2020 YEAR END REPORT

Management's Discussion and Analysis
and
Consolidated Financial Statements

For the Year Ended December 31, 2020
(AUDITED)

This management's discussion and analysis ("MD&A") of the results of operations and financial condition for Josemaria Resources Inc. ("the Company", "Josemaria Resources") has been prepared as of February 25, 2021 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2020 and the related notes therein (collectively the "Financial Statements"). The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A focuses on significant factors that have affected the Company and its subsidiaries and such factors that may affect its future performance. All dollars amounts expressed throughout this report are in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is February 25, 2021.

This MD&A contains forward-looking statements that are subject to risk factors as set out in the "Cautionary Note Regarding Forward Looking Information and Statements". Additional information about the Company, its business activities and associated risk is described in the Company's annual information form for the year ended December 31, 2020 (the "2020 AIF") which is available on SEDAR at www.sedar.com.

CORE BUSINESS

Josemaria Resources is a Canadian natural resources company focused on advancing the development of its wholly-owned Josemaria copper-gold-silver project located in San Juan Province, Argentina (the "Josemaria Project"). The Company is a reporting issuer in all provinces and territories of Canada and its corporate head office is in Vancouver, B.C. The Company trades under the ticker symbol of "JOSE" on the TSX and on the NASDAQ Stockholm Stock Exchange ("OMX"), and under the ticker symbol of "JOSMF" on the OTCQB Venture Market. The Company announced the results of the Josemaria Project Independent Feasibility Study (the "Feasibility Study") via the Company's press release on October 19, 2020 (the "Feasibility Study Press Release").

The Company is committed to responsible and sustainable mining development in the jurisdictions within which it works and operates, and to create meaningful value for our shareholders and stakeholders, alike. All aspects of the Company's operations and engagements are founded on a core set of environmental, social and governance commitments.

JOSEMARIA PROJECT FEASIBILITY STUDY

On October 19, 2020, the Company announced the results of the Feasibility Study prepared by a team of engineering and consulting service providers led by Fluor Canada Ltd. with key sections prepared by SRK Consulting (Canada) Inc., and Knight Piésold Ltd. with input from a variety of independent consultants and qualified persons, and in accordance with the disclosure standards of National Instrument 43-101 ("NI 43-101") for its 100% owned copper-gold-silver Josemaria Project located in San Juan, Argentina.

The Feasibility Study demonstrates a robust, rapid pay-back, low risk project, with an open pit operation feeding a conventional process plant at 152,000 tonnes per day over a 19-year mine life, yielding average annual metal production of 136,000 tonnes of copper ("Cu"), 231,000 ounces of gold ("Au") and 1,164,000 ounces of silver ("Ag").

Highlights of the Feasibility Study include:

- US$1.53 billion("B") after-tax Net Present Value at an 8% discount rate ("NPV8") and a 15.4% Internal Rate of Return ("IRR") at metal prices of US$3.00 per pound ("lb") copper, US$1,500 per ounce ("oz") gold and US$18 per ounce silver.
- Total contained metal in the proven and probable mineral reserve of 6.7B lb Cu, 7.0 million oz

Au and 30.7 million oz Ag with mineral resources open at depth.

- A proven and probable mineral reserve of 1,012 million tonnes ("Mt") with diluted grades of 0.30% Cu, 0.22 grams per tonne ("g/t") Au and 0.94g/t Ag, of which 197Mt are in the proven mineral reserve category, with a low 0.98:1 (waste:ore) strip ratio.
- Optimised mine production plan with average grades in the initial 3 full years of production notably better than the life of mine average, supporting strong investment payback potential and driving a 3.8-year payback period from the start of production.
- 19-year mine life optimised to maximise early cash flow with average annual production over the initial 3 years of 166,000t Cu, 331,000oz Au and 1,248,000oz Ag payable metal in concentrate.
- 152,000 tonnes per day average life-of-mine process plant throughput with a 3-line conventional Semi Autogenous Ball Mill Crushing (SABC) circuit utilising an optimised layout for a maximised gravity flow circuit.
- Simple and conventional metallurgical extraction process utilising conventional flotation reagents without the use of cyanide.
- Life-of-mine average recoveries of 85.2% for Cu, 62.6% Au and 72% Ag, producing clean, precious metal rich concentrate, with 27% Cu content and no significant penalty elements.
- A total initial project capital cost of $3.09B including all engineering, procurement, construction, and management, site and offsite infrastructure, pre-construction engineering work and contingency.
- Life-of-mine Total Cash Cost of US$1.55/lb Copper Equivalent production including Mining of US$0.34/lb, Processing of US$0.52/lb, TCRC & Shipment of US$0.47/lb, Royalty of US$0.06/lb and Sustaining Capex of US$0.16/lb with General and Administrative costs ("G&A") being apportioned to appropriate areas.
- 100% of planned infrastructure is within the pro-mining San Juan Province, simplifying permitting and approval processes to ensure a clear path to project development.
- Ready access to, and availability of, all essential resources including abundant water, grid power and transportation and logistics infrastructure within San Juan Province.
- Concentrate logistics utilising truck and rail transport from site to an export port in Rosario, Argentina.
- Design incorporates the latest technology, including autonomous truck and production drill fleets and optionality to incorporate green energy.
- Clear and achievable project execution plan demonstrates commercial production could be achieved by early 2026.

The Technical Report summarizing the results of the Feasibility Study, titled "*NI 43-101 Technical Report, Feasibility Study for the Josemaria Copper-Gold Project, San Juan Province, Argentina*" and dated effective September 28, 2020, was prepared under NI 43-101 Standards for Disclosure for Mineral Projects and filed on November 5, 2020. The Technical Report is available under the Company's profile on SEDAR (www.sedar.com).

OUTLOOK

The Company continues to progress toward development of the Josemaria Project as detailed in the Feasibility Study. A bridging phase of engineering activities is ongoing, in advance of basic engineering which is expected to commence in 2021. The Environmental and Social Impact Assessment ("ESIA") was completed and presented to the Governor of San Juan Province, Argentina, on February 23, 2021. The Company expects to formally submit the report to the environmental authorities during the week commencing March 1, 2021. We continue active engagement with the Argentina federal and San Juan provincial authorities to advance the Josemaria Project, including discussions aimed at finalizing and securing commercial and fiscal terms applicable to the Josemaria Project.

SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial data, prepared in accordance with IFRS, has been derived from the Company's audited consolidated financial statements for the years ended and balance sheet dates as at December 31, 2020, 2019, and 2018:

	Years ended and as at December 31,		
	2020	**2019**	**2018**
Statement of Operations Data ($000's)			
Exploration expenditures:			
Josemaria Project	29,934	33,435	6,530
Los Helados Project	-	1,571	1,532
Naciemientos and other projects	-	255	2,740
Administration and others	-	280	794
Total exploration expenditures	29,934	35,541	11,596
General and administration	5,753	5,364	3,437
Operating loss	35,687	40,905	15,033
Net loss(i)	31,237	10,950	15,119
Cash used in operating activities	$ 30,023	$ 35,209	$ 10,935
Loss per Common Share ($)			
Basic and diluted net loss	$ 0.12	$ 0.04	$ 0.07
Balance Sheet Data ($000's)			
Total Assets	$ 19,745	$ 18,732	$ 24,090
Total Liabilities	32,101	35,087	9,887

(i) With the completion of the spin-out of NGEx Minerals on July 17, 2019, the Company recognized a $30.8 million gain on spin-out transaction and a reclassification of accumulated exchange differences upon spin-out totaling $1.3 million during fiscal 2019, offsetting the $40.9 million operating loss.

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

Financial Data for 8 Quarters								
Three Months Ended	**Dec-20** *(4th qtr)*	**Sep-20** *(3rd qtr)*	**Jun-20** *(2nd qtr)*	**Mar-20** *(1st qtr)*	**Dec-19** *(4th qtr)*	**Sept-19** *(3rd qtr)*	**Jun-19** *(2nd qtr)*	**Mar-19** *(1st qtr)*
(In thousands $ except for per share amounts)(i)								
Exploration and project investigation	3,588	2,544	4,447	19,355	10,510	3,926	7,035	14,070
Unrealized foreign exchange (gain) / loss	(1,489)	(1,240)	(1,811)	2,968	(413)	165	(29)	(47)
Foreign exchange and trading gains realized on equity investments	(1,500)	(657)	(2,296)	(2,037)	-	-	-	-
(Gain) / loss on net monetary position	71	8	195	114	(88)	365	(73)	(371)
Net (income)/loss	3,266	2,693	2,318	22,959	11,097	(23,522)	8,073	15,302
Total basic and diluted (income)/loss per share(i)	0.01	0.01	0.01	0.09	0.04	(0.09)	0.03	0.06

(i) As a result of rounding the sum of the quarterly amounts may differ from the year to date

Changes in net losses and exploration and project investigation expenses for the different quarters are primarily affected by the level of such activities during the respective period. As field activities, including drilling, are generally carried out during the summer season in South America, exploration expenditures and cash flow used in operations are typically lower during the third quarter of each year as compared to other quarters.

Exploration and project investigation expenditures are the most significant expenses for the Company and relate to the future development of the Josemaria Project. Exploration and project investigation expenses totaled $29.9 million for the year ended December 31, 2020 compared to $35.5 million for the prior year. The decrease in exploration and project investigation expenditures for the 2020 year reflects a general decrease in fieldwork and on-site activities, as well as no expenditures incurred on the Los Helados and Nacimientos projects, which were spun-out in July 2019. The decrease in fieldwork was the result of the Company completing and publishing the Josemaria Project Feasibility Study but was also impacted by the shortening of the 2019-2020 field season by approximately six weeks as the Company demobilized its workforce at the onset of the novel coronavirus ("COVID-19") pandemic. In the latter half of 2020, in addition to the Feasibility Study, the Company continued with its environmental baseline studies and progressing the ESIA towards completion and submission.

During Q4-20 the Company incurred $3.6 million of exploration and project investigation expenses as compared to $10.5 incurred during Q4-19. Expenses were higher during the Q4-19 period as the Company was carrying out a full set of field season activities, including drilling, road work, environmental and camp activities. These activities were not occurring during Q4-20.

The following is a summary of the exploration and project investigation costs by project and by category for the years ended December 31, 2020 and 2019:

(In thousands)		2020		2019
Josemaria	$	29,934	$	33,435
Los Helados		-		1,571
Nacimientos		-		255
Administration and other projects		-		280
Total Expenditures	$	29,934	$	35,541

(In thousands)		2020		2019
Land holding costs	$	95	$	887
Drilling, fuel, camp costs and field supplies		7,485		6,595
Roadwork, travel and transport		1,460		2,227
Engineering studies, consultants, geochemistry and geophysics		10,463		13,172
Environmental and community relations		2,382		4,966
VAT, other taxes and fees		5,215		3,773
Office and general, salaries, and overhead		2,083		2,819
Share-based compensation		156		304
Inflation adjustment		595		798
Total Expenditures	$	29,934	$	35,541

General and administration costs for 2020 increased slightly from $5.4 million in 2019 to $5.8 million during 2020. The Company incurred slightly higher salaries and benefits costs due to the addition of several head office employees that were in place for the duration of 2020, and slightly higher promotional expenses as the Company focused on increasing the profile of the Josemaria Project. These increases were offset in part by lower share-based compensation expense and professional fees.

During the year ended December 31, 2020, the Company recognized a net monetary loss of approximately $0.4 million (2019 – gain of $0.2 million) in relation to the application of hyper-inflationary accounting for the Company's Argentine subsidiary. The net monetary impacts recognized are the results of changes in the Argentine price indices and changes to the Company's net monetary position during the respective reporting periods. In other comprehensive loss, the Company recognized a $0.7 million gain (2019 – loss of $0.6 million) resulting from the impact of hyper-inflation, which consists of adjustments recognized on the continuing inflation of opening non-monetary balances during the year ended December 31, 2020, and the ongoing translation of the Company's Argentine subsidiary into the Canadian dollar presentation currency. A detailed discussion regarding the application of hyper-inflationary accounting has been provided in Note 3 to the Financial Statements.

For the year ended December 31, 2020, the Company's net loss totaled $31.2 million compared to $11.0 million for the fiscal 2019 year, with the difference largely attributable to lower exploration and project investigation expenses in 2020 as well as the gain on spin-out transaction of $30.8 million recognized in 2019.

On July 17, 2019, the Company completed a spin-out transaction by way of a plan of arrangement ("the Arrangement") under the Canada Business Corporations Act ("CBCA") pursuant to which the Company transferred its wholly owned subsidiaries that directly or indirectly held the Los Helados Project located in Chile, and the Nacimientos Project and other exploration projects located in Argentina, $7.3 million in cash, and the assignment of the Company's obligation to fund US$3.5 million of Pacific Copper Co.'s share of expenditures on the Filo del Sol Project, in exchange for 124,793,652 common shares in the new entity, NGEx Minerals. The Company subsequently distributed the NGEx Minerals common shares to the Company's shareholders as a return of capital. NGEx Minerals began trading on the TSX Venture Exchange under the symbol "NGEX" on August 20, 2019.

In accordance with IFRIC 17, Distributions of Non-cash Assets to Owners, during the year ended December 31, 2019 the Company recognized the distribution of net assets to its shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in the statement of comprehensive income. Upon completion of the Arrangement, the Company recorded a gain of $30.8 million on the spin-out of NGEx Minerals. The cumulative other comprehensive loss totaling $1.3 million recognized for the entities spun out to NGEx Minerals was re-classed from AOCI to Statement of Comprehensive Loss.

LIQUIDITY AND CAPITAL RESOURCES

(In thousands $)		December 31, 2020		December 31, 2019
Cash	$	6,741	$	4,043
Working capital deficit		(24,748)		(20,872)

On August 18, 2020, the Company closed a private placement and concurrent public offering of 46,652,986 common shares of the Company at a price of $0.67 per common share for gross proceeds of $31.3 million, less issuance costs of $1.4 million, for net proceeds of $29.9 million. Of the net proceeds received, $14.7 million was used to pay down the $US 10.0 million 2019 Zebra Debenture Facility in full and $US 1.15 million of the $US 5.0 million 2018 Zebra Debenture Facility. A further $US 3.85 million was paid on November 30, 2020, to settle the remaining balance on the 2018 Zebra Debenture Facility in full.

On May 25, 2020, the Company secured two credit facilities, evidenced by debentures, totaling US$7,000,000 (collectively the "2020 Facilities"), one with Lorito for US$3,500,000 (the "Lorito 2020 Facility") and one with Zebra for US$3,500,000 (the "Zebra 2020 Facility"), each of which has a term of 18 months ending November 25, 2021. No interest is payable during the term of the 2020 Facilities, however, any amount of the Lorito 2020 Facility or the Zebra 2020 Facility remaining unpaid and outstanding on or after November 25, 2021 shall bear interest at a rate of 5.0% per annum until repaid in full.

During the year ended December 31, 2020, the Company issued 4,853,632 (2019 – 855,105) shares as consideration for the funds drawn on the facilities, with an additional 413,700 common shares issuable as at December 31, 2020, resulting in $3.5 million in finance costs recognized for the year ended December 31, 2020 (2019 – $0.7 million). Lorito reports its security holdings in the Company as a joint actor with Zebra under securities law, and they collectively held approximately 39% of the

Company's issued and outstanding common shares as at December 31, 2020. As of the date of this MD&A, US$4.0 million remains undrawn on the Company's facilities.

The Company does not currently generate income from operations. As at December 31, 2020, the Company's working capital deficit is $24.7 million, and while the net $29.9 million financing from August 2020 provides sufficient capital for the Company to fund operations for the near term, the Company will need further funding to support the advancement of the Josemaria Project towards development and to meet general corporate and working capital requirements. Historically, capital requirements have been funded through equity financing, joint ventures, disposition of mineral properties and investments, and through the use of credit facilities with related parties. While management is confident that additional sources of funding will be secured to fund planned expenditures, factors that could affect the availability of financing include the progress and results of ongoing project evaluation activities at the Company's Josemaria Project, the state of international debt and equity markets, investor perceptions and expectations of the global copper, gold, and/or silver markets, and the ongoing COVID-19 pandemic. If necessary, the Company may explore opportunities to revise the due dates of its liabilities, and/or settle its liabilities through the issuance of 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.

During the year ended December 31, 2020, the Company used $30.0 million (2019 – $35.2 million) in operating activities. During the year ended December 31, 2020, the Company obtained $32.7 million from financing activities (2019 – $43.7 million), which consists of funds raised via private placement and a bought deal of $29.9 million, funds drawn on the Company's outstanding debentures of $22.5 million, less $19.7 million repaid on outstanding debentures. The prior year included $19.7 million raised via private placement, $29.0 million drawn on debentures and $1.0 million of inflows related to the exercise of Company stock options, offset by $5.8 million repaid on outstanding debentures. During the year ended December 31, 2020, the Company received $0.7 million from investing activities, which consists mainly of funds received from Newcrest Mining related to the 2015 disposal of the GJ property assets, whereas during the prior period the Company used $1.5 million to acquire mineral properties and fixed assets and paid $7.5 million in connection with the Company's spin-off of NGEx Minerals, offset in part by $0.4 million received on the sale of available for sale investments.

COVID-19

Throughout 2020 and as of the date of this MD&A, the Company has been affected by the COVID-19 pandemic. During March 2020, the Company successfully completed all essential components of the 2019/2020 field season, prior to safely demobilizing the majority of the workforce from the Josemaria Project in San Juan, Argentina. The accelerated demobilization of personnel from the Josemaria Project only affected optional work programs that had been planned for the end of the field season. While slight modifications to the scope of fieldwork were required as a result of the Company's COVID-19 response, health and safety is the Company's top priority. Prior to and since demobilizing the team from site, the Company has been actively monitoring COVID-19 and, although no cases had or have been identified within any of our operations, Josemaria proactively implemented travel restrictions (some of which have since been lifted), remote working arrangements, monitoring and response plans to reduce the risk of COVID-19 exposure and outbreak. Certain work programs in Argentina resumed in October 2020, and the Company is employing strict measures to ensure adherence to COVID-19 related restrictions issued by the government of Argentina, the province of San Juan and local authorities.

The pandemic and the resultant response to combat it has resulted in the implementation by numerous governments of non-routine measures such as quarantines, travel restrictions and business closures, which are designed to contain the spread of the outbreak. These measures have negatively impacted the global economy and have led to volatile market conditions and commodity prices and, despite indications of economic recovery, the Company cannot yet determine the impact of the COVID-19 pandemic on its financial position, results of operations, or cash flows for periods beyond the year ended December 31, 2020, nor on the advancement of the Josemaria Project. While the Company's completion of a net $29.9 million financing in August 2020 has provided a strong indication that the Company's access to funding for future operations has not been adversely impacted by the COVID-19 pandemic, there is no certainty that future financing will be obtainable under acceptable terms, or at all, which may impact the Company's ability to fund future operations.

RELATED PARTY TRANSACTIONS

a) Related party services and balances

NGEx Minerals Ltd. was incorporated on February 21, 2019 under the laws of CBCA as a wholly-owned subsidiary of the Company prior to the spin-out of NGEx Minerals which was completed on July 17, 2019. The Company formalized a cost sharing arrangement with NGEx Minerals and Filo Mining Corp. ("Filo Mining"; collectively the "Related Parties"), whereby the Related Parties provide executive management and personnel services to the Company (the "Related Party Services"), while the Company provides financial management and administrative services to Filo Mining and NGEx Minerals (the "Josemaria Services"). These transactions are in the normal course of operations.

Other than those related party transactions identified elsewhere in these consolidated financial statements, the related party transactions are as follows:

		2020		2019
Income from Josemaria Services provided:				
Filo Mining	$	314,419	$	336,044
NGEx Minerals		150,750		72,485
Total	$	465,169	$	408,529
Costs of Related Party Services received:				
Filo Mining	$	(943,427)	$	(1,217,414)
NGEx Minerals		(139,906)		(84,051)
Total	$	(1,083,333)	$	(1,301,465)

The amounts due from/to the Related Parties by the Company, and the components of the consolidated statement of financial position in which they are included, are as follows:

		December 31, 2020		December 31, 2019
Due from Filo Mining	$	-	$	220,366
Due from NGEx Minerals		-		102,676
	$	-	$	323,042

		December 31, 2020		December 31, 2019
Due to Filo Mining	$	-	$	(196,489)
Due to NGEx Minerals		-		(16,849)
	$	-	$	(213,338)

b) Key management compensation

Key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel inclusive of the costs of the Related Party Services received from its Related Parties, and the composition thereof, is as follows:

		2020		2019
Salaries	$	1,218,107	$	1,483,333
Employee benefits		28,196		51,888
Director fees		103,723		223,708
Share-based compensation		1,072,121		1,258,181
	$	2,422,147	$	3,017,110

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are presented in Note 5 in the Financial Statements for the year ended December 31, 2020.

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, 2020 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are as follows:

Going Concern

In preparation of the Financial Statements, management has made certain estimates and judgements with respect to evaluating the Company's ability to continue as a going concern, including budgeted expenditures, foreign exchange rates, the timing of certain work activities, and the ability to raise additional funds and extend the maturity dates of the Company's debenture facilities. While management is confident in the reasonableness of these underlying assumptions, they are subject to change which could impact the Company's ability to continue as a going concern.

Assessment of impairment indicators of mineral properties

The application of the Company's accounting policy for the impairment of mineral properties requires judgment to determine whether indicators of impairment exist. This includes information such as the period for which the Company has the right to conduct its exploration and project investigation activities, including expected renewals, whether substantive expenditures on further exploration and project investigation of mineral properties are budgeted, the evaluation of the results of exploration and project investigation activities up to the reporting date, and the likelihood that the carrying value of mineral properties will be recovered in full from successful development or sale of the asset. Management has performed an impairment indicator assessment on the Company's mineral properties and has concluded that no impairment indicators exist as of December 31, 2020

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments at amortized costs or fair value through profit and loss. The Company's financial instruments consist of cash and cash equivalents, receivables and other assets, investments, trade payables and accrued liabilities, debentures, and other liabilities. The carrying values of certain financial instruments maturing in the short-term approximate their fair values. These financial instruments include cash and cash equivalents, receivables and others, trade payables and accrued liabilities, and debentures which are classified as amortized cost. The fair value of investments is determined directly by reference to quoted market prices in active markets. The Company's financial instruments are exposed to certain financial risks, including credit, liquidity and market risks.

<u>Credit risk</u>

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risks associated with cash and cash equivalents 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. Credit risks associated with receivables and other assets are minimal as the Company manages these amounts so as not to have material balances outstanding for long periods of time. Credit risks associated with investments are minimal as the Company does not hold its investments for long periods of time.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which is managed through the management of its capital structure. The Company closely monitors and reviews its costs incurred and actual cash flows against the approved budget on a monthly basis to ensure the Company's access to funds is adequate to support the Company's operations on an ongoing basis. The maturities of the Company's financial liabilities as at December 31, 2020 are as follows:

	Total	Less than 1 year	1 to 5 years	More than 5 years
Trade payables and accrued liabilities	$ 2,708,950	$ 2,708,950	$ -	$ -
Debentures	29,258,617	29,258,617	-	-
Other liabilities	133,693	72,167	61,526	-
Total	$ 32,101,260	$ 32,039,734	$ 61,526	$ -

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices comprise two types of risk: currency risk and price risk. Financial instruments affected by market risk include cash and cash equivalents, receivables and other assets, investments, trades payable and accrued liabilities, debentures, and other liabilities.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities may change due to changes in the value of two different currencies. The Company is exposed to currency risks as its parent is headquartered in Canada and its day-to-day transactions take place in Canadian dollars, while its foreign operations are conducted in Argentina, and the Company also holds significant debentures denominated in the United States dollar. While the Company has not used any hedging strategies to manage its exposure to currency fluctuations, management strives to minimize currency risk by sending its cash to its foreign operation as required.

Based on the Company's net exposures at December 31, 2020, a 10% depreciation or appreciation in the Argentina peso or United States dollar relative to the Canadian dollar would have resulted in an approximate $0.1 million and $2.8 million, respectively, increase or decrease in the Company's net loss.

The impact of the Company's exposure to currency risk is apparent in five sections of the Company's Consolidated Statements of Comprehensive Loss:

Statement of Loss

- Unrealized foreign exchange (gain) / loss – where changes in United States dollar-denominated monetary items are translated prior to realization;
- Foreign exchange and trading gains realized on equity investments – contains a component of foreign-exchange impacts realized on equity instruments when traded;
- (Gain) / loss on net monetary position – where hyperinflationary changes recorded with respect to the Company's net-monetary position in Argentina are recognized;

Statement of Comprehensive (Income) Loss

- Foreign currency translation adjustment – where changes in Argentina peso-denominated monetary items are translated prior to realization; and
- Impact of hyperinflation – where changes recorded with respect to the impact of the hyperinflationary environment of Argentina on non-monetary items are recognized.

Price risk

Price risk is the risk that the fair value or future cash flows of the Company’s financial instruments will fluctuate because of changes in market prices. From time to time, as part of the funding process to its subsidiary, the Company holds equity instruments for periods of three to five business days with the intention of trading. During these holding periods, the Company is exposed to changes in share prices which result in gains or losses being recognized in profit and loss. The Company does not hold significant numbers of equity instruments at period end and therefore had no significant exposure to price risk as at December 31, 2020.

RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board. The following has not yet been adopted by the Company and is being evaluated to determine its impact:

IAS 16, Property, plant and equipment ("IAS 16")

Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendments to IAS 16 are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company has 302,593,209 common shares outstanding and 10,862,000 share options outstanding under its stock-based incentive plans.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. They include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company’s management, including its Chief Executive Officer (“CEO”) and Chief Financial Officer

("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2020, the CEO and CFO have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS; that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Any system, no matter how well conceived or operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation and will not prevent all, or detect all, misstatements and frauds. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management has used the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO) in order to assess the effectiveness of the Company's internal control over financial reporting.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2020, the CEO and CFO have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

RISKS AND UNCERTAINTIES

There are a number of risk factors that could negatively affect the Company's business and the value of its common shares. The material risk factors and uncertainties should be taken into account in assessing the Company's activities and are described under the heading "Risks Factors", and elsewhere, in the Company's 2020 AIF and other disclosure documents which are available under the Company's profile at http://www.sedar.com. The risk factors and uncertainties described on the 2020 AIF pertains to outlook and conditions currently known to Josemaria Resources 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 Josemaria Resources that may present additional risks in the future. Current and prospective security holders of Josemaria Resources should carefully consider these risk factors. Some of the risks that may impact the Company and the financial and operational items discussed in this MD&A include, but are not limited to:

Development and Operational Risk

Mining development projects and mining operations generally involve a high degree of risk which could adversely impact the Company's success and financial performance. Development projects typically require significant expenditures before production is possible. Actual capital or operating costs may be materially different from estimated capital or operating costs. Development projects can also experience unexpected delays and problems during construction and development, during mine start-up or during production. The construction and development of a mining project is also subject to many other risks, including, without limitation, risks relating to:

- ability to obtain project financing on commercially reasonable terms, or at all;
- ability to obtain regulatory approvals or permits on a timely basis or at all and, if obtained, ability to comply with any conditions imposed by such regulatory approvals or permits and maintain such approvals and permits;
- cost overruns due to, among other things, delays, changes to inputs or changes to engineering;
- delays in construction and development of required infrastructure and variations from estimated or forecasted construction schedule;
- technical complications, including adverse geotechnical conditions and other impediments to construction and development;
- accuracy of reserve and resource estimates;
- accuracy of engineering and changes in scope;
- accuracy of estimated metallurgical recoveries;
- accuracy of the estimated capital required to build and operate the project;
- adverse regulatory developments, including the imposition of new regulations;
- fluctuation in prevailing prices for copper, gold and silver, which may affect the profitability of the project;
- community action or other disruptive activities by stakeholders;
- adequacy and availability of a skilled workforce;

- difficulties in procuring or a failure to procure required supplies and resources to develop, construct and operate a mine;
- availability, supply and cost of power;
- weather or severe climate impacts;
- litigation;
- dependence on third parties for services and utilities;
- the interpretation of geological data obtained from drill holes and other sampling techniques;
- fluctuations in inflation and currency exchange rates;
- government regulations, including regulations relating to prices, taxes, royalties, foreign exchange conversion, and
- a failure to develop or manage a project in accordance with expectations or to properly manage the transition to an operating mine.

The Company's operations are also 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. In addition, the Company is concentrated in the copper/gold/silver mining industry, and as such, its success will be sensitive to the overall condition of the copper/gold/silver mining industry.

Most of the above factors are beyond the control of the Company. The exact effect of these factors cannot be accurately predicted, but any one of these factors or a combination thereof may have an adverse effect on the Company's business.

Mineral Reserves and Mineral Resources Estimates

The Company's reported Mineral Reserves and Mineral Resources are estimates. 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 reduce 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 Company to reduce its Mineral 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.

Metal Price Risk

The Company's property 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, can greatly affect its ability to obtain financing, explore and develop its properties, acquire new properties, form joint ventures, enter into option agreements and the structure of any such endeavor.

Tax, Royalties and Other Charges

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The Company is potentially subject to taxes (including income taxes and mineral taxes), various fees and royalties imposed by various levels of government across the jurisdiction in which it operates. The laws imposing these taxes, fees and royalties and the manner in which they are administered may in the future be changed or interpreted in a manner that materially and adversely affects our business, financial position and results of operations.

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 develop and 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 developing the Company's Josemaria Project.

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. Although not anticipated, this legislation could affect the Company's ability to develop parts of the Josemaria Project

Infrastructure

Development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power and water supplies are important determinants that affect the ability to operate and the costs of operations. 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; localized logistical challenges; delivery; and relevant regulatory regimes. 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.

Foreign Operations Risk

The Company conducts exploration and development activities in foreign countries, including Argentina, which exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks 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 Company's existing assets and operations. Real and perceived political risk may also affect the Company's ability to finance exploration and development programs and to 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 that are deemed of national or strategic importance in countries in which the Company has assets, including mineral exploration and development assets, 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.

The Josemaria 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. Consistent with government policies imposed by its previous predecessors, the current Argentinean government placed varying degrees of currency controls on the ability of companies and its citizens to obtain foreign currencies. 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.

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.

QUALIFIED PERSONS

The technical information in this MD&A has been reviewed and approved by Mr. Bob Carmichael, P. Eng. (BC), the Company's Vice President of Exploration, and Mr. Dustin Smiley, P. Eng. (BC), the Company's Engineering Manager. Both Mr. Carmichael and Mr. Smiley are Qualified Persons under National Instrument 43-101 Standards of Disclosure for Mineral Projects.

FINANCIAL INFORMATION

The report for the three months ended March 31, 2021 is expected to be published on May 10, 2021.

OFF BALANCE SHEET AGREEMENTS

During the fiscal 2020 and fiscal 2019 year, there were no material off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

PROPOSED TRANSACTIONS

As at the date of this MD&A, there are no proposed asset or business acquisitions or dispositions currently under offer.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION AND STATEMENTS

Certain statements made and information contained in this document constitutes “forward-looking information” and “forward-looking statements” within the meaning of applicable securities legislation (collectively, “forward-looking information”) concerning the business, operations, prospects, financial performance and condition of Josemaria Resources. The forward-looking information contained in this document is based on information available to the Company as of the date of this document, and accordingly are subject to change after such date.

All statements, other than statements of historical fact, may be forward-looking statements. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, prospects, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “budgets”, “scheduled”, “forecasts”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking information and forward-looking statements include, but are not limited to, information or statements with respect to results and developments in our operations in future periods, planned exploration and development activities, the adequacy of our financial resources, ability to raise capital, and other events or conditions that may occur in the future. These forward-looking statements may include statements regarding perceived merit of properties, exploration and development results and budgets, Mineral Resource and Mineral Reserve estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates (including, without limitation, timing and amount of production) and similar statements relating to the economic viability of a project, timelines, strategic plans, including our plans and expectations relating to the Josemaria Project and other exploration projects, market prices for precious and base metals, future metal prices, government regulation, currency exchange and interest rates, statements with respect to the economic and scoping-level parameters of the Josemaria Project, the cost and timing of any development of the Josemaria Project, the proposed mine plan and mining methods, dilution and mining recoveries, processing method and rates and production rates, projected metallurgical recovery rates, estimates of the mineralization that will be encountered if the Josemaria Project is developed, infrastructure requirements, capital, operating and sustaining cost estimates, the projected life of mine and other expected attributes of the Josemaria Project, including the net present value, internal rate of return, the Josemaria Project proposed site layout, the timing of the environmental assessment process, changes to the Josemaria Project configuration that may be requested as a result of stakeholder or government input in connection with the environmental assessment process, government regulations and permitting timelines, estimates of reclamation obligations; requirements for additional capital; environmental risks; and general business and economic conditions, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Forward-looking information and statements are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performance or achievements of

Josemaria to be materially different from future results, performance or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding, among other things, favourable equity markets, global financial condition, present and future business strategies and the environment in which Josemaria will operate in the future, including the price of commodities, anticipated costs, ability to achieve goals (including, without limitation, timing and amount of production), timing and availability of additional required financing on favourable terms, decision to implement (including the business strategy, timing and structure thereof), the ability to obtain or maintain permits, mineability and marketability, exchange and interest rate assumptions, including, without limitation, being approximately consistent with the assumptions in the Josemaria Feasibility Study, the availability of certain consumables and services and the prices for power and other key supplies, including, without limitation, being approximately consistent with assumptions in the Josemaria Feasibility Study, labour and materials costs, including, without limitation, assumptions underlying Mineral Reserve and Mineral Resource estimates, assumptions made in the Feasibility Study estimates, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological assumptions, capital and operating cost estimates, and general marketing, political, business and economic conditions, as applicable, results of exploration activities, 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.

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information and statements, which include, but are not limited to, the risks and uncertainties more fully described in the Company's 2020 AIF, periodic filings with Canadian securities regulators and in other Company reports and documents filed with applicable securities regulatory authorities from time to time, which are available under the Company's profile at www.sedar.com.

Cautionary note to U.S. readers regarding presentation of Mineral Reserve and Resource estimates

The Company’s Mineral Reserve and Mineral Resource estimations have been prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) – Definition Standards adopted by CIM Council on May 10, 2014 (the “CIM Definition Standards”) that are incorporated by reference in National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”). Accordingly, information contained in this document regarding descriptions of the Company’s mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

Independent auditor's report

To the Shareholders of Josemaria Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Josemaria Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards 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, 2020 and 2019;
- 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 significant accounting policies and other explanatory information.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Assessment of impairment indicators of mineral properties

Refer to Note 5(b) – Critical accounting estimates and judgements, Note 5(e), – Exploration and project investigation expenditures and mineral properties, Note 5(f) – Impairment of non-financial assets, and Note 9 – Mineral properties to the consolidated financial statements.

The total book value of mineral properties amounted to $10.1 million as at December 31, 2020. At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to mineral properties. If any such indicator exists, then an impairment test is performed by management. Information considered by management in assessing indicators of impairment may include (i) the period for which the entity has the right to conduct its exploration and project investigation activities, including expected renewals; (ii) whether substantive expenditure on further exploration and project investigation of mineral properties are budgeted; (iii) the evaluation of the results of exploration and project investigation activities up to the reporting date; and (iv) the likelihood that the carrying value of mineral properties will be recovered in full from successful development or sale of the asset. No impairment indicators were identified by management as at December 31, 2020.

We considered this a key audit matter due to the significance of the mineral properties and the judgments made by management in its assessment of indicators of impairment related to mineral properties, which have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

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Our approach to addressing the matter included the following procedures, among others:

- Assessed the judgements made by management in determining the impairment indicators, which included the following:
  - Obtained a list of mining titles to assess (i) the right to explore the area and (ii) title expiration dates.
  - Evaluated whether the mining titles are in good standing by agreeing the rights to explore to government registries and other regulatory bodies, as applicable.
  - Read the Board of Directors’ minutes and obtained budget approvals to evidence continued and planned exploration expenditure for 2021, which included evaluating results of current year work programs, and management’s longer term plans.
  - Assessed if sufficient data exists to indicate that the carrying amount is unlikely to be recovered from successful development or sale, based on evidence obtained in other areas of the audit.

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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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 25, 2021

Josemaria Resources Inc.
Consolidated Statements of Financial Position
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents		$ 6,740,884	$ 4,043,451
Investments		179,259	97,076
Share consideration receivable	*6*	-	625,531
Receivables and other assets	*7*	371,132	974,864
		7,291,275	5,740,922
Receivables and other assets	*7*	210,238	164,035
Equipment and other fixed assets	*8*	2,179,114	2,218,399
Mineral properties	*9*	10,064,661	10,608,482
TOTAL ASSETS		$ 19,745,288	$ 18,731,838
LIABILITIES			
Current liabilities:			
Trade payables and accrued liabilities		$ 2,708,950	$ 6,865,519
Debentures	*13*	29,258,617	19,519,311
Other liabilities	*10*	72,167	228,686
		32,039,734	26,613,516
Non-current liabilities:			
Other liabilities	*10*	61,526	74,473
Debentures	*13*	-	8,398,623
TOTAL LIABILITIES		32,101,260	35,086,612
EQUITY			
Share capital	*11*	257,934,980	224,619,229
Contributed surplus	*12*	13,489,755	12,241,319
Deficit		(281,807,438)	(250,570,275)
Accumulated other comprehensive loss (“AOCI”)		(1,973,269)	(2,645,047)
TOTAL EQUITY		(12,355,972)	(16,354,774)
TOTAL LIABILITIES AND EQUITY		$ 19,745,288	$ 18,731,838

Nature of operations and liquidity risk (Note 1)

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

ON BEHALF OF THE BOARD:

/s/Ashley Heppenstall
Director

/s/Adam I. Lundin
Director

Josemaria Resources Inc.
Consolidated Statements of Comprehensive Loss
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Note		For the Year Ended December 31, 2020		2019
Expenses					
Exploration and project investigation	*14*	$	29,934,308	$	35,541,191
General and Administration ("G&A"):					
Salaries and benefits			2,390,859		2,211,130
Share-based compensation	*12*		1,092,000		1,392,717
Management fees			472,522		248,400
Professional fees			270,481		671,879
Travel			213,182		151,515
Promotion and public relations			885,665		212,908
Regulatory, transfer agent and administration			428,171		475,327
Operating loss			35,687,188		40,905,067
Other items					
Financing costs	*13*		3,526,927		671,340
Interest income			(47,294)		(66,906)
Unrealized foreign exchange (gain)/loss			(1,572,861)		(324,007)
Accretion of share consideration receivable	*6*		(109,469)		(93,164)
Foreign exchange and trading (gains)/losses realized on equity investments	*4*		(6,489,532)		(229,243)
Gain on spin-out transaction	*9*		-		(30,847,040)
Re-classification of accumulated exchange differences upon spin-out	*9*		-		1,358,535
Other income			(145,596)		(256,669)
(Gain)/Loss on net monetary position	*3*		387,800		(167,449)
Net loss			31,237,163		10,950,464
Other Comprehensive (income)/loss					
Items that may be reclassified subsequently to net loss:					
Foreign currency translation adjustment			7,646		170,530
Re-classification of accumulated exchange differences upon spin-out	*9*		-		(1,358,535)
Impact of hyperinflation	*3*		(679,424)		624,102
Comprehensive loss		$	30,565,385	$	10,386,561
Basic and diluted loss per common share		$	0.12	$	0.04
Weighted average common shares outstanding			269,861,768		247,807,767

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

Josemaria Resources Inc.
Consolidated Statements of Cash Flows
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Note	For the Year Ended December 31, 2020	2019
Cash flows used in operating activities			
Net loss for the year		$ (31,237,163)	$ (10,950,464)
Items not involving cash and cash equivalents:			
Gain on spin-out transaction		-	(30,847,040)
Re-classification of accumulated exchange differences upon spin-out		-	1,358,535
(Gain)/loss on net monetary position and unrealized foreign exchange differences		346,842	(479,039)
Depreciation		119,675	139,006
Share-based compensation		1,248,436	1,696,686
Financing costs		3,526,927	671,340
Accretion of share consideration receivable		(109,469)	(93,164)
Interest and other income		(192,890)	(252,996)
Fair value gain on equity investments		(82,183)	(229,243)
Net changes in working capital items:			
Receivables and other		604,823	(1,222,697)
Trade payables and other liabilities		(4,248,154)	5,000,139
		(30,023,156)	(35,208,937)
Cash flows from financing activities			
Repayment of debentures	*13*	(19,730,170)	(5,832,597)
Funds received from debentures	*13*	22,480,236	28,983,593
Share issuances from option exercises		-	957,450
Repayment of lease liabilities	*10*	(43,091)	(27,201)
Private placement, net proceeds	*11*	29,944,508	19,655,380
		32,651,483	43,736,625
Cash flows used in investing activities			
Cash paid in connection with spin-out	*9*	-	(7,538,929)
Proceeds from disposition of available for sale investments		-	413,204
Mineral properties and related expenditures	*9*	-	(735,664)
Acquisition of fixed assets	*8*	(9,226)	(741,081)
Receipt of proceeds in lieu of share consideration	*6*	735,000	-
		725,774	(8,602,470)
Effect of exchange rate change on cash and cash equivalents		(656,668)	(911,218)
Increase (decrease) in cash and cash equivalents during the year		2,697,433	(986,000)
Cash and cash equivalents, beginning of year		4,043,451	5,029,451
Cash and cash equivalents, end of year		$ 6,740,884	$ 4,043,451

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

Josemaria Resources Inc.
Consolidated Statements of Changes in Equity
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Number of shares issued and outstanding	Share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total
December 31, 2018	227,916,086	$ 246,137,481	$ 10,894,615	$ (3,208,950)	$ (239,619,811)	$ 14,203,335
Private placement, net (Note 11)	20,000,000	19,655,380	-	-	-	19,655,380
Transfer of net assets pursuant to spin-out (Note 9)	-	(43,058,560)	-	-	-	(43,058,560)
Exercise of options (Note 12)	1,565,000	1,307,432	(349,982)	-	-	957,450
Debenture financing consideration (Note 13)	855,105	577,496	-	-	-	577,496
Share-based compensation	-	-	1,696,686	-	-	1,696,686
Re-classification of accumulated exchange differences upon spin-out (Note 9)	-	-	-	1,358,535	(1,358,535)	-
Foreign currency translation adjustment	-	-	-	(170,530)	-	(170,530)
Impact of hyperinflation (Note 3)	-	-	-	(624,102)	-	(624,102)
Net loss for the year	-	-	-	-	(9,591,929)	(9,591,929)
December 31, 2019	250,336,191	$ 224,619,229	$ 12,241,319	$ (2,645,047)	$ (250,570,275)	$ (16,354,774)
Private placement and bought deal, net (Note 11)	46,652,986	29,944,508	-	-	-	29,944,508
Debenture financing consideration (Note 13)	4,853,632	3,371,243	-	-	-	3,371,243
Share-based compensation (Note 12)	-	-	1,248,436	-	-	1,248,436
Foreign currency translation adjustment	-	-	-	(7,646)	-	(7,646)
Impact of hyperinflation (Note 3)	-	-	-	679,424	-	679,424
Net loss for the year	-	-	-	-	(31,237,163)	(31,237,163)
December 31, 2020	301,842,809	$ 257,934,980	$ 13,489,755	$ (1,973,269)	$ (281,807,438)	$ (12,355,972)

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

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Josemaria Resources Inc. and its subsidiaries (collectively referred to as the "Company") are principally engaged in the acquisition, exploration and development of mineral properties located in Argentina.

The Company is governed by the Canada Business Corporations Act ("CBCA") and its registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada. On July 17, 2019, the Company completed the spin-out of the Los Helados property and certain other exploration properties into NGEx Minerals Ltd. ("NGEx Minerals") by a plan of arrangement under the Canada Business Corporations Act ("the Arrangement"; Note 9). The Company changed its name to Josemaria Resources Inc. and began trading under the new name and ticker symbol of "JOSE" as of July 23, 2019 on the TSX and as of July 25, 2019 on the NASDAQ OMX Stockholm Stock Exchange ("OMX"). The Company began trading on the OTCQB Venture Market on November 12, 2020 under the ticker symbol of "JOSMF".

During the year ended December 31, 2020 and as of the date of these financial statements, the Company continues to be affected by the novel coronavirus ("COVID-19") pandemic that has evolved into a global crisis. The pandemic and the resultant response to combat it has resulted in the implementation by numerous governments of non-routine measures such as quarantines, travel restrictions and business closures, which are designed to contain the spread of the outbreak. These measures have negatively impacted the global economy and have led to volatile market conditions and commodity prices, and despite indications of economic recovery, the Company cannot yet determine the impact of the COVID-19 pandemic on its future financial position, results of operations or cash flows, nor on the advancement of the Josemaria Project. While the Company's completion of a net $29.9 million financing during 2020 (Note 11) has provided a strong indication that the Company's access to funding for future operations has not been adversely impacted by the COVID-19 pandemic, there is no certainty that future financing will be obtainable under similar terms, or at all, which may impact the Company's ability to fund future operations.

The consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company 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, 2020. As at December 31, 2020, the Company's working capital deficit is $24.3 million, and while the net $29.9 million financing (Note 11) provides sufficient capital for the Company to fund operations for the near term, the Company will need further funding to support the advancement of the Josemaria Project towards development and to meet general corporate and working capital requirements within the next twelve months.

Historically, capital requirements have been funded through equity financing, joint ventures, disposition of mineral properties and investments, and the use of credit facilities with related parties (Note 13). While management is confident that additional sources of funding will be secured to fund planned expenditures, factors that could affect the availability of financing include the progress and results of ongoing exploration and project investigation activities at the Company's Josemaria Project, the state of international debt and equity markets, investor perceptions and expectations of the global copper, gold, and/or silver markets, and the ongoing COVID-19 pandemic. If necessary, the Company may explore opportunities to revise the due dates of its liabilities, and/or settle its liabilities through the issuance of 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 on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. Except for the application of inflation accounting and accounting of equity investments as further described on Notes 3 and 4, these consolidated financial statements are prepared on a historical cost basis.

The consolidated financial statements were approved by the Board of Directors of the Company on February 25, 2021.

3. ACCOUNTING FOR HYPERINFLATION

Argentina was designated a hyper-inflationary economy as of July 1, 2018 for accounting purposes. Accordingly, IAS 29, Financial Reporting in Hyper-Inflationary Economies, has been applied to these consolidated financial statements as the Company's Argentine operating subsidiaries (the "Argentine Subsidiaries") use the Argentine Peso as its functional currency. The financial statements are based on the historical cost approach in IAS 29.

The application of hyperinflation accounting requires restatement of the Argentine subsidiaries' 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 have not been restated.

For the year ended December 31, 2020, the Company recognized a gain of $679,424 (2019 – loss of $624,102) in relation to the impact of hyperinflation within other comprehensive income during the period.

As a result of the change in the IPC from January 1, 2020 to December 31, 2020, the Company recognized a net monetary loss within the Argentine Subsidiaries of $387,800 for the year ended December 31, 2020 (2019 – gain of $167,449), to adjust transactions for the period into a measuring unit current as of December 31, 2020. The level of the IPC at December 31, 2020 was 385.9, which represents an increase of 36% over the IPC of 283.4 at December 31, 2019.

4. ACCOUNTING FOR EQUITY INVESTMENTS

From time to time, as part of the capital funding process from the Canadian parent to the Argentinian subsidiary, the Company will purchase equity instruments via a third-party investment broker. The equity instruments are transferred from the parent to the subsidiary and held for a pre-determined period, typically five business days, and then sold. The Company will only purchase equity instruments of highly reputable companies with high trading volumes and low volatilities. The Company conducts such transactions on an intra-period basis and does not hold the equity instruments at period end. The equity instruments are designated as held-for-trading, and as such all changes in the fair value of the underlying equity instruments are recognized through profit and loss.

Upon receipt of the transferred equity instruments by the local investment broker, the Company realizes an immediate foreign exchange impact. This foreign exchange impact is incurred directly as a result of holding equity instruments with the intention of trading, and as such the foreign exchange impact is also recognized through profit and loss.

For the year ended December 31, 2020, the Company realized a trading loss of $1,636,799 (2019 – $nil) and a foreign exchange gain of $8,044,148 (2019 – $nil) as a result of holding the equity instruments for a net realized gain of $6,407,349 (2019 – $nil). For the year ended December 31, 2020, the Company also incurred an unrealized gain on available for sale equity investments of $82,183 (2019 – $229,243).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation. With the completion of the Arrangement as further described on Note 9, the Company's key operating subsidiary as at December 31, 2020 is Desarrollo de Prospectos Mineros S.A. (Argentina).

Subsidiaries are all entities over which the Company has control. An entity is controlled by the Company when as a group; it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All of the Company's subsidiaries are wholly-owned.

b) Critical accounting estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and judgements that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates and judgements 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, judgements and other sources of estimation uncertainty as at December 31, 2020 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are as follows:

Going Concern

In preparation of these consolidated financial statements, management has made certain estimates and judgements with respect to evaluating the Company's ability to continue as a going concern, including budgeted expenditures, foreign exchange rates, the timing of certain work activities, and the ability to raise additional funds and extend the maturity dates of the Company's debenture facilities (Note 13). While management is confident in the reasonableness of these underlying assumptions, they are subject to change which could impact the Company's ability to continue as a going concern.

Assessment of impairment indicators of mineral properties

The application of the Company's accounting policy for the impairment of mineral properties requires judgment to determine whether indicators of impairment exist. This includes information such as the period for which the Company has the right to conduct its exploration and project investigation activities, including expected renewals, whether substantive expenditures on further exploration and project investigation of mineral properties are budgeted, the evaluation of the results of exploration and project investigation activities up to the reporting date, and the likelihood that the carrying value of mineral properties will be recovered in full from successful development or sale of the asset. Management has performed an impairment indicator assessment on the Company's mineral properties and has concluded that no impairment indicators exist as of December 31, 2020.

c) Foreign currency translation

Foreign subsidiaries whose functional currency is the currency of a hyperinflationary economy applies hyperinflation accounting in accordance with IAS 29 and the interpretive guidance for first time adoption of IAS 29 included within IFRIC 7 as described in Note 3. When the economy ceases to be hyperinflationary, the Company will discontinue the application of hyperinflation accounting and the amounts presented in the measuring unit current at the end of the previous reporting period will become the basis for the carrying amounts in its subsequent financial statements.

For foreign subsidiaries whose functional currency is the currency of a non-hyperinflationary economy, transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at period end exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated based on the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the income statement.

The functional currency of each of the subsidiaries is the currency of the primary economic environment in which the entity operates. Primary and secondary indicators are used to determine the functional currency. The local currency has been determined to be the functional currency of the Company's significant operating segments. Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rate; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

The functional currency of Josemaria Resources Inc., the parent entity, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements.

d) Equipment and other fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

e) Exploration and project investigation expenditures and mineral properties

Exploration and project investigation ("E&P") expenditures are those costs required to find a mineral property and determine its commercial viability. E&P costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources.

E&P costs are expensed as incurred until such time that the project demonstrates economic viability and technical feasibility. When these milestones have been achieved, the capitalization of E&P costs will commence. Property acquisition costs are capitalized as mineral properties. In accounting for its asset acquisitions, the Company recognizes future contingent considerations as additions to the cost of the asset initially recorded when incurred.

f) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting period for impairment whenever facts and circumstances indicate that the carrying amounts are not recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separate cash flows (cash generating units or "CGU"). An impairment loss exists if the asset's or CGU's carrying amount exceeds its recoverable amount and is recorded as an expense in the consolidated statement of loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statement of loss.

g) Financial instruments

Recognition:

The Company measures and classifies its financial assets based on its business model for managing its financial assets and the contractual cash flow characteristics of those financial assets. Financial assets are classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive loss and those measured at amortized cost.

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.

Investments in equity instruments are required to be measured by default at fair value through profit or loss unless the Company makes an irrevocable election to present subsequent changes in the fair value of its equity investments in OCI. The Company has not elected to measure any of its equity instruments through OCI.

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 net losses.

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.

The expected credit losses are reviewed and updated at each reporting date as appropriate to reflect changes in the credit risk of the financial instruments, whereby 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 loss of 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.

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) Provisions

Provisions are recognized when a present legal or constructive obligation exists as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate credit-adjusted risk-free rate.

j) Share-based compensation

The Company has a share-based compensation plan for its employees, directors and other eligible participants (“Participants”). Participants may receive options to purchase common shares at a price determined at the time of grant. Fair value for stock options granted is determined on grant date using the Black-Scholes option-pricing model. Share-based compensation expense is recorded over the period the options vest, with a corresponding increase to contributed surplus. The Company issues new common shares to satisfy stock option exercises, with the proceeds received net of any directly attributable transaction costs credited to share capital.

k) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. For diluted earnings per share, dilution is calculated based upon the net number of common shares issued should “in-the-money” options be exercised and the proceeds be used to repurchase common shares at the average market price in the year.

l) Share capital

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

m) Segment Reporting

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 is responsible for allocating resources and reviewing operating results of each operating segment on a periodic basis.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

The Company's primary reporting segments are based on the location of operations, being South America and Canada. The office in Canada provides support to the project with respect to treasury and finance, technical support, regulatory reporting and corporate administration.

n) New accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board. The following has not yet been adopted by the Company and is being evaluated to determine its impact:

IAS 16, Property, plant and equipment ("IAS 16")

Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendments to IAS 16 are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted.

6. SHARE CONSIDERATION RECEIVABLE

On November 3, 2020, the Company received $735,000 in cash in lieu of shares from Newcrest Mining. The cash receipt is related to the Company's disposition of its interest in the GJ copper-gold mineral property assets, which occurred on November 3, 2015. Should future commercial production be achieved by the GJ property assets, an additional $4.0 million cash payment is due to the Company within 45 days of achieving that milestone.

7. RECEIVABLES AND OTHER ASSETS

		December 31, 2020		December 31, 2019
Receivables and prepaid expenses	$	267,999	$	445,361
Taxes recoverable		313,371		370,496
Due from related parties (Note 15)		-		323,042
	$	581,370	$	1,138,899

		December 31, 2020		December 31, 2019
Current	$	371,132	$	974,864
Non-current		210,238		164,035
Total	$	581,370	$	1,138,899

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

8. EQUIPMENT AND OTHER FIXED ASSETS

	Equipment	Leasehold improvement	Leased Assets	Other assets	Total
December 31, 2018	$ 1,710,604	$ 48,800	$ -	$ 8,000	$ 1,767,404
Additions	741,081	-	37,274	-	778,355
Hyperinflation adjustment (Note 3)	(185,039)	-	(3,315)	-	(188,354)
Depreciation	(93,352)	(18,300)	(27,354)	-	(139,006)
December 31, 2019	$ 2,173,294	$ 30,500	$ 6,605	$ 8,000	$ 2,218,399
Additions	9,226	-	121,045	-	130,271
Hyperinflation adjustment (Note 3)	(49,765)	-	(116)	-	(49,881)
Depreciation	(67,987)	(18,300)	(33,388)	-	(119,675)
December 31, 2020	$ 2,064,768	$ 12,200	$ 94,146	$ 8,000	$ 2,179,114

9. MINERAL PROPERTIES

		Projects transferred to NGEx Minerals pursuant to the Arrangement		
	Josemaria (Note a)	Los Helados (Note b)	Nacimientos & others (Note b)	Total
December 31, 2018	$ 11,477,570	$ 4,040,164	$ 494,826	$ 16,012,560
Additions	-	328,774	406,890	735,664
Currency translation effect	-	(106,262)	63,338	(42,924)
Transferred to NGEx Minerals pursuant to the Arrangement (Note 9)	-	(4,262,676)	(965,054)	(5,227,730)
Hyperinflation adjustment (Note 3)	(869,088)	-		(869,088)
December 31, 2019	$ 10,608,482	$ -	$ -	$ 10,608,482
Hyperinflation adjustment (Note 3)	(543,821)	-	-	(543,821)
December 31, 2020	$ 10,064,661	$ -	$ -	$ 10,064,661

a) The Josemaria Project

<u>Acquisition of mineral property interests from JOGMEC</u>

The Company holds a 100% interest in the Josemaria project in San Juan Province, Argentina following its acquisition of all remaining interests in the project from Japan Oil, Gas and Metals National Corporation ("JOGMEC") on November 13, 2017 for total cash consideration of US$21 million. US$3 million was paid on November 2017, with the remainder of the cash consideration to be paid upon completion of the following milestones:

- US$5 million payable upon a development and construction decision being made; and
- US$13 million upon commencement of commercial production from the property.

In accordance with its accounting policy, the future contingent consideration to be paid upon completion of the applicable milestones will be recorded and added to the mineral property when incurred. JOGMEC retains an option to purchase up to 40% of the material produced from the mine at a price not to exceed the prevailing market price at the time the notice of exercise is given.

Acquisition of mining concessions from Filo Mining Corp. ("Filo Mining")

On February 21, 2018, the Company completed the acquisition of a 100% interest in certain mining concessions (the "Primary Properties") with an option to acquire a 100% interest in additional mining concessions (the "Additional Properties") located in San Juan Province, Argentina from Filo Mining, a related party, to expand its Josemaria project in exchange for the following consideration:

- Providing Filo Mining with the right to use its Batidero Camp facility in Argentina for a minimum period of two years, which right is automatically renewed unless terminated upon one year's prior notice;
- a 3% net smelter return ("NSR") royalty on a portion of the mining concessions on properties auxiliary to the Josemaria project, 2% of which can be re-purchased by the Company at any time for $2,000,000; and
- Cash consideration of $64,000 which was paid upon execution of the agreement with Filo Mining.

The mining concessions acquired from Filo Mining, including all transaction costs, have been capitalized as mineral properties. The costs of the mineral properties acquired were measured based on the fair value of the consideration given up, which includes cash and the use of the Batidero camp. Using an expected time frame of two years, management estimated the fair value of the camp use provision to be approximately $354,000 (Note 10). On June 30, 2019, the Company finalized an arrangement with Filo Mining to extend the minimum period of use of the Company's Batidero Camp facility up to March 31, 2021, in exchange for cash consideration of $382,670. The agreement is automatically renewed on an annual basis unless terminated with one year's prior notice. This amount has been deferred on the Statement of Financial Position and recognized as income over the expected period of camp use (Note 10).

b) Spin-out Transaction – Los Helados, Nacimientos and other projects

On July 17, 2019, the Company completed the Arrangement under the CBCA pursuant to which the Company transferred its wholly owned subsidiaries that directly or indirectly held the Los Helados Project located in Chile, and the Nacimientos Project and other exploration projects located in Argentina, $7.3 million in cash, and the assignment of the Company's obligation to fund US$3.5 million of Pacific Copper Co.'s share of expenditures on the Filo del Sol Project, in exchange for 124,793,652 common shares in the new entity, NGEx Minerals. The Company subsequently distributed the NGEx Minerals common shares to the Company's shareholders as a return of capital. NGEx Minerals began trading on the TSX Venture Exchange under the symbol "NGEX" on August 20, 2019.

In accordance with IFRIC 17, Distributions of Non-cash Assets to Owners, during the year ended December 31, 2019 the Company recognized the distribution of net assets to its shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in the statement of comprehensive income. Upon completion of the Arrangement, the Company recorded a gain of $30.8 million on the spin-out of NGEx Minerals. The cumulative other comprehensive loss totaling $1.3 million recognized for the entities spun out to NGEx Minerals was re-classed from AOCI to Statement of Comprehensive Loss. The Company transferred total net assets with a fair value of $43.1 million as part of the transaction.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

10. OTHER LIABILITIES

		Camp use provision		Lease liability		Total Other liabilities
December 31, 2018	$	191,084	$	-	$	191,084
Additions		417,850		37,292		455,142
Lease payments		-		(33,378)		(33,378)
Hyperinflation adjustment		(52,929)		-		(52,929)
Recognition to income, net of expense		(260,432)		3,672		(256,760)
December 31, 2019	$	295,573	$	7,586	$	303,159
Additions		-		121,045		121,045
Lease payments		-		(43,091)		(43,091)
Hyperinflation adjustment		(101,325)		-		(101,325)
Recognition to income, net of expense		(158,833)		12,738		(146,095)
December 31, 2020	$	35,415	$	98,278	$	133,693

		December 31, 2020		December 31, 2019
Current	$	72,167	$	228,686
Non-current		61,526		74,473
Total other liabilities	$	133,693	$	303,159

11. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value. All issued shares are fully paid.

On August 18, 2020, the Company closed a private placement and concurrent public offering of 46,652,986 common shares of the Company at a price of $0.67 per common share for gross proceeds of $31.3 million, less issuance costs of $1.4 million, for net proceeds of $29.9 million. Zebra Holdings and Investments S.à.r.l. ("Zebra") and Lorito Holdings and Investments S.à.r.l. ("Lorito"), both related parties of the Company, contributed a combined gross $14.7 million as part of the private placement.

On February 1, 2019, the Company completed private placements totaling 20,000,000 common shares of the Company for gross proceeds of $20.0 million. Share issuance costs totaling $0.3 million were paid in relation to the private placements. The net proceeds received by the Company on the private placements totaled $19.7 million.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

12. SHARE OPTIONS

a) Share Option Plan

The Company has a rolling share option plan which reserves an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted.

During the year ended December 31, 2020, the Company granted a total of 3,997,000 (2019 – 5,910,000) share options to officers, employees, directors and other eligible participants at an average exercise price of $0.67 per share. Share options have an expiry date of five years and vest over a period of 24 months from date of grant. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions and resulting fair values for grants are as follows:

		2020		2019
Assumptions:				
Risk-free interest rate *(%)*		1.4		1.6
Expected life *(years)*		4.2		4.3
Expected volatility *(%)*		49.0		48.0
Expected dividend		Nil		Nil
Results:				
Weighted average fair value of options granted per option	$	0.27	$	0.33

As a result of the Arrangement (Note 9), all share options outstanding as of the record date were exchanged for one fully-vested replacement Josemaria option (“Josemaria replacement option”) and one-half of one fully-vested option of NGEx Minerals Ltd. The Josemaria replacement options are governed by the Josemaria share option plan and the exercise prices were adjusted based on the market value of the two companies after completion of the Arrangement. As all the Josemaria replacement options became fully-vested, with no further service obligations required by the participants upon the completion of the Arrangement, the Company recognized all remaining share-based compensation for the Josemaria replacement options as of July 17, 2019.

Based on the valuation of $0.27 per option granted, the Company will recognize $1,088,824 in total expense over the vesting period of the 3,977,000 options granted during the year ended December 31, 2020. The options have an expiry date of five years and vest in thirds: one-third immediately upon grant, and the remaining thirds on the first and second anniversary of the date of grant, respectively.

The total share-based compensation expense for the year ended December 31, 2020 totaling $1,248,436 (2019 – $1,696,686) was presented in the statement of comprehensive loss as follows:

		2020		2019
General and administration	$	1,092,000	$	1,392,717
Exploration and project investigation		156,436		303,969
	$	1,248,436	$	1,696,686

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

b) Share Options Outstanding

The following is a summary of the movements in the number of share options outstanding and their related weighted average exercise prices:

	Number of share issuable pursuant to share options	Weighted average exercise price per share
December 31, 2018	5,695,000	$ 1.11
Granted	5,910,000	0.69
Exercised	(1,565,000)	(0.61)
Expired	(115,000)	(0.78)
December 31, 2019	9,925,000	$ 0.76
Granted	3,997,000	0.67
Expired	(3,060,000)	(0.84)
December 31, 2020	10,862,000	$ 0.70

No stock options were exercised during the year ended December 31, 2020. The weighted average share price on the exercise dates of stock options exercised during the year ended December 31, 2019 was $1.01.

The following table summarizes information about the outstanding and exercisable share options at December 31, 2020:

	Outstanding Options		Exercisable Options	
Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average remaining contractual life (years)
$ 0.73	75,000	4.4	25,000	4.4
$ 0.67	3,922,000	4.2	1,307,333	4.2
$ 0.61	2,505,000	3.9	1,670,000	3.9
$1.01	925,000	3.6	616,667	3.6
$ 0.65	1,830,000	3.2	1,220,000	3.2
$ 0.81	1,605,000	2.2	1,605,000	2.2
	10,862,000	3.6	6,444,000	3.3

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

13. DEBENTURES

A continuity of the changes in the total outstanding debenture balance is as follows:

December 31, 2018	$	5,317,474
Funds drawn on debentures		23,150,996
Other items		(66,251)
Effect of changes in foreign exchange		(484,285)
December 31, 2019	$	27,917,934
Funds drawn on debentures		22,480,236
Repayments on debentures		(19,730,170)
Other items		44,878
Effect of changes in foreign exchange		(1,454,261)
December 31, 2020	$	29,258,617

The total debenture balance outstanding as at December 31, 2020 is comprised as follows:

	Lorito Facility (Note c)	2020 Facilities (Note d)	Total
Current	$ 25,453,255	$ 3,805,362	$ 29,258,617
Non-current	-	-	-
Total	$ 25,453,25	$ 3,805,362	$ 29,258,617

a) 2018 Facility

On October 5, 2018, the Company secured a US$5.0 million credit facility with Zebra, as evidenced by a debenture to provide additional financial flexibility to fund general corporate purposes (the "2018 Facility"). Zebra received 28,000 common shares of the Company as consideration upon execution of the 2018 Facility and was entitled to receive 500 common shares each month, for every US$ 50,000 in principal outstanding, prorated accordingly for the number of days outstanding. On April 30, 2020, the Company amended the terms of the 2018 Facility to extend the maturity date from May 5, 2020 to December 12, 2020. The Company repaid US$1.15 million on August 20, 2020 and US$ 3.85 million on November 30, 2020 to settle the outstanding US$5.0 million balance in full.

b) 2019 Facility

On June 12, 2019 the Company secured a US$10.0 million credit facility with Zebra, as evidenced by a debenture, to fund ongoing exploration at the Josemaria project and for general corporate purposes (the "2019 Facility"). Zebra received 28,000 common shares of the Company as consideration upon execution of the 2019 Facility and was entitled to receive 500 common shares each month, for every US$ 50,000 in principal outstanding, prorated accordingly for the number of days outstanding. On August 20, 2020, the Company repaid the outstanding US$10.0 million balance in full.

c) **Lorito Facility**

On October 25, 2019 the Company secured a US$20.0 million credit facility with Lorito as evidenced by a debenture to fund ongoing exploration at the Josemaria project and for general corporate purposes (the "Lorito Facility"). Pursuant to the terms of the Lorito Facility, Lorito received 80,000 common shares of the Company as consideration upon execution of the Lorito Facility and is entitled to receive 800 common shares each month, for every US$50,000 in principal outstanding, prorated accordingly for the number of days outstanding. The Lorito Facility is fully drawn and matures on April 25, 2021.

d) **2020 Facilities**

On May 25, 2020, the Company secured two credit facilities, evidenced by debentures, totaling US$7.0 million (collectively the "2020 Facilities"), one with Lorito for US$3.5 million (the "Lorito 2020 Facility") and one with Zebra for US$3.5 million (the "Zebra 2020 Facility"), each of which has a term of 18 months ending November 25, 2021. No interest is payable during the term of the 2020 Facilities, however, any amount of the Lorito 2020 Facility or the Zebra 2020 Facility remaining unpaid and outstanding on or after November 25, 2021 shall bear interest at a rate of 5.0% per annum until repaid in full. During 2020, the Company drew US$3.0 million from the 2020 Facilities and US$4.0 million remains undrawn on the 2020 Facilities as at December 31, 2020.

Zebra reports its security holdings in the Company as a "joint actor" under securities law with Lorito and they collectively hold approximately 39% of the Company's issued and outstanding common shares as at December 31, 2020. No interest is payable in cash during the term and all securities issued in conjunction with these facilities are subject to a four-month hold period under applicable securities law. The Company issued 4,853,632 shares to Lorito and Zebra during 2020 (2019 – 855,105) as consideration for the funds drawn on the facilities, with an additional 413,700 common shares issuable, resulting in $3,526,927 in financing costs recognized during the year ended December 31, 2020 (2019 – $671,340).

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

14. EXPLORATION AND PROJECT INVESTIGATION

The Company expensed the following exploration and project investigation costs:

		2020		2019
Josemaria	$	29,934,308	$	33,435,055
Los Helados		-		1,571,392
Nacimientos		-		255,059
Other Projects		-		279,685
Total Expenditures	$	29,934,308	$	35,541,191

		2020		2019
Land holding costs	$	94,592	$	887,058
Drilling, fuel, camp costs and field supplies		7,484,612		6,594,957
Roadwork, travel and transport		1,460,405		2,226,931
Engineering studies, consultants, geochemistry and geophysics		10,462,785		13,171,709
Environmental and community relations		2,381,629		4,966,202
VAT, other taxes and fees		5,215,873		3,772,995
Office and general, salaries, and overhead		2,082,538		2,819,215
Share-based compensation		156,436		303,969
Inflation adjustment (Note 3)		595,438		798,155
Total Expenditures	$	29,934,308	$	35,541,191

15. RELATED PARTY TRANSACTIONS

a) Related party services and balances

NGEx Minerals Ltd. was incorporated on February 21, 2019 under the laws of CBCA as a wholly-owned subsidiary of the Company prior to the spin-out of NGEx Minerals which was completed on July 17, 2019. The Company formalized a cost sharing arrangement with NGEx Minerals and Filo Mining Corp. (“Filo Mining”; collectively the “Related Parties”), whereby the Related Parties provide executive management and personnel services to the Company (the “Related Party Services”), while the Company provides financial management and administrative services to Filo Mining and NGEx Minerals (the “Josemaria Services”). These transactions are in the normal course of operations.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

Other than those related party transactions identified elsewhere in these consolidated financial statements, the related party transactions are as follows:

	2020	2019
Income from Josemaria Services provided:		
Filo Mining	$ 314,419	$ 336,044
NGEx Minerals	150,750	72,485
Total	$ 465,169	$ 408,529

	2020	2019
Costs of Related Party Services received:		
Filo Mining	$ (943,427)	$ (1,217,414)
NGEx Minerals	(139,906)	(84,051)
Total	$ (1,083,333)	$ (1,301,465)

The amounts due from/to the Related Parties by the Company, and the components of the consolidated statement of financial position in which they are included, are as follows:

	December 31, 2020	December 31, 2019
Due from Filo Mining	$ -	$ 220,366
Due from NGEx Minerals	-	102,676
	$ -	$ 323,042

	December 31, 2020	December 31, 2019
Due to Filo Mining	$ -	$ (196,489)
Due to NGEx Minerals	-	(16,849)
	$ -	$ (213,338)

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

b) Key management compensation

The key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel inclusive of costs of key management personnel services received from its Related Parties as described in Note 15, and the composition thereof, is as follows:

	2020	2019
Salaries and other payments	$ 1,218,107	$ 1,483,333
Employee benefits	28,196	51,888
Director fees	103,723	223,708
Share-based compensation	1,072,121	1,258,181
	$ 2,422,147	$ 3,017,110

16. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The segments presented in Note 9 and Note 16 reflect the way in which management reviews its business performance. Following the completion of the Arrangement on July 17, 2019 as described on Note 2, the Company's primary business activity is the advancement of the Josemaria Project in San Juan, Argentina. All of the Company's non-current assets and exploration and project investigation costs are located and incurred within Argentina, whereas materially all of the Company's cash and general and administrative costs are held and incurred by the Canadian parent. The following is a summary of net losses and selected non-current assets by segment:

December 31, 2020	Receivables and other assets	Equipment and other fixed assets	Mineral properties	Total
Josemaria	$ 210,238	$ 2,149,791	$ 10,064,661	$ 12,424,690
Corporate	-	29,323	-	29,323
Total	$ 210,238	$ 2,179,114	$ 10,064,661	$ 12,454,013

December 31, 2019	Receivables and other assets	Equipment and other fixed assets	Mineral properties	Total
Josemaria	$ 164,035	$ 2,179,899	$ 10,608,482	$ 12,952,416
Corporate	-	38,500	-	38,500
Total	$ 164,035	$ 2,218,399	$ 10,608,482	$ 12,990,916

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

17. INCOME TAXES

		2020		2019
Combined basic federal and provincial income tax rates		27.0%		27.0%
Net loss before taxes	$	(31,237,163)	$	(10,950,464)
Expected income recovery	$	(8,434,034)	$	(2,956,625)
Non-deductible share based compensation		337,078		376,034
Other non-deductible expenses and other permanent differences		2,603,761		(4,701,703)
Changes in foreign tax and currency rates		788,823		1,749,171
Income tax benefits not recognized and other items		4,704,372		5,533,123
Income tax recovery	$	-	$	-

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

		December 31, 2020		December 31, 2019
Non-capital losses carried forward	$	9,144,833	$	7,966,726
Capital losses carried forward		21,043,157		11,781,196
Mineral properties and related expenditures		8,981,100		6,303,326
Others		384,284		169,574
Unrecognized deferred tax assets	$	39,553,374	$	26,220,822

As at December 31, 2020, the Company has the following tax losses, primarily in Canada and Argentina, which may be used to reduce future taxable income:

Year of Expiry		Canada		Argentina		Other		Total
2021	$	-	$	-	$	130,958	$	130,958
2022		-		5,319		14,212		19,531
2023		-		4,134		19,534		23,668
2024		-		57,935		18,351		76,286
2025 and onwards		33,617,620		-		21,859		33,639,479
Total	$	33,617,620	$	67,388	$	204,914	$	33,889,922

18. FAIR VALUE ESTIMATION

The fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

- Level 1 – Quoted market price in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the assets or liabilities are not based on observable market data.

The carrying values of certain financial instruments maturing in the short-term approximate their fair values. These financial instruments include cash and cash equivalents, receivables and others, trade payables and accrued liabilities, and debentures which are classified as amortized cost. The fair value of investments in shares is determined based on the quoted market price.

19. MANAGEMENT OF FINANCIAL RISKS

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

a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risks associated with cash and cash equivalents 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. Credit risks associated with receivables and other assets are minimal as the Company manages these amounts so as not to have material balances outstanding for long periods of time. Credit risks associated with investments are minimal as the Company does not hold its investments for long periods of time.

b) Liquidity risk (Note 1)

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which is managed through the management of its capital structure. The Company closely monitors and reviews its costs incurred and actual cash flows against the approved budget on a monthly basis to ensure the Company's access to funds is adequate to support the Company's operations on an ongoing basis. The maturities of the Company's financial liabilities as at December 31, 2020 are as follows:

	Total	Less than 1 year	1 to 5 years	More than 5 years
Trade payables and accrued liabilities	$ 2,708,950	$ 2,708,950	$ -	$ -
Debenture	29,258,617	29,258,617	-	-
Other liabilities	133,693	72,167	61,526	-
Total	$ 32,101,260	$ 32,039,734	$ 61,526	$ -

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices comprise two types of risk: currency risk and price risk. Financial instruments affected by market risk include cash and cash equivalents, receivables and other assets, investments, trades payable and accrued liabilities, debentures, and other liabilities

Currency risk

Currency risk is the risk that the value of financial assets and liabilities may change due to changes in the value of two different currencies. The Company is exposed to currency risks as its parent is headquartered in Canada and its day-to-day transactions take place in Canadian dollars, while its foreign operations are conducted in Argentina, and the Company also holds significant debentures denominated in the United States dollar. While the Company has not used any hedging strategies to manage its exposure to currency fluctuations, management strives to minimize currency risk by sending its cash to its foreign operation as required.

Based on the Company's net exposures at December 31, 2020, a 10% depreciation or appreciation in the Argentina peso or United States dollar relative to the Canadian dollar would have resulted in an approximate $0.1 million and $2.8 million, respectively, increase or decrease in the Company's net loss.

Price risk

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. From time to time, as part of the funding process to its subsidiary, the Company holds equity instruments for periods of three to five business days with the intention of trading. During these holding periods, the Company is exposed to changes in share prices which result in gains or losses being recognized in profit and loss. The Company does not hold significant numbers of equity instruments at period end and therefore has no significant exposure to price risk as at December 31, 2020

20. CAPITAL STRUCTURE 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 to it 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.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are monitored against actual costs, and updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

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