2019 Facility, Zebra received 6,000 common shares of the Company upon execution thereof, and shall receive an additional 300 common shares each month, for every US$50,000 in principal outstanding on the facility, prorated accordingly for the number of days outstanding. The April 2019 Facility matures on April 26, 2020, and no interest is payable in cash during its term.

During the year ended December 31, 2019, the Company fully drew and repaid the amounts extended by the facilities. As a result of the amounts previously drawn, the Company issued 497,196 common shares during the year ended December 31, 2019, which was comprised of 8,361 common shares related to amounts drawn and outstanding in December 2018 and 488,835 common shares related to amounts drawn and outstanding from January to September 2019. The latter resulted in $1,322,599 (2018: $31,980) in financing costs recognized through the consolidated statement of loss.

All common shares issued in conjunction with the facilities are subject to a four-month hold period under applicable securities laws.

8. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value.

On August 30, 2019, the Company closed a bought deal offering of common shares and a concurrent non-brokered private placement of common shares (the "Financings"). In aggregate, 14,547,727 common shares of the Company were sold at a price of $2.75 per common share (the "Price"), generating aggregate gross proceeds of $40.0 million. Share issuance costs related to the Financings totaled $1.2 million, and included commissions, professional fees and regulatory fees.

Zebra and Lorito, which report their shareholding in the Company as joint actors and are related parties of the Company by virtue of their combined shareholding in the Company in excess of 20%, acquired 9,090,909 common shares of the Company through the Financings, for gross proceeds of $25.0 million. Zebra subscribed to 7,272,727 common shares pursuant to the concurrent non-brokered private placement of common shares, and Lorito acquired 1,818,182 common shares from the underwriter of the bought deal offering. On August 30, 2019, following the close of the Financings, Zebra and Lorito held 27.38% and 8.54%, respectively, of the then issued and outstanding common shares of the Company.

(Expressed in Canadian Dollars, unless otherwise stated)

9. SHARE OPTIONS

a) Share option plan

The Company has a share option plan adopted by the Board of Directors on July 8, 2016 and amended May 12, 2017, which reserves an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. The granting, vesting and terms of the share options are at the discretion of the Board of Directors.

b) Share option outstanding

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of shares issuable pursuant to share options	Weighted average exercise price per share
Balance at January 1, 2018	4,618,750	$ 1.96
Options granted	2,500,000	2.20
Exercised	(471,250)	0.87
Balance at December 31, 2018	6,647,500	$ 2.13
Options granted	2,395,000	2.75
Exercised	(598,333)	1.32
Expired or forfeited	(176,666)	2.19
Balance at December 31, 2019	8,267,501	$ 2.37

On October 11, 2019, the Company granted a total of 2,395,000 share options to officers, employees, directors and other eligible persons at an exercise price of $2.75 per share.

The Company uses the Black-Scholes option pricing model to estimate the fair value for all options granted and the resulting stock-based compensation. The weighted average assumptions used in this pricing model, and the resulting fair values per option, for the 2,395,000 share options granted during the year ended December 31, 2019, were as follows:

(i)	Risk-free interest rate:	1.46%
(ii)	Expected life:	5 years
(iii)	Expected volatility:	56.63%
(iv)	Expected dividends:	nil
(v)	Fair value per option:	$1.17

The weighted average share price on the exercise date for the share options exercised during year ended December 31, 2019 was $2.48.

(Expressed in Canadian Dollars, unless otherwise stated)

The following table details the share options outstanding and exercisable as at December 31, 2019:

	Outstanding options			Exercisable options		
Exercise prices	Options outstanding	Weighted average remaining contractual life (Years)	Weighted average exercise price	Options exercisable	Weighted average remaining contractual life (Years)	Weighted average exercise price
$2.00	1,985,000	1.93	$2.00	1,985,000	1.93	$2.00
$2.20	2,330,001	3.62	$2.20	1,541,667	3.62	$2.20
$2.50	1,557,500	2.70	$2.50	1,557,500	2.70	$2.50
$2.75	2,395,000	4.78	$2.75	798,334	4.78	$2.75
	8,267,501	3.38	$2.37	5,882,501	2.97	$2.29

c) Share-based compensation

	Year ended December 31,	
	2019	**2018**
Exploration and project investigation	563,326	605,738
General and administration	1,906,469	2,115,183
	2,469,795	**2,720,921**

10. EXPLORATION AND PROJECT INVESTIGATION

Due to the geographic location of the Filo del Sol Project, the Company's business activities fluctuate with the seasons, through increased drilling and other exploration activities during the summer months in South America. As a result, a general recurring trend is the increase in exploration expenditures, and therefore net losses, for the fourth quarter and first quarter of a fiscal year, relative to the second and third quarters.

(Expressed in Canadian Dollars, unless otherwise stated)

The Company expensed the following exploration and project investigation costs, all incurred in South America, for the years ended December 31, 2019 and 2018:

Year ended December 31,		**Filo del Sol Project**	**Other**	**Total**
2019	Land holding and access costs	857,254	58,534	915,788
	Drilling, fuel, camp costs and field supplies	8,991,119	-	8,991,119
	Roadwork, travel and transport	3,215,580	159	3,215,739
	Engineering and conceptual studies	309,794	-	309,794
	Consultants, geochemistry and geophysics	1,066,062	-	1,066,062
	Environmental and community relations	2,742,382	-	2,742,382
	VAT and other taxes	2,604,952	70,053	2,675,005
	Office, field and administrative salaries, overhead and other administrative costs	2,517,945	10,357	2,528,302
	Share-based compensation	561,568	1,758	563,326
	Total	**22,866,656**	**140,861**	**23,007,517**
2018	Land holding and access costs	555,168	25,603	580,771
	Drilling, fuel, camp costs and field supplies	9,180,627	-	9,180,627
	Roadwork, travel and transport	3,495,147	181	3,495,328
	Engineering and conceptual studies	1,509,830	-	1,509,830
	Consultants, geochemistry and geophysics	2,036,903	-	2,036,903
	Environmental and community relations	1,568,081	-	1,568,081
	VAT and other taxes	2,182,251	87,997	2,270,248
	Office, field and administrative salaries, overhead and other administrative costs	2,859,661	10,698	2,870,359
	Share-based compensation	602,531	3,207	605,738
	Total	**23,990,199**	**127,686**	**24,117,885**

(Expressed in Canadian Dollars, unless otherwise stated)

11. RELATED PARTY TRANSACTIONS

Under the normal course of operations, the Company may undertake transactions or hold balances with related parties. Other than those related party transactions identified elsewhere in these consolidated financial statements, the Company also engages with Josemaria and NGEx Minerals Ltd. ("NGEx Minerals"), related parties by way of directors, officers and shareholders in common, and Bofill Mir & Alvarez Jana Abogados Ltda. ("BMJAL"), a Chilean legal firm, of which a director of the Company is a partner.

a) Related party services

The Company has a cost sharing arrangement with Josemaria and NGEx Minerals. Under the terms of this arrangement, the Company provides management, technical, administrative and/or financial services (collectively, "Management Services") to Josemaria and NGEx Minerals, and vice versa. In addition, the Company engages BMJAL, as its legal counsel in Chile. These transactions were incurred in the normal course of operations, and are summarized as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Management Services to Josemaria	1,217,414	735,822
Management Services to NGEx Minerals	238,003	-
Management Services from Josemaria	(336,044)	(555,443)
Management Services from NGEx Minerals	(363,373)	-
Legal services from BMJAL	(93,659)	(86,240)

b) Related party balances

The amounts due from (to) related parties, and the components of the consolidated statements of financial position in which they are included, are as follows:

	Related Party	December 31, 2019	December 31, 2018
Receivables and other assets	Josemaria	196,489	523,244
Receivables and other assets	NGEx Minerals	64,222	-
Accounts payable and accrued liabilities	Josemaria	(220,366)	(77,492)
Accounts payable and accrued liabilities	NGEx Minerals	(57,490)	-
Accounts payable and accrued liabilities	BMJAL	(22,617)	(15,463)

c) Extended Camp Use Agreement

On June 26, 2019, the Company, through its wholly-owned subsidiary, entered into a transaction with a wholly-owned subsidiary of Josemaria whereby the Company extended its right to use Josemaria's Batidero Camp in Argentina until at least April 1, 2021, being the end of the 2020/2021 field season, in exchange for a cash consideration of US$235,000, or approximately $331,000.

(Expressed in Canadian Dollars, unless otherwise stated)

d) Key management compensation

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

	2019	**Year ended December 31, 2018**
Salaries	987,604	1,087,500
Short-term employee benefits	47,542	45,477
Directors fees	97,000	97,000
Stock-based compensation	1,784,488	1,981,235
Incentive bonuses	490,000	470,000
	3,406,634	**3,681,212**

12. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to the loss for the year. These differences result from the following items:

	Year ended December 31, 2019	**Year ended December 31, 2018**
Loss before taxes	28,570,601	28,891,227
Combined Canadian federal and provincial statutory income tax rates	27.00%	27.00%
Income tax recovery based on the above rate	7,714,062	7,800,631
Income tax benefits that have not been recognized and other items	(3,331,520)	(3,374,226)
Impacts of changes in foreign tax and currency rates	(3,610,455)	(4,100,813)
Differences between Canadian and foreign tax rates	412,203	396,446
Non-deductible expenses	(1,184,290)	(722,038)
Total income tax recovery	-	-

(Expressed in Canadian Dollars, unless otherwise stated)

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized consist of the following:

	December 31, 2019	December 31, 2018
Non-capital losses carried forward	2,903,562	2,863,581
Mineral properties and related expenditures	8,885,625	7,276,341
Other	477,010	306,954
	12,266,197	**10,446,876**

As at December 31, 2019, the non-capital loss carry-forwards and their respective expiration dates are as follows:

Year	Canada	Argentina	Other	Total
2020	-	80	10,628	10,708
2021	-	140,643	5,101	145,744
2022	-	135,423	26,903	162,326
2023	-	7,770	11,943	19,713
2024 and onwards	10,239,132	217,494	-	10,456,626
	10,239,132	**501,410**	**54,575**	**10,795,117**

13. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The information regarding mineral properties and exploration and project investigation costs presented in Notes 6 and 10, respectively, represent the manner in which management reviews its business performance. Materially all of the Company's mineral properties and exploration and project investigation costs relate to the Filo del Sol Project, which straddles the border between the San Juan Province, Argentina and Region III, Chile and is comprised of the Filo del Sol Property and the Tamberias Property. Materially all of the Company's administrative costs are incurred by the Canadian parent, where materially all of the Company's cash is held in the normal course of business until it is required to be deployed to the Company's South American subsidiaries in support of ongoing and planned work programs.

(Expressed in Canadian Dollars, unless otherwise stated)

The following are summaries of the Company's current and non-current assets, current liabilities, and net losses by segment:

As at December 31,		**Filo del Sol Project**	**Other**	**Corporate**	**Total**
2019	Current assets	6,509,343	-	9,840,063	16,349,406
	Right-of-use asset	88,832	-	-	88,832
	Mineral properties	7,312,220	-	-	7,312,220
	Total assets	13,910,395	-	9,840,063	23,750,458
	Current liabilities	3,233,542	-	380,661	3,614,203
	Lease liabilities	12,145	-	-	12,145
	Total liabilities	3,245,687	-	380,661	3,626,348
2018	Current assets	4,516,473	-	303,122	4,819,595
	Mineral properties	7,118,233	-	-	7,118,233
	Total assets	11,634,706	-	303,122	11,937,828
	Current liabilities	2,472,242	-	746,334	3,218,576

Year ended December 31,		**Filo del Sol Project**	**Other**	**Corporate**	**Total**
2019	Exploration and project investigation	22,866,656	140,861	-	23,007,517
	General and administration and other items	(141,845)	-	5,704,929	5,563,084
	Net loss	22,724,811	140,861	5,704,929	28,570,601
2018	Exploration and project investigation	23,990,199	127,686	-	24,117,885
	General and administration and other items	(39,164)	-	4,812,506	4,773,342
	Net loss	23,951,035	127,686	4,812,506	28,891,227

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management and definition of capital, the Company considers the items included in shareholders' equity to be capital.

The Company manages the capital structure and makes adjustments, as necessary, in light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including, but not limited to, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

15. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

The Company has estimated the fair values of its financial instruments based on appropriate valuation methodologies. These values are not materially different from their carrying value.

The Company classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash, receivables and other assets, trade payables and accrued liabilities, and the amounts owing pursuant to credit facilities, with carrying values considered to be reasonable approximations of fair value due to the short-term nature of these instruments.

As at December 31, 2019, the Company's financial instruments are exposed to the following financial risks, including credit, liquidity and currency risks:

(i) Credit risks associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.

(ii) Liquidity risks associated with the inability to meet obligations as they become due, as further discussed in Note 1, is minimized through the management of its capital structure as explained on Note 14 and by maintaining good relationships with significant shareholders and creditors. The Company also closely monitors and reviews its costs to date and actual cash flows on a monthly basis. In assessing liquidity risk as at December 31, 2019, the Company has also considered the impact of funds made available through the credit facilities described in Note 7.

The maturities of the Company's financial liabilities as at December 31, 2019 are as follows:

	Total	**Less than 1 year**	**1-5 years**	**More than 5 years**
Accounts payable and accrued liabilities	3,553,545	3,553,545	-	-
Lease liabilities	72,803	60,658	12,145	
Total	**3,626,348**	**3,614,203**	**12,145**	**-**

(iii) Foreign currency risk can arise when the Company or its subsidiaries transact or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

At December 31, 2019, the Company's largest foreign currency risk exposure existed at the level of its Canadian headquarters, where the Company held a net financial asset position denominated in US dollars having a Canadian dollar equivalent of approximately $2.4 million. A 10% change in the foreign exchange rate between the US dollar and the Canadian dollar, the functional currency of the Company's Canadian headquarters, would give rise to increases/decreases of approximately $240,000 in financial position/comprehensive loss.

16. COMMITMENTS

In November 2017, the Company entered into agreements with the owners of certain lands, accesses and surface rights related to the Tamberias Property (the "Access Agreements"). Under the terms of the Access Agreements, in exchange for total payments of US$1.26 million, the Company secured its right to use and maintain roads and accesses, which allow entry to the Filo del Sol Project from Chile, and also perform any surface disturbances as necessary to undertake its exploration work programs, such as establishing drill platforms, for a period of four years.

As of December 31, 2019, the Company has one remaining payment of US$315,875 each, which is payable in November 2020.

CORPORATE DIRECTORY

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James Beck
  President
Robert Carmichael
  VP Exploration
Jeffrey Yip
  Chief Financial Officer
Brenda Nowak
  Corporate Secretary

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Lukas Lundin, Chairman (non-executive)
Adam Lundin
Alessandro Bitelli
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