PANORO MINERALS LTD.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise stated)

Notice of No Auditor Review

These unaudited condensed interim financial statement have not been reviewed by the auditors of the Company. This notice is being provided in accordance with Section 4.3 (3) (a) of National Instrument 51-102 – Continuous Disclosure Obligations.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The unaudited condensed consolidated interim financial statements of Panoro Minerals Ltd. (“the Company”) are the responsibility of the Company’s management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and reflect management’s best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company’s assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of non-management directors. The Audit Committee reviews the unaudited condensed interim consolidated financial statements prior to their submission to the Board of Directors for approval.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company’s auditors.

“Luquman A. Shaheen”
Luquman A. Shaheen
President and Chief Executive Officer
Vancouver, British Columbia

“Shannon M. Ross”
Shannon M. Ross
Chief Financial Officer
Vancouver, British Columbia

PANORO MINERALS LTD.

Condensed Consolidated Statements of Financial Position - unaudited
Expressed in Canadian Dollars, unless otherwise stated

	Note	June 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		$ 1,520,981	$ 470,085
Marketable securities		500	300
Accounts and advances receivable		141,422	281,440
Prepaid expenses		19,203	31,790
Current portion of agreement receivable	5	681,400	-
Total current assets		2,363,506	783,615
Non-current assets			
Agreement receivable	5	2,044,200	-
Exploration and evaluation assets	5	74,901,900	75,666,265
Property and equipment		40,261	82,581
Total assets		$ 79,349,867	$ 76,532,461
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 2,323,562	$ 1,498,002
Current portion of lease liabilities		36,013	78,827
Liabilities under Early Deposit Precious Metals Agreement	6	9,880,300	8,442,200
		12,239,875	10,019,029
Lease liabilities		-	17,965
Liabilities under Early Deposit Precious Metals Agreement	6	2,725,600	2,597,600
Total liabilities		14,965,475	12,634,594
Shareholders' equity			
Share capital	7	94,017,625	94,000,125
Share-based expense reserve	7	12,180,753	12,180,753
Accumulated other comprehensive loss		(9,500)	(9,700)
Deficit		(41,804,486)	(42,273,311)
Total shareholders' equity		64,384,392	63,897,867
Total liabilities and shareholders' equity		$ 79,349,867	$ 76,532,461

Going concern (Note 3)
Commitments (Note 9)

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

Approved on behalf of the Board:

"LUQUMAN A. SHAHEEN" **"WILLIAM J. BODEN"**

PANORO MINERALS LTD.

Condensed Consolidated Interim Statements of Comprehensive Loss
Expressed in Canadian Dollars, unless otherwise stated - unaudited

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Expenses				
Amortization	$ 23,186	$ 27,985	$ 52,378	$ 55,970
Audit and tax	61,188	83,748	76,188	97,659
Communications	17,534	16,010	35,010	32,233
Consulting	-	11,367	8,000	14,638
Conferences	3,109	5,269	15,827	13,644
Directors' fees	4,895	49,747	39,626	99,469
Interest expense	1,152	4,339	3,082	9,372
Financial consulting	-	59,454	-	59,454
Corporate development and shareholders relations	5,760	77,221	7,466	130,741
Legal	55,450	46,648	66,620	70,918
Office	10,701	11,449	19,115	20,800
Professional dues and training	1,328	2,454	1,948	3,296
Regulatory and transfer agent	13,946	18,495	28,503	42,002
Rent and insurance	27,446	12,739	42,874	28,202
Salaries and benefits (Notes 7(a) and 8)	93,946	259,276	331,342	502,084
Travel	6,754	15,147	17,876	52,933
	326,395	701,348	745,855	1,233,415
Write-down of mineral property interests	-	4,217,668	-	4,217,668
Proceeds on disposal of vehicles	-	-	(16,070)	-
Interest income	(335)	(9,601)	(335)	(9,777)
Change in fair value of Early Deposit Precious Metals Agreement financial liability	(517,075)	(202,575)	502,075	(397,875)
Gain on disposition of mineral property interests	(1,753,628)	-	(1,753,628)	(664,650)
Foreign exchange (gain)/loss	(176,532)	(42,582)	53,278	26,471
Income (loss) for the period	**2,121,542**	**(4,664,258)**	**469,025**	**(4,405,252)**
Total other comprehensive income	367	166	200	166
Comprehensive income (loss) for the period	**$ 2,121,675**	**$(4,664,092)**	**$ 469,158**	**$(4,405,086)**
Loss per share, basic and fully diluted	**$ 0.01**	**$ 0.02**	**$ 0.00**	**$ 0.02**
Weighted average number of common shares outstanding	**263,871,176**	**263,837,522**	**263,845,912**	**263,837,522**

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

PANORO MINERALS LTD.

Condensed Consolidated Interim Statements of Cash Flows - unaudited
Expressed in Canadian dollars, unless otherwise stated

	Six months ended June 30, 2020	2019
Cash provided by (used for):		
Operating activities:		
Loss for the period	$ 468,825	$ (4,405,252)
Items not involving the use of cash:		
Amortization	52,378	55,970
Share-based expense	17,500	-
Change in fair value of Early Deposit Precious Metals Agreement	(502,075)	(397,875)
Foreign exchange losses	(53,278)	26,471
Gain (loss) on sale of mineral property interest	(1,753,628)	4,217,668
Interest expense on lease liabilities	3,082	9,372
Gain on disposition of fixed assets	(16,070)	(664,650)
	1,783,266	(1,158,296)
Changes in non-cash operating working capital:		
Current portion of agreement receivable	681,400	-
Accounts and advances receivable	140,018	(7,089)
Prepaid expenses	12,587	(7,719)
Accounts payable	(65,112)	45,386
Cash used in operating activities	(1,014,373)	(1,127,718)
Investing activities:		
Exploration and evaluation expenditures	(1,482,651)	(2,068,288)
Equipment purchases	(10,361)	-
Proceeds from sale of Cochasayhuas mineral property interest	611,595	-
Funds received on JOGMEC earn-in agreement	670,849	330,054
Redemption of short term investments	-	1,732,530
Proceeds on sale of fixed assets	16,070	-
Long-term portion of agreement receivable	2,044,200	-
Accounts payable and accrued liabilities	(890,672)	(311,210)
Recovery of value-added taxes	41,646	316,067
Cash used in investing activities	1,000,676	(847)
Financing activities:		
Proceeds on disposition of mineral property interest	-	664,650
Interest payment on lease liabilities	(3,082)	(9,372)
Repayment of lease liabilities	(60,779)	(27,087)
Early Deposit Precious Metals Purchase Agreement	1,064,025	990,900
Cash provided by financing activities	1,000,164	1,619,091
Effect of exchange rate changes on cash held	64,429	(25,748)
Cash and cash equivalents, beginning of period	470,085	456,779
Cash and cash equivalents, end of period	**$ 1,520,981**	**$ 921,557**

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

PANORO MINERALS LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity - unaudited
For the six months ended June 30, 2020 and 2019
Expressed in Canadian Dollars, unless otherwise stated

	Number of Shares	Capital Stock	Share-Based Expense Reserve	Accumulated Comprehen-sive Loss	Deficit	Total
Balance, December 31, 2018	263,837,522	$ 94,000,125	$ 11,946,673	$ (8,333)	$(37,062,705)	$ 68,875,760
Impact of adopting IFRS 16 on January 1, 2019	-	-	-	-	(29,130)	(29,130)
Balance, January 1, 2019	263,837,522	94,000,125	11,946,673	(8,333)	(37,091,835)	68,846,630
Other comprehensive income	-	-	-	166	-	166
Loss for the period	-	-	-	-	(4,405,252)	(4,405,252)
Balance, June 30, 2019	263,837,522	$ 94,000,125	$ 11,946,673	$ (8,167)	$(41,497,087)	$ 64,441,544
Balance, December 31, 2019	263,837,522	$ 94,000,125	$ 12,180,753	$ (9,700)	$(42,273,311)	$ 63,897,867
Other comprehensive income	-	-	-	200	-	200
Shares issued for compensation	218,750	17,500	-	-	-	17,500
Income for the period	-	-	-	-	468,825	468,825
Balance, June 30, 2020	264,056,272	$ 94,017,625	$ 12,180,753	$ (9,500)	$(41,804,486)	$ 64,384,392

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

1. Nature of operations

Panoro Minerals Ltd. is incorporated under the *Business Corporations Act* in the Province of British Columbia. The Company's principal place of business is located at Suite 1610 – 700 West Pender Street, Vancouver, BC, Canada V6C 1G8.

Panoro Minerals Ltd. and its subsidiaries are referred to as "Panoro" or the "Company."

The Company is an exploration-stage company engaged principally in the acquisition, exploration and development of mineral properties in Perú and trades on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the trading symbol "PML". The Company also trades on the Bolsa de Valores de Lima under the same trading symbol.

The Company's investment in its exploration and evaluation assets comprises a significant portion of the Company's assets. Recovery of the carrying value of the investment in these assets and the Company's ability to continue operations are dependent upon the existence of economically recoverable reserves, confirming and maintaining legal ownership of the resource properties, the ability of the Company to obtain necessary financing to complete the exploration and development, and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 14, 2020.

3. Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge is liabilities in the normal course of business.

3. Going concern (continued)

The Company has no operating revenue and incurred earnings of $468,825 after the sale of Cochasayhuas project for the six months ended June 30, 2020 (2019 – Loss of $4,405,252). As at June 30, 2020, the Company has an accumulated deficit of $41,804,486 (December 31, 2019 - $42,273,311), and a working capital deficiency of $9,876,369 (December 31, 2019 – working capital deficiency of $9,235,414), with the inclusion of the current portion of the liabilities under the Early Deposit Precious Metals Agreement (the "Agreement") with Wheaton Precious Metals International Ltd. ("Wheaton Metals"). Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration and evaluation activities and ultimately develop its properties.

While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. These conditions create a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

As of June 30, 2020, the Company has received US$9,250,000 pursuant to the Agreement, and will receive US$750,000 on a semi-annual basis if it meets the terms under which the funds will be advanced.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or achieve operating profitability and generate positive cash flows. The Company is in the business of exploring and developing mineral property interests, and as such, must continually seek sources of financing to further develop and explore its mineral exploration and evaluation assets and to support general and administrative expenses.

The recoverability of amounts shown for exploration and evaluation assets and property and equipment is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary mining and environmental permits, and future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The Company will continue to seek additional financing through the sale of mineral property interests, debt financing, and equity financing, and optioning its other mineral property interests. However, it is not certain that such financing will be available. The Company may be adversely impacted by a lack of normal available financing, inability to maintain mining licenses, and continued uncertainty in the exchange and commodity markets.

These financial statements do not reflect material adjustments to the carrying values of its assets and liabilities, which may be required should the Company be unable to continue as a going concern. These adjustments could be material.

3. Going concern (continued)

In March 2020, the World Health Organization declared coronavirus COVID-19 ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business, however, the impact of the pandemic could impact our ability to obtain financing to fund exploration activities as well as the ability to conduct our exploration programs.

4. Significant accounting policies

The preparation of condensed interim consolidated financial statements in accordance and compliance with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a basis consistent with those followed for the Company's most recent annual consolidated financial statements for the year ended December 31, 2019. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Actual results may differ from these estimates.

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar.

There are no new IFRS standards issued, but not yet effective, that will affect the financial statements of the Company.

5. Exploration and evaluation assets

The investment in and expenditures on mineral interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership of the properties, the attainment of successful production from the properties or from the proceeds of their disposal. These procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Antilla and Cotabambas are two of the Company's properties that were held in Panoro Apurimac, S.A. in an advanced exploration stage. Antilla is now held in Antilla Copper, S.A. The Company's six other properties that were held in Panoro Apurimac, S.A. are Checca, Promesa, Sancapampa, Humamantata, Anyo, and Morosayhuas and are all in various stages of exploration and have been transferred to other wholly-owned direct and indirect subsidiaries of the Company that were created to hold the various mineral property interests during the year ended December 31, 2018.

During the six months ended June 30, 2020, the Company entered into an agreement for the sale of the Cochasayhuas Gold Project to Mintania S.A.C. of Peru for a total of US$2.45 million to be paid in instalments plus a 5% Net Smelter Returns royalty ("NSR") for 15 years from the commencement of commercial production.

Expressed in Canadian dollars, unless otherwise stated

5. Exploration and evaluation assets (continued)

The agreement receivable will be paid by Mintania S.A.C., as follows: US$ 450,000 in 2020, on closing (received); US$1,000,000 in 2021; US$ 750,000 in 2022; US$ 250,000 in 2023; and the payment of the 5% NSR will commence on a quarterly basis following the start of commercial production. Exploration and evaluation expenditures during the periods presented are as follows:

	Antilla	Cotabambas	Other	Total
Acquisition costs:				
Balance, December 31, 2019	$ 7,319,722	$ 4,925,035	$ 1,136,413	$13,381,170
Less disposition of Cochasayhuas Property	-	-	(249,568)	(249,568)
Balance, June 30, 2020	7,319,722	4,925,035	886,845	13,131,602
Exploration and evaluation expenditures incurred in period:				
Amortization	-	303	-	303
Assays and sampling	-	-	34,737	34,737
Camp and site	286	80,040	246,011	326,337
Community relations	78	85,880	74,108	160,066
Environmental	3,394	1,730	16,525	21,649
Geology	-	34,661	167,826	202,487
Geophysics	-	-	65,976	65,976
Legal	12,063	-	22,296	34,359
Recording and concession fees	124,881	222,522	312,804	660,207
Transportation	1,039	7,187	9,950	18,176
Recovery of value-added tax	-	(41,646)	-	(41,646)
Incurred during the period	141,741	390,677	950,233	1,482,651
Funds received on JOGMEC earn-in agreement	-	-	(670,849)	(670,849)
Disposition of capitalized exploration expenditures related to the Cochasayhuas Property	-	-	(1,326,599)	(1,326,599)
Capitalized exploration and evaluation expenditures at December 31, 2019	10,174,889	46,232,528	5,877,678	62,285,095
Capitalized exploration and evaluation expenditures at June 30, 2020	10,316,630	46,623,205	4,830,463	61,770,298
Total exploration and evaluation assets at June 30, 2020	**$17,636,352**	**$51,548,240**	**$5,717,308**	**$74,901,900**

Salaries and benefits allocation:				
Camp and site	$ -	$ 47,821	$ 236,647	$ 284,468
Community relations	-	78,037	54,780	132,817
Geology	-	34,661	167,826	202,487
	-	160,519	459,253	619,772

Expressed in Canadian dollars, unless otherwise stated

6. Early Deposit Precious Metals Agreement

Liabilities under Precious Metals Purchase Agreement	Fair value balance, December 31, 2019	2020 Cash flows	Foreign exchange	Fair value balance, June 30, 2020
Current liabilities	$ 8,442,200	$ 1,064,025	$ 374,075	$ 9,880,300
Long-term liabilities	2,597,600	-	128,000	2,725,600
	$ 11,039,800	$ 1,064,025	$ 502,075	$ 12,605,900

On March 21, 2016, the Company entered into an Agreement with Wheaton Metals, in respect of the Cotabambas project located in Perú. The term of the Agreement continues in effect for 20 years and automatically renews for successive ten-year periods until Wheaton Metals terminates the Agreement.

The principal terms of the Agreement are such that Wheaton Metals will pay the Company upfront cash payments totaling US$140.0 million (the “Deposit”) for 25% of the payable gold production and 100% of the payable silver production (decreasing to 16.67% of the payable gold production and 66.67% of the payable silver production after a certain production volume has been delivered to Wheaton Metals from the Company’s Cotabambas Project in Perú. In addition, Wheaton Metals will make production payments to the Company of the lesser of the market price and US$450 per payable ounce of gold and US$5.90 per payable ounce of silver delivered to Wheaton Metals, increasing annually by 1%, four years after commencement of commercial production, over the life of the Company’s Cotabambas Project. Any excess of the market price and the fixed payments will be credited against the Deposit until the Deposit is nil. If by the expiry of the term of the Agreement the Company has not delivered enough production to reduce the Deposit to nil, the uncredited balance will be repaid to Wheaton Metals.

The Agreement provides for the Company to receive US$14.0 million of the Deposit (the “Early Deposit”) prior to the Company completing a feasibility study on the Cotabambas project. Payments under the Early Deposit total US$2.0 million in the first year and instalments of US$750,000 semi-annually thereafter until the full US$14.0 million has been advanced. The Early Deposit also included provisions to accelerate a portion of the remaining payments, whereby Wheaton Metals will accelerate payment of an amount equal to the amount of funds raised in any offering of equity securities for the purpose of exploration of the Cotabambas project during the period January 27, 2016, to March 21, 2018, up to a maximum of US$3.5 million for all such offerings. The Company received US$2.0 million under the accelerated program.

Under the Early Deposit provisions the Company must meet certain minimum working capital requirements. The balance of US$126.0 million is payable in instalments during construction of the Cotabambas Project, should Wheaton Metals elect to proceed with the Agreement.

6. Early Deposit Precious Metals Agreement (continued)

Wheaton Metals may terminate the Agreement at any point up to 90 days following delivery of a feasibility study on the Cotabambas project upon giving the Company three months' notice, in which case all Early Deposit amounts advanced less US$2.0 million will become repayable. Wheaton Metals can elect to be repaid in cash or shares, with the deferral of cash payments under certain conditions for up to two years. If Wheaton Metals elects to terminate the Agreement and be repaid with cash, interest will accrue at prime plus 8% per annum if repayment has not been made within two years of notice of termination. Wheaton Metals may also terminate the Agreement at different points during the term of the Agreement if certain production delays occur, in which case the uncredited deposit will be repayable to Wheaton Metals.

Following a change of control, subject to certain conditions, the Company has a one-time option to repurchase 50% of the precious metals stream with a payout based on the greater of: (i) a minimum fixed return (ii) a return based on appreciation of precious metals prices over the term of the Agreement and (iii) a return based on appreciation of the share price of the Company over the term of the agreement.

At June 30, 2020, the Company received a total of US$9.25 million under the Early Deposit, including four scheduled payments and an accelerated payment of US$2.0 million after the successful completion of a private placement in August 2016.

7. Share capital

(a) Authorized – unlimited common shares without par value.

Issued and outstanding:

264,056,272 common shares (December 31, 2019 – 263,837,522 common shares)

A total of 218,750 shares were issued to an executive of the Company at a deemed price of $0.08 per share as a portion of his salary, in lieu of a cash payment, for the quarterly period from March 1, 2020, to May 31, 2020. The Company has entered into an agreement to amend the employment agreement between the Company and Mr. Luquman Shaheen (the Company's Chief Executive Officer), the ("Amendment Agreement"). The Amendment Agreement serves to allow a portion of the salary payable to Mr. Shaheen to be satisfied by the issuance of common shares of the Company on a quarterly basis, until December 31, 2020, commencing March 1, 2020. The common shares shall be issued at a deemed price per share equal to the volume weighted average closing price of the Company's shares for each of the trading days in the three month period immediately preceding the end of each such quarterly period.

Expressed in Canadian dollars, unless otherwise stated

7. Share capital (continued)

(b) Stock options

Stock options to purchase common shares have been granted to directors, employees, contractors and consultants at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's rolling stock option plan is 10% of the number of shares outstanding (the "Plan") as amended, at the Annual General Meeting held on June 18, 2020. Options granted under the Plan vest immediately, or over a period of time, at the discretion of the Board of Directors.

A summary of the status of the Company's stock options as at December 31, 2019, and for the six months ended June 30, 2020, is as follows:

	Number of Options	Weighted average exercise price
Balance, June 30, 2020, and December 31, 2019	20,247,800	$ 0.24

The following summarizes information about stock options outstanding and exercisable at June 30, 2020:

Year of expiry	Number of options	Weighted average exercise price
2021	8,047,800	$0.20
2022	600,000	$0.20
2023	7,300,000	$0.34
2024	4,300,000	$0.15
	20,247,800	$0.24

The weighted average life of exercisable options outstanding as at June 30, is 2.4 years (December 31, 2019 – 2.9 years).

(b) Share purchase warrants

At June 30, 2020, there were no share purchase warrants exercisable.

Expressed in Canadian dollars, unless otherwise stated

8. Related party transactions

During the six months ended June 30, 2020, there were no transactions with any officers or directors, or companies controlled by any officers or directors. At June 30, 2020, there was $9,667 payable to two directors of the Company for directors' fees, and $5,833 in wages payable pursuant to an amended employment contract to be paid in common shares of the Company pursuant to the terms of the contract on a quarterly basis (See note 7(a)).

9. Commitments

Commitments

The Company has the following commitments:

	2020	2021	2022	2023	2023	Total
Office lease (Vancouver)(1)	$ 51,941	$ 34,429	$ -	$ -	$ -	$ 86,370
Accrued vigencias	$ 841,329	$ -	$ -	$ -	$ -	$ 841,329
Accounts payable	$1,440,410	$ -	$ -	$ -	$ -	$ 1,440,410
Accrued liabilities	$ 41,823	$ -	$ -	$ -	$ -	$ 41,823

(1) Office leases are recorded as lease obligations on the balance sheet. The lease payments are the total payments during the periods noted above and are not in addition to the liability. The related assets are amortized over the terms of the lease.

Vigencias (or recording fees) of US$3 per hectare are not commitments, but rather the annual payments required to maintain mineral concessions in good standing with the Perúvian government. The ultimate amount to be paid is based on a formula relating to exploration costs incurred, offset against the basic fee and penalty. After the 6th year, an annual penalty must be paid per hectare, starting at US$6 per hectare, until after 12 years, the additional fee increases to US$20 per hectare. The penalties are reduced, based on exploration activity on the concessions, and the reduction is determined each year by the Perúvian government. The Company estimates the annual costs to be approximately $1,354,337 for the 2019 year and are payable by September of fiscal 2020 (payment delayed due to Covid-19. This balance is higher than the payment made in fiscal 2019 for the 2018 year, due to increases in penalties which increase on a statutory basis from US$6 per hectare to US$20 per hectare the longer the claims are held with no commercial production. Commencing in 2019, and in the following years, Vigencia payments will increase by an annual inflation adjustment to be determined by the government on an annual basis. The Vigencias are accrued monthly and are included in accounts payable and accrued liabilities.

10. Financial instruments and capital management

The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts and short-term investments, and accounts and advances receivable. Bank accounts and short-term investments are primarily with Canadian Schedule 1 banks and Banco de Credito in Perú. The Company has accounts and advances receivable primarily related to IGV receivable from the Perúvian government.

The total of cash and cash equivalents, short-term investments, accounts and advances receivable, and current portion of agreement receivable, of $2,343,883 (December 31, 2019 - $751,525) represents the maximum credit exposure.

Fair value of financial instruments

Liquidity risk

The Company manages its liquidity risk by ensuring that there is sufficient liquidity in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash and cash equivalents are primarily invested in bank accounts, bankers' acceptances, and Guaranteed Investment Certificates ("GIC"). The Company's cash is not invested in any asset backed commercial paper. At June 30, 2020, the Company had no redeemable GICs and short-term investments, with initial terms over 90 days.

Accounts payable and accrued liabilities require payment within one year.

Market risk

The significant market risks to which the Company is exposed are foreign currency risk and interest rate risk.

Foreign currency risk

The Company maintains its financial statements in Canadian dollars. The Company is exposed to foreign currency fluctuations to the extent mineral interests, exploration expenditures and operating expenses incurred by the Company are not denominated in Canadian dollars.

The Company does not use derivatives or other instruments to manage the foreign currency risk. The Company's operations in Perú make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows are affected to varying degrees by changes in the Canadian dollar exchange rate vis-a-vis the Perúvian Nuevo Sol and the US Dollar. The Company purchases foreign currencies as the need arises in order to fund its exploration activities. Corporate expenditures are primarily incurred in Canadian and US dollars.

Expressed in Canadian dollars, unless otherwise stated

10. Financial Instruments and capital management (continued)

Foreign currency risk (continued)

As at June 30, 2020, the Company's significant exposures to foreign currency risk, based on the statement of financial position carrying values, were to the Perúvian Nuevo Sol and the US Dollar, as follows:

	June 30, 2020		December 31, 2019	
	PEN	US$	PEN	US$
Cash	S/. 103,148	US$ 1,070,662	S/. 48,556	US$311,059
Accounts and advances receivable	307,291	900	644,345	9,653
Agreement receivable	-	2,000,000	-	-
Accounts payable and accrued liabilities	(3,069,869)	(730,494)	(3,079,174)	(138,624)
Precious Metals Purchase Agreement	-	(9,250,000)	-	(8,500,000)
Leases	-	-	-	(32,079)
Net exposure	S/.(2,659,430)	US$(6,908,932)	S/.(2,386,273)	US$(8,349,991)
Canadian dollars	$(1,024,146)	$(9,415,493)	$(935,180)	$(10,844,968)

The following sensitivity analysis assumes all other variables remain constant and are based on the above net exposures. A 10% appreciation or depreciation of the Perúvian Nuevo Sol vis-a-vis the Canadian Dollar would result in a $102,415 (2019 - $93,518) increase or decrease, respectively, in net loss and shareholders' equity. A 10% appreciation or depreciation of the US Dollar vis-a-vis the Canadian Dollar would result in a $941,549 (2019 - $1,084,497) increase or decrease, respectively, in net loss and shareholders' equity.

Interest rate risk

The Company's cash and cash equivalents and short-term investments earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not subject to any externally imposed capital requirements.

Expressed in Canadian dollars, unless otherwise stated

11. Key management personnel compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company's directors and members of the senior management group.

Key management personnel compensation for the six months ended June 30, 2020 totalled $569,856 (2019 - $635,995).

12. Supplementary cash flow information

	2020	2019
Non-cash activities:		
Amortization capitalized to exploration and evaluation assets	$ 303	$ 303
Salaries and benefits paid in common shares	17,500	-

13. Comparative figures

Where necessary, the Company has adjusted comparative figures to conform to the current period's presentation.