

---

**MONTERO MINING AND EXPLORATION LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 and 2019**  
**Expressed in Canadian Dollars**

---



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Montero Mining and Exploration Ltd.

### Opinion

We have audited the consolidated financial statements of Montero Mining and Exploration Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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.

### 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

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

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

April 30, 2021



An independent firm  
associated with Moore  
Global Network Limited

**MONTERO MINING AND EXPLORATION LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash	5	1,704,095	10,979
Other receivables	6	8,864	51,251
Prepaid expenses and deposits		43,258	18,723
<b>Total current assets</b>		<b>1,756,217</b>	<b>80,953</b>
<b>Non-current assets</b>			
Plant and equipment	7	1,324	2,103
Exploration and evaluation assets	8	325,274	-
<b>Total non-current assets</b>		<b>326,598</b>	<b>2,103</b>
<b>TOTAL ASSETS</b>		<b>2,082,815</b>	<b>83,056</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	415,869	549,288
<b>Total current liabilities</b>		<b>415,869</b>	<b>549,288</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	18,050,471	16,448,943
Warrants	11	756,506	306,361
Share-based payment reserve	12	8,110,635	7,292,626
Foreign currency translation reserve		1,047,560	1,050,898
Accumulated deficit		(26,298,226)	(25,565,060)
<b>Total shareholders' equity</b>		<b>1,666,946</b>	<b>(466,232)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,082,815</b>	<b>83,056</b>
Nature and continuance of operations	1		
Subsequent events	22		
<b>On behalf of the Board:</b>			
<i>"Antony Harwood"</i>		<i>"Andrew Thomson"</i>	
_____ Antony Harwood, Director		_____ Andrew Thomson, Director	

See accompanying notes to the consolidated financial statements

**MONTERO MINING AND EXPLORATION LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2020 \$	Year ended December 31, 2019 \$
<b>EXPENSES</b>			
Consulting, administrative and management fees	16	275,907	283,428
Accounts receivable allowance		27,524	-
Depreciation	7	779	1,058
General and administrative	16	27,353	46,900
Impairment of exploration and evaluation assets	8	-	375,091
Other expenses		6,374	50,052
Professional fees		113,464	58,311
Project investigation costs	8	10,124	53,231
Shareholder and regulatory		30,657	45,247
Stock-based compensation	10,16	511,648	-
<b>OPERATING LOSS</b>		<b>(1,003,830)</b>	<b>(913,318)</b>
<b>OTHER ITEMS</b>			
Reversal of amounts due to related parties	16	256,956	-
Other income		-	2,272
Interest income/(Interest expense)		(2,872)	2
Recovery on impaired exploration and evaluation assets	8	13,870	250,637
Foreign exchange gain		2,710	2,850
		270,664	255,761
<b>NET LOSS</b>		<b>(733,166)</b>	<b>(657,557)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Exchange difference on translating foreign operations		(3,338)	5,785
<b>COMPREHENSIVE LOSS</b>		<b>(736,504)</b>	<b>(651,772)</b>
<b>EARNINGS (LOSS) PER SHARE</b>			
<b>- BASIC AND DILUTED</b>	14	\$ (0.03)	\$ (0.03)

See accompanying notes to the consolidated financial statements

**MONTERO MINING AND EXPLORATION LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars)

	Note	Share Capital		Warrants	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	TOTAL EQUITY
		Number of Shares	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>		<b>21,880,818</b>	<b>16,448,943</b>	<b>306,361</b>	<b>7,292,626</b>	<b>1,045,113</b>	<b>(24,907,505)</b>	<b>185,540</b>
Net loss and comprehensive loss		—	—	—	—	5,785	(657,557)	(651,772)
<b>Balance, December 31, 2019</b>		<b>21,880,818</b>	<b>16,448,943</b>	<b>306,361</b>	<b>7,292,626</b>	<b>1,050,898</b>	<b>(25,565,060)</b>	<b>(466,232)</b>
Net loss and comprehensive loss		—	—	—	—	(3,338)	(733,166)	<b>(736,504)</b>
Shares issued for cash	10	16,666,667	2,500,000	—	—	—	—	<b>2,500,000</b>
Fair value of warrants issued	10	—	(756,506)	756,506	—	—	—	—
Expired warrants	11	—	—	(306,361)	306,361	—	—	—
Share and warrant issue costs	10	—	(141,966)	—	—	—	—	<b>(141,966)</b>
Stock-based compensation	12	—	—	—	511,648	—	—	<b>511,648</b>
<b>Balance, December 31, 2020</b>		<b>38,547,485</b>	<b>18,050,471</b>	<b>756,506</b>	<b>8,110,635</b>	<b>1,047,560</b>	<b>(26,298,226)</b>	<b>1,666,946</b>

See accompanying notes to the consolidated financial statements

**MONTERO MINING AND EXPLORATION LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	(733,166)	(657,557)
Adjustments to loss for non-cash items:		
Depreciation	779	1,058
Impairment of exploration and evaluation assets	-	375,091
Stock-based compensation	511,648	-
Reversal of due to related parties	(256,956)	-
Net changes in non-cash working capital items:		
Other receivables	42,387	(38,299)
Prepaid expenses and deposits	(24,536)	(3,488)
Trade and other payables	67,328	302,547
Net cash flows used in operating activities	(392,516)	(20,648)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	(325,273)	(1,131)
Net cash used in investing activities	(325,273)	(1,131)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issue of shares	2,500,000	-
Share issue costs	(141,966)	-
Advance from related party	52,871	-
Net cash flows provided by financing activities	2,410,905	-
<b>NET INCREASE/(DECREASE) IN CASH</b>	1,693,116	(21,779)
<b>CASH, BEGINNING OF YEAR</b>	10,979	32,758
<b>CASH, END OF YEAR</b>	1,704,095	10,979

See accompanying notes to the consolidated financial statements

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Montero Mining and Exploration Ltd (“Montero” or the “Company”) was incorporated on October 5, 2006, under the laws of British Columbia, Canada. Montero and its subsidiaries (collectively, the “Company”) are engaged in the acquisition and exploration of mineral properties.

Montero is a publicly listed company with its shares listed on the TSX Venture Exchange (“TSX-V”). The Company’s registered office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office address is 789 West Pender Street, Suite 1080, Vancouver, BC V6C 1H2.

**Going Concern**

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2020, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to significant doubt about the Company’s ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from coronavirus (COVID-19). The Company continues to operate its business and move its exploration activity forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2021.

**2. STATEMENT OF COMPLIANCE**

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

The consolidated financial statements were authorized for issue on April 30, 2021 by the Board of Directors of the Company.

**3. BASIS OF PRESENTATION**

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars (“CAD”), unless otherwise indicated.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Consolidation**

The consolidated financial statements include the accounts of Montero, the parent company, and its controlled subsidiaries, after the elimination of all intercompany balances and transactions. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceased. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.



**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**a) Basis of consolidation – Continued**

The Company's controlled subsidiaries included in these consolidated financial statements are:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Ownership</b>
Montero Resource Holding Limited	British Virgin Islands	100%
Wigu Hill (BVI) Limited	British Virgin Islands	100%
Lumba (BVI) Limited	British Virgin Islands	100%
Montero Projects Limited	British Virgin Islands	100%
Eurozone Investments Limited	British Virgin Islands	100%
Montero Mining Namibia (Pty) Ltd.	Namibia	100%
Soris Lithium Proprietary Limited	Namibia	80%
Phosagro (Pty) Ltd.	South Africa	100%
Montero Wigu Hill (Tanzania) Limited	Tanzania	100%
Montero Resources Limited	Tanzania	100%
Lumba Exploration Limited	Tanzania	100%
Wigu Hill Mining Company Limited	Tanzania	82.25%
Lumba Mining Company Limited	Tanzania	82.25%
Minera Joy SpA	Chile	100%
Minera Joy East SpA	Chile	100%
Minera Joy West SpA	Chile	85%

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

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas requiring a significant degree of estimation relate to the recoverability of deferred tax assets, fair value measurements of financial instruments and share-based payments.

**c) Exploration and evaluation assets**

The Company records and carries its interest in exploration and evaluation assets at cost. These capitalized costs include the direct costs of acquisition, exploration and the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. Government tax credits received are recorded as a reduction of the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The Company's criterion for testing impairment includes, but is not limited to, when:

- i) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed;
- ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and / or
- iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**c) Exploration and evaluation assets - Continued**

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within plant and equipment.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**d) Farm outs**

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized or expensed.

**e) Joint arrangements**

A joint arrangement is an arrangement in which the Company and one or more other parties have joint control. Joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement. Under a joint operation, the parties have rights to the assets and obligations for the liabilities of the arrangement and for these arrangements the Company accounts for its share of assets, liabilities, revenue and expenses. Under a joint venture, parties have the rights to the net assets of the arrangement and for these arrangements the Company accounts for the investment using the equity method. As at December 31, 2020, the Company does not have any investments in joint arrangements.

**f) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is provided at rates calculated to write off the cost of the asset over their estimated useful lives. Depreciation is calculated on a declining balance basis on its assets at the following rates: field equipment at 30% per annum and furniture and fixtures at 20% per annum.

**g) Asset retirement and environmental obligations**

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2020, the Company does not have any asset retirement or environmental obligations.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**h) Impairment of assets**

The carrying amount of the Company's assets (which include exploration and evaluation assets and plant and equipment) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**i) Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and short-term highly liquid interest bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired.

**j) Share-based payments**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the *Black-Scholes Option Pricing Model*. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

**k) Income taxes**

Current income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**k) Income taxes - Continued**

Deferred income taxes

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**l) Foreign currency translation**

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company, Montero, is the Canadian dollar and the functional currency of the Company's subsidiaries located in Tanzania and BVI is the United States dollar and the functional currency of the Company's subsidiaries located in South Africa, Namibia and Chile is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction, whereas non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, are recognized in the statement of comprehensive loss in the period in which they arise. When a gain or loss on non-monetary items is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the statement of comprehensive loss, any exchange component of that gain or loss is recognized in also recognized in the statement of comprehensive loss.

At the end of each reporting period, the subsidiaries translate their results and financial position into the presentation currency of the Company which is the Canadian dollar. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end. Income and expenses for each statement of comprehensive loss are translated at the average exchange rates. Equity transactions are translated using the exchange rate at the date of the transaction. All resulting exchange differences are recognized in the Company's foreign currency translation reserve in other comprehensive income. These exchange differences are recognized in the statement of loss in the period in which the operation is disposed.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**m) Loss per share**

Loss per share is calculated based on the weighted average number of shares issued and outstanding during the year. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

**n) Financial instruments**

The following is the Company's accounting policy for financial instruments under IFRS 9:

i) Classification

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

The following table shows the classification of the Company's financial instruments under IFRS 9:

<u>Financial assets/liabilities</u>	<u>Classification under IFRS 9</u>
Cash	Amortized cost
Other receivables	Amortized cost
Deposits	Amortized cost
Trade and other payables	Amortized cost

ii) Measurement

*Financial assets and liabilities at amortized cost*

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

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**n) Financial instruments – Continued**

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv) Derecognition of financial assets

The Company derecognizes financial assets only 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 risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

**o) Accounting standards and interpretations issued but not yet effective**

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**5. CASH AND CASH EQUIVALENTS**

The components of cash and cash equivalents are as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Cash held at banks	1,704,095	10,979

Cash held at banks earns no interest.

**6. OTHER RECEIVABLES**

Other receivables consist of the following:

	December 31, 2020	December 31, 2019
	\$	\$
Due from Cheetah – Overhead reimbursement (note 8)	-	33,536
Other	8,864	17,715
	8,864	51,251

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**7. PLANT AND EQUIPMENT**

	Field Equipment	Furniture and Fixtures	TOTAL
	\$	\$	\$
<b>Cost:</b>			
Balance, December 31, 2018	147,409	21,301	168,710
Additions	-	-	-
Foreign exchange translation	-	-	-
Balance, December 31, 2019 and 2020	147,409	21,301	168,710
<b>Accumulated Depreciation:</b>			
Balance, December 31, 2018	144,798	20,751	165,549
Additions	784	274	1,058
Balance, December 31, 2019	145,582	21,025	166,607
Additions	607	172	779
Balance, December 31, 2020	146,189	21,197	167,386
<b>Net Book Value:</b>			
At December 31, 2019	1,827	276	2,103
<b>At December 31, 2020</b>	<b>1,220</b>	<b>104</b>	<b>1,324</b>

**8. EXPLORATION AND EVALUATION PROJECTS**

**a) CHILE:**

**Isabella Gold Silver Project**

As at August 5, 2020, the Company signed a Binding Purchase and Sale Agreement to acquire a 100 % interest in a private Chilean company Minera Joy SpA (“ChileCo”). ChileCo directly holds 100% of the mineral rights to 18 km<sup>2</sup> of mineral concessions and has two subsidiaries with 49 km<sup>2</sup> under option agreements. The mineral concessions held by both subsidiaries are subject to joint venture and mining option agreements with local parties. In Subsidiary 1 Montero holds an 85% equity interest in the Isabella West exploration mining concessions. In Subsidiary 2 Montero is earning an 85% interest in the Isabella East exploitation mining concessions by making cash payments totaling US\$ 450,000. On August 30, 2020 Montero completed a US\$ 50,000 (CAD \$65,691) option payment on the Isabella East claims. Montero may earn an 85% interest in Subsidiary 2 and the Isabella East concessions by making payments totaling US\$ 400,000 by August 2022.

Minera Joy East has the option to acquire 151 exploration concessions (the “East Concessions”) pursuant to an existing option agreement. The remaining option commitments as of acquisition on August 5, 2020 are as follows:

- US\$ 100,000 by August 31, 2020 (US\$ 50,000 paid on August 28, 2021, and US\$ 50,000 on February 24, 2021);
- US\$ 100,000 by August 31, 2021; and
- US\$ 250,000 by August 31, 2022.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**8. EXPLORATION AND EVALUATION ASSETS – Continued**

a) **CHILE – Continued**

**Isabella Gold Silver Project - Continued**

Upon making the above payments, Minera Joy East will hold a 100% interest in the East Concessions and ChileCo's ownership interest in Minera Joy East will decrease to 85%. Minera Joy East will have the option to acquire the remaining 15% interest by granting a Net Smelter Return Royalty ("NSR") of 2%. ChileCo will have the right to purchase the 2% NSR for a cash payment of US\$ 2,000,000.

Minera Joy West is the owner of 16 exploration concessions.

ChileCo is the owner of 38 exploration concessions.

In April 2020 the Company incurred \$3,500 in connection with the Minera Joy East option as a project investigation cost.

**Avispa Copper Molybdenum Project:**

On October 2019 the Company applied for exploration mining concessions in northern Atacama to explore for copper and molybdenum and these were awarded in October 4, 2020. During the year ended December 31, 2020, Montero capitalized \$30,102 in costs related to the application and grant of these concessions.

b) **Namibia**

**Lithium Projects**

**Soris Lithium Project**

On October 10, 2017, the Company entered into a Letter of Intent ("LOI") with Frovio Investment ("Frovio") and Mickal Tjituka ("Tjituka"), the owner of Frovio, to acquire up to an 80% interest in a newly formed company ("Newco") that will hold the mining claims that make up this lithium project (the "Soris Lithium Project"). At December 31, 2019, due to the Company's current inability to obtain a permit to allow drilling and the weak lithium market an impairment charge of \$224,229 was recorded.

**UIS Lithium Tin Tailings Project**

On March 5, 2018, the Company entered into a binding Heads of Agreement ("HOA") with Namib Base Minerals CC ("NBM") and Namibia Silica CC ("NBS"), (collectively the "Owners") to acquire a 95% interest in the UIS Lithium Tin Tailings Project. The Company was unable to complete the earn-in payment due to poor market conditions for lithium. The Company capitalized costs of \$169,662 on the UIS Lithium Tin Tailings Project. As the agreement is in default, the Company impaired the carrying value of this project during the year ended December 31, 2019.



**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**8. EXPLORATION AND EVALUATION ASSETS – Continued**

**b) Namibia - Continued**

**EPL 6162 Lithium Project**

On March 1, 2018, the Company entered into a LOI with Mr. Esegial Xamseb (“Xamseb”), a Namibian national, to acquire an 80% interest in the Exclusive Prospecting License 6162 (“EPL 6162 Lithium Project”). Under the terms of the LOI, Montero can earn an 80% interest in the EPL 6162 Lithium Project by spending \$1,000,000 over a three year period. Montero shall pay Xamseb \$5,000 on signing of a definitive agreement and make annual payments to him of \$10,000 on the anniversary of the effective date. There was a due diligence period of three months provided.

As of December 31, 2019, the Company capitalized costs of \$11,023 on the EPL 6162 Lithium Project. As at December, 31, 2019, the Company has withdrawn from this project and issued a termination notice and recorded an impairment charge of \$11,023. During the year ended December 31, 2020, the Company reversed certain costs relating to this project and recognized a recovery of \$3,869.

**c) South Africa**

**Phosco Project**

The licenses comprising the Phosco project expired in February 2019 and management re-applied for only the mining rights to the Duyker Elland project area. The Phillips Krall area was not re-applied for.

During the year ended December 31, 2019, the Company incurred costs of \$6,648 on the Phosco project which were expensed as project investigation costs.

**d) Tanzania**

**Wigu Hill Project**

From May 26, 2008 to April 27, 2010 Montero Tanzania completed an earn-in on the Wigu Hill rare earth Project whereby the tenements were transferred to a newly formed company Wigu Hill Mining Company Limited (“WHMC”). Pursuant to defining a rare earth resource, Montero’s interest in WHMC increased to over 82.25%. In 2015, Montero applied for and was awarded a Retention Licence over the Wigu Hill Deposit, placing the project on care- and-maintenance. Retention Licenses were granted to previous holders of a Prospecting License after a mineral deposit was defined within the prospecting area which could not immediately be developed due to technical constraints, adverse market conditions or other economic factors.

In July 2017 the Government of Tanzania announced wide-ranging and severe amendments to the Mining Act 2010, which, inter alia, abolished the legislative basis for the Retention License classification with no replacement classification. On January 10<sup>th</sup> 2018, the Government of Tanzania cancelled all Retention Licenses issued prior to January 10<sup>th</sup> 2018 at which point they ceased to have any legal effect and the carrying value of the project was impaired.

During the year ended December 31, 2019, the Company reversed an accrual for certain license fee payments resulting in an impairment reversal of \$29,823.

On August 8<sup>th</sup>, 2018 the Company signed a letter of intent (“LOI”) to sell the holding company that holds 100% of the Intellectual Property (“IP”) relating to the Wigu Hill Project to Transocean Group (“Transocean”) and Cheetah Resources Pty Ltd. (“Cheetah”). Upon signing, the Company received a fee of \$100,000 and on the award of a Mining License to the Company Cheetah would be granted a six months option and due diligence period where it agreed to fund a \$500,000 development program and complete a legal and technical due diligence of the IP.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**8. EXPLORATION AND EVALUATION ASSETS – Continued**

**d) Tanzania**

**Wigu Hill Project**

If Cheetah decided to take up its option in this six month option period it has the rights to acquire all the Company's equity interest in the subsidiary company holding the Wigu Hill Mining License and thereby the IP for \$1.1 million after which Cheetah will grant and register a 1% net smelter return royalty payable to the Company on any production from the IP and future licenses awarded at Wigu Hill. Until such time as the Mining rights have been granted, Cheetah has agreed to pay overhead costs of USD \$7,000 per month.

In the event that the agreement is terminated by Cheetah in circumstances where the Tanzanian Ministry of Mines does not grant the Mining License to Cheetah, the \$100,000 will become a loan repayable 12 months from the date of termination bearing interest at 5% per annum. Currently no provision has been recognized in relation to the deposit received as the Company does not consider it probable that the license will not be granted and it will need to repay this amount to Cheetah.

Pursuant to the letter of intent, Cheetah is due to be pay overhead costs of USD \$7,000 per month. The overhead costs have not been received by the Company since October 2019 and therefore the Company has recorded an allowance of \$15,265 during the year ended December 31, 2020. During the year ended December 31, 2019 the Company received other reimbursements in the amount of USD \$42,575, \$56,333, plus the deposit of \$100,000, offset by other costs of \$16,840 for a net recovery of \$250,637. During the year ended December 31, 2020, the Company recognized other recoveries in the amount of \$10,001. See Subsequent Events note 22.

Details of the Company's exploration and evaluation activity for the year ended December 31, 2020 are as follows:

<b>Chile</b>			
	<b>Isabella Gold/Silver Project</b>	<b>Avispa Copper Molybdenum Project</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	-	-	-
Costs incurred during the year:			
License and claims	58,282	30,102	<b>88,384</b>
Option payment	65,691	-	<b>65,691</b>
Geophysical and maps	3,178	-	<b>3,178</b>
Project and administration	168,021	-	<b>168,021</b>
<b>Total</b>	<b>295,172</b>	<b>30,102</b>	<b>325,274</b>

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**8. EXPLORATION AND EVALUATION ASSETS – Continued**

Details of the Company's exploration and evaluation activity for the year ended December, 2019 are as follows:

	Namibia		EPL 6162	Tanzania	Total
	Soris	UIS		Wigu Hill	
	\$	\$	\$	\$	\$
<b>Property acquisition costs</b>					
Balance, beginning of period	-	64,718	5,000	-	<b>69,718</b>
Additions (Reversals)	-	-	-	(29,823)	<b>(29,823)</b>
Impairment	-	-	-	29,823	<b>29,823</b>
<b>Balance, end of period</b>	-	64,718	5,000	-	<b>69,718</b>
<b>Exploration and evaluation costs</b>					
Balance, beginning of period	223,624	104,416	6,023	-	<b>334,063</b>
Costs incurred during the period:					
Lab tests and assays	605	528	-	-	<b>1,133</b>
	224,229	104,944	6,023	-	<b>335,196</b>
Impairment	(224,229)	(169,662)	(11,023)	-	<b>(404,914)</b>
<b>Total</b>	-	-	-	-	-

**9. TRADE AND OTHER PAYABLES**

The components of trade and other payables is as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Trade payables	202,982	170,745
Amounts due to related parties (Note 16)	123,166	274,215
Accrued liabilities	89,721	104,328
	<b>415,869</b>	<b>549,288</b>

These amounts are non-interest bearing with all amounts due within twelve months.

**10. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares without par value.

**Issued and outstanding**

At December 31, 2020 there were 38,547,485 (December 31, 2019 – 21,880,818) issued and fully paid common shares outstanding.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**10. SHARE CAPITAL - Continued**

**Changes During the year ended December 31, 2020 and 2019**

On December 11, 2020 the Company closed a non-brokered private placement composed of the sale of 16,666,667 units at a price of \$0.15 per unit for total gross proceeds of \$2,500,000. Each unit is composed of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.25 per common share until the date which is twenty-four months from the date of issuance. The warrants are subject to an acceleration provision whereby if the closing price of the common shares on the TSX-V closes at a minimum of \$0.50 per common share for a period of ten consecutive trading days, the Company may, at its option, accelerate the expiry date of the warrants to the date which is thirty days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. There were share issuance costs of \$141,966.

The warrants were valued at \$756,506 based on an allocation of the proceeds between the shares and warrants on a pro rata basis. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: an expected volatility of 208%; an expected life of 2 years; a risk free rate of 0.43% and a dividend yield of nil.

There were no changes in the year ended December 31, 2019.

**Stock options**

The Company has established a Stock Option Plan (the "Plan") for directors, officers, employees and consultants. The number of common shares that are available for grants of options under the Plan shall not at any time exceed 10% of the number of outstanding common shares, calculated at the time of grant. Options granted under the Plan generally have a term of five years and vest on the date of the grant.

A summary of the continuity of the Company's stock options is as follows:

	December 31, 2020		December 31, 2019	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		\$		\$
Options outstanding, beginning of year	1,752,000	0.25	1,752,000	0.25
Granted	1,672,500	0.35	-	-
Options outstanding and exercisable, end of year	3,424,500	0.30	1,752,000	0.25

1,752,000 of the stock options expire on May 14, 2023 and 1,672,500 expire on December 21, 2023 and the weighted average remaining contractual life of the outstanding stock options is 3.64 years.

On December 21, 2020 the Company granted 1,672,500 stock options with an exercise price of \$0.35 per share, expiring in 3 years on December 21, 2023. The fair value of these stock options granted has been estimated using the Black Scholes Option Pricing Model with the following assumptions: expected dividend yield of 0%, expected volatility of 176.52%, a risk-free interest rate of 0.43% and an expected life of 3 years. The resultant charge of \$511,648 has been charged to stock-based compensation expense and credited to share-based payment reserve.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**11. WARRANTS**

The issued and outstanding warrants are comprised of the following:

<b>Date of expiry</b>	<b>Warrant Reserve</b>	<b>Number of warrants</b>	<b>Exercise Price</b>
	\$		\$
December 11, 2022	756,505	8,333,333	0.25
<b>Balance, December 31, 2020</b>	<b>756,505</b>	<b>8,333,333</b>	

A summary of the continuity of the Company's warrants is as follows:

	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		\$		\$
Warrants outstanding, beginning of year	3,440,849	0.32	3,440,849	0.32
Issued	8,333,333	0.25	-	-
Expired	(3,440,849)	0.32		
<b>Warrants outstanding, end of year</b>	<b>8,333,333</b>	<b>0.25</b>	<b>3,440,849</b>	<b>0.32</b>

At December 31, 2020, the weighted average remaining contractual life of the outstanding warrants was 1.95 years.

The warrant reserve records the fair value of warrants associated with private placements until such time that the warrants have expired, at which time the corresponding amount will be transferred to share-based payment reserve. If the warrants are exercised prior to expiry, the corresponding amount will be transferred to share capital. During the year ended December 31, 2020 the fair value of the expired warrants \$306,361 was transferred to the share-based payment reserve.

**12. SHARE-BASED PAYMENT RESERVE**

The Company's share-based payment reserve is comprised of the following:

	\$
Expired warrants	5,392,834
Expired stock options	1,784,707
Unexpired stock options	933,094
<b>Balance, December 31, 2020</b>	<b>8,110,635</b>

The share-based payment reserve records items recognized as stock-based compensation expense, the fair value of expired warrants associated with private placements and the fair value of agent's warrants. If the stock options are exercised prior to expiry, the corresponding amount will be transferred to share capital.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**13. INCOME TAXES**

A reconciliation of current taxes at the statutory tax rates with the reported taxes is as follows based on an income tax rate of 27% (2018 – 27%):

	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$
Net loss before income taxes	(733,166)	(657,557)
Expected tax recovery at statutory rates	(197,955)	(177,540)
Decrease (increase) resulting from:		
Permanent differences	1,504	(52,833)
Change in valuation allowance	49,347	389,111
Other	146,104	(158,738)
Income tax recovery	-	-

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

	December 31, 2020	December 31, 2019
	\$	\$
Non-capital losses carried forward	5,586,928	5,714,201
Exploration and evaluation assets and equipment	964,551	812,923
Other	37,397	12,406
Total	6,588,877	6,539,530
Valuation allowance	(6,588,877)	(6,539,530)
Deferred tax liabilities	-	-

Management has determined that the realization of these deferred income tax assets is uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has not recognized the potential deferred income tax assets.

The following summarizes the expiry of deductible temporary differences for which no deferred tax asset has been recognized.

	Canadian non-capital losses	Canadian equipment and resource pools	Africa non-capital losses	Africa equipment and resource pools	Canadian share issue costs
	\$	\$	\$	\$	\$
2027	5,937				
2028	282,809				
2029	326,707				
2030	646,312				
2031	1,921,687				
2032	1,343,367				
2033	769,752				
2034	512,993				
2035	482,103				
2037	334,793				
2038	476,585				
2039	404,687				
2040	196,136				
No expiry	-	1,639,966	11,689,614	1,466,901	123,933
	7,703,868	1,639,966	11,689,614	1,466,901	123,933

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**14. LOSS PER SHARE**

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period. The basic and diluted earnings (loss) per share are the same since the Company reported a loss for 2020 and 2019.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Net loss attributable to owners of the parent company	\$ (733,166)	\$ (657,557)
Weighted average number of ordinary shares outstanding	22,654,953	21,880,818
Basic and diluted loss per ordinary share	\$ (0.03)	\$ (0.03)

**15. COMMITMENTS AND CONTINGENCIES**

The Company has no lease commitments. The Company has option commitments relating to its exploration and evaluation projects as outlined in Note 8.

**16. RELATED PARTY TRANSACTIONS**

**Key management personnel compensation**

	<b>Year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Compensation of directors</i>		
Share-based payments	221,791	-
	221,791	-
<i>Compensation of key management personnel</i>		
Short-term benefits	133,350	132,944
Share-based payments	166,255	-
	299,605	132,944
<b>Total remuneration of directors and key management personnel</b>	<b>521,396</b>	<b>132,944</b>

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

**16. RELATED PARTY TRANSACTIONS – Continued**

**Related party balances**

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

	Year ended December 31	
	2020	2019
	\$	\$
<i>Operating expense transactions</i>		
Consulting, directors', administrative and management fees	55,677	99,032
<b>Total trading transactions with related parties</b>	<b>55,677</b>	<b>99,032</b>

The following amounts due to related parties are included in trade and other payables:

	December 31, 2020	December 31, 2019
	\$	\$
<b>Due to related parties</b>	<b>73,166</b>	<b>274,215</b>
<b>Promissory Note</b>	<b>50,000</b>	<b>-</b>
<b>Total</b>	<b>123,166</b>	<b>274,215</b>

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are unsecured, non-interest bearing and are due within twelve months. The promissory notes are interest bearing at 5.0% per annum. The unpaid principal amount together with any accrued and unpaid interest, shall become due and payable in full on or before December 31, 2020. No demand for repayment has been made.

During the year ended December 31, 2020, companies controlled by an officer and director of the Company agreed to forgive \$200,000 of previously charged management fees. Also included in reversal of due to related parties is \$56,956 that was due to a company controlled by a consultant of the Company.

**17. SEGMENTED INFORMATION**

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable geographic segments are located in Canada, Namibia, South Africa, Chile and Tanzania.

Information regarding the Company's geographic segments is as follows:

<b>As at December 31, 2020</b>			
	Chile	Namibia	Total
	\$	\$	\$
Plant and equipment	546	778	1,324
Exploration and evaluation assets	325,274	-	325,274
<b>Total non-current assets</b>	<b>325,820</b>	<b>778</b>	<b>326,598</b>



**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**17. SEGMENTED INFORMATION - *Continued***

<b>As at December 31, 2019</b>			
	<b>Chile</b>	<b>Namibia</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Plant and equipment	817	1,286	2,103
<b>Total non-current assets</b>	<b>817</b>	<b>1,286</b>	<b>2,103</b>

**18. NON-CASH TRANSACTIONS**

There were no non-cash transactions during the year ended December 31, 2020 or year ended December 31, 2019 that are not reflected in the statement of cash flows.

**19. CAPITAL MANAGEMENT**

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle activities are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through borrowings from related parties.

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold excess cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements

**20. RISK MANAGEMENT**

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**21. RISK MANAGEMENT – Continued**

*Industry Risk*

The Company is engaged in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

*Credit Risk*

Credit risk is the risk of loss associated with a counter-party's ability to fulfill its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The other receivables primarily comprise local sales tax refunds due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents are invested in short-term investment certificates for periods less than 90 days and the other receivables are due in less than 90 days.

*Liquidity Risk*

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. The Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's loans payable were settled with common shares during the year and the Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months.

*Interest Rate Risk*

Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The effect of interest rate changes on the Company is insignificant.

*Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, Chile and Tanzania and portions of its expenditures are incurred in US dollars, Chilean Peso and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar, the Tanzanian subsidiaries' functional currency is the United States dollar and the Chilean, South African and Namibian subsidiaries' functional currency is the Canadian dollar. At December 31, 2020 and 2019, the value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

*Commodity Price Risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily gold and silver) to determine the appropriate course of action to be taken by the Company.

**MONTERO MINING AND EXPLORATION LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in Canadian dollars)

---

**22. SUBSEQUENT EVENTS**

1. On January 8, 2021, Montero completed a Litigation Funding Agreement (the "Agreement") with Omni Bridgeway Canada Limited ("Omni Bridgeway") in the amount of US\$2.32M. The Agreement provides for funds to be drawn from a financing facility to meet all fees and expenses relating to the pursuit of certain claims against the Government of Tanzania for the illegal expropriation and loss of the Wigu Hill Project, including all costs associated with legal proceedings and, if necessary, enforcement, of any awards. Montero has initiated international arbitration proceedings in accordance with the BIT between Canada and the United Republic of Tanzania. Compensation being sought for expropriation of the Wigu Hill rare earth element Project may include, but will not be limited to, the value of the historic investment made by Montero in Tanzania, the value of the project at the time that tenure was expropriated and damages the Company has suffered as a result of Tanzania's acts and omissions (Note 8).
2. Subsequent to December 31, 2020, 100,000 common shares were issued pursuant to the exercise of 100,000 stock options for total proceeds of \$35,000.
3. On February 24, 2020 Montero completed a US\$ 50,000 property payment to the owner of the Isabella east concessions as part of its 85% earn in (Note 8).