



---

CONSOLIDATED FINANCIAL STATEMENTS

---

For the years ended December 31, 2020 and 2019

(Audited - Expressed in Canadian dollars)

**Arena Minerals Inc.**  
**Table of Contents**

Independent auditor's report ..... 1  
Consolidated statements of financial position ..... 4  
Consolidated statements of operations and comprehensive loss ..... 5  
Consolidated statements of cash flows ..... 6  
Consolidated statements of changes in equity ..... 7  
Notes to the consolidated financial statements ..... 10-27

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Arena Minerals Inc

### **Opinion**

We have audited the consolidated financial statements of Arena Minerals Inc and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows, and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. 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 in the consolidated financial statements, which indicates that the Company has incurred cumulative losses since inception and, as of December 31, 2020, had limited working capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that 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 Management's Discussion and Analysis

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

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

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 consolidated financial statements**

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 of the audit resulting in this independent auditor's report Chris Milios.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 30, 2021

**Arena Minerals Inc.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT**  
**(Expressed in Canadian dollars)**

|  | Notes | December 31,<br>2020 | December 31,<br>2019 | December 31,<br>2018 |
|--|-------|----------------------|----------------------|----------------------|
| <b>Assets</b>                                      |       |                      | (Note 3(n))          | (Note 3(n))          |
| <b>Current assets</b>                              |       |                      |                      |                      |
| Cash   |       | \$ 57,840            | \$ 62,717            | \$ 1,235,056         |
| Receivables  | 4     | 15,627               | 15,657               | 29,873               |
| Prepaid expenses                                   |       | 10,440               | 8,450                | 9,406                |
| Investments, at fair value through profit and loss | 5     | 891,872              | 735,754              | 1,059,329            |
| <b>Total current assets</b>                        |       | <b>975,779</b>       | <b>822,578</b>       | <b>2,333,664</b>     |
| <b>Total assets</b>                                |       | <b>\$ 975,779</b>    | <b>\$ 822,578</b>    | <b>\$ 2,333,664</b>  |
| <b>Liabilities and Equity</b>                      |       |                      |                      |                      |
| <b>Current liabilities</b>                         |       |                      |                      |                      |
| Accounts payable and accrued liabilities           | 12    | \$ 563,299           | \$ 356,394           | \$ 306,723           |
| <b>Total current liabilities</b>                   |       | <b>563,299</b>       | <b>356,394</b>       | <b>306,723</b>       |
| <b>Equity</b>                                      |       |                      |                      |                      |
| Share capital                                      | 7     | 17,529,757           | 17,529,757           | 17,529,757           |
| Reserves   | 8     | 920,712              | 1,154,694            | 1,265,041            |
| Deficit  |       | (18,037,989)         | (18,218,267)         | (16,767,857)         |
| <b>Total equity</b>                                |       | <b>412,480</b>       | <b>(466,184)</b>     | <b>(2,026,941)</b>   |
| <b>Total liabilities and equity</b>                |       | <b>\$ 975,779</b>    | <b>\$ 822,578</b>    | <b>\$ 2,333,664</b>  |
| Nature of operations and going concern             | 1     |                      |                      |                      |
| Commitments and contingencies                      | 6, 13 |                      |                      |                      |
| Subsequent events                                  | 15    |                      |                      |                      |

Approved on behalf of the Directors:

*"Peter Damouni"*  
 \_\_\_\_\_  
 Director

*"William Randall"*  
 \_\_\_\_\_  
 Director

**Arena Minerals Inc.**  
**CONSOLIDATED STATEMENTS OF LOSS AND**  
**COMPREHENSIVE LOSS**  
**(Expressed in Canadian dollars)**

|   |       | Year ended December 31, |             |
|---|-------|-------------------------|-------------|
|   | Note  | 2020                    | 2019        |
|   |       |                         | (Note 3(n)) |
| <b>Expenses</b>                                       |       |                         |             |
| Management and consulting fees                        | 12    | \$ 151,887              | \$ 510,406  |
| Share-based payments                                  | 8, 12 | -                       | 34,483      |
| Accounting and legal                                  |       | 229,513                 | 111,929     |
| Travel and promotion                                  |       | 2,892                   | 127,674     |
| Office and rent                                       |       | 73,740                  | 123,861     |
| Exploration and evaluation expenses                   |       | 148,889                 | 1,027,652   |
| Regulatory and transfer agent                         |       | 9,190                   | 30,915      |
| Foreign exchange (gain)                               |       | (44,585)                | (102,685)   |
| Loss before other items                               |       | (571,526)               | (1,864,235) |
| <b>Other items</b>                                    |       |                         |             |
| Interest income                                       |       | -                       | 4,225       |
| Realized loss on investment                           | 5     | (338,867)               | (1,238,257) |
| Unrealized gain on investments                        | 5     | 856,689                 | 1,503,027   |
| Loss before taxes                                     |       | (53,704)                | (1,595,240) |
| Income taxes  |       | -                       | -           |
| Loss and comprehensive loss for the year              |       | (53,704)                | (1,595,240) |
| <b>(Loss) income per share:</b>                       |       |                         |             |
| Basic and diluted                                     |       | \$ (0.00)               | \$ (0.01)   |
| <b>Weighted average number of shares outstanding:</b> |       |                         |             |
| Basic and diluted                                     |       | 142,621,090             | 142,621,090 |

See accompanying notes to these consolidated financial statements

**Arena Minerals Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in Canadian dollars)**

|  |      | Year ended December 31 |                    |
|--|------|------------------------|--------------------|
|  | Note | 2020                   | 2019               |
| <b>Cash provided by (used in) operations:</b>      |      |                        |                    |
| <b>Net loss for the year</b>                       |      | \$ (53,704)            | \$ (1,595,240)     |
| Items not involving cash:                          |      |                        |                    |
| Share-based payments                               |      | -                      | 34,483             |
| Realized loss on investment                        | 5    | 338,867                | 1,238,257          |
| Unrealized (gain) on investment                    | 5    | (856,689)              | (1,503,027)        |
| Unrealized foreign exchange loss                   |      | 39,220                 | 5,380              |
| Working capital adjustments                        |      |                        |                    |
| Change in receivables                              |      | 30                     | 14,216             |
| Change in prepaid expenses                         |      | (1,990)                | 956                |
| Change in accounts payable and accrued liabilities |      | 206,906                | 45,328             |
| <b>Net cash used in operating activities</b>       |      | <b>(327,360)</b>       | <b>(1,759,647)</b> |
| <b>Investing activities</b>                        |      |                        |                    |
| Proceeds from sale of investment                   | 5    | 322,483                | 588,345            |
| <b>Net cash provided by investing activities</b>   |      | <b>322,483</b>         | <b>588,345</b>     |
| <b>Effect of exchange rate changes on cash</b>     |      |                        |                    |
|  |      | -                      | (1,037)            |
| Change in cash                                     |      | (4,877)                | (1,172,339)        |
| Cash, beginning of year                            |      | 62,717                 | 1,235,056          |
| <b>Cash, end of year</b>                           |      | <b>\$ 57,840</b>       | <b>\$ 62,717</b>   |

See accompanying notes to these consolidated financial statements



**Arena Minerals Inc.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(Expressed in Canadian dollars)**

|                                   | Number of Shares   | Share Capital        | Options           | Warrants          | Deficit                | Total               |
|-----------------------------------|--------------------|----------------------|-------------------|-------------------|------------------------|---------------------|
|                                   |                    |                      |                   |                   | (Note 3(n))            |                     |
| <b>Balance, December 31, 2018</b> | <b>142,621,090</b> | <b>\$ 17,529,757</b> | <b>\$ 833,741</b> | <b>\$ 431,300</b> | <b>\$ (16,767,857)</b> | <b>\$ 2,026,941</b> |
| Expiry of options                 | -                  | -                    | (144,830)         | -                 | 144,830                | -                   |
| Share-based payments              | -                  | -                    | 34,483            | -                 | -                      | 34,483              |
| Loss for the year                 | -                  | -                    | -                 | -                 | (1,595,240)            | (1,595,240)         |
| <b>Balance, December 31, 2019</b> | <b>142,621,090</b> | <b>17,529,757</b>    | <b>723,394</b>    | <b>431,300</b>    | <b>(18,218,267)</b>    | <b>466,184</b>      |
| <b>Balance, December 31, 2019</b> | <b>142,621,090</b> | <b>17,529,757</b>    | <b>723,394</b>    | <b>431,300</b>    | <b>(18,218,267)</b>    | <b>466,184</b>      |
| Expiry of options                 | -                  | -                    | (233,982)         | -                 | 233,982                | -                   |
| Loss for the year                 | -                  | -                    | -                 | -                 | (53,704)               | (53,704)            |
| <b>Balance, December 31, 2020</b> | <b>142,621,090</b> | <b>\$ 17,529,757</b> | <b>\$ 489,412</b> | <b>\$ 431,300</b> | <b>\$ (18,037,989)</b> | <b>\$ 412,480</b>   |

See accompanying notes to these consolidated financial statements

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

---

**1. Nature of operations and going concern**

Arena Minerals Inc. (the "Company", or "Arena") is a lithium and copper exploration and development company with assets in Argentina and Chile. The Company is engaged in the acquisition, exploration and development of properties located in South America. The Company is a publicly listed company incorporated in the Province of Alberta and continued to the Province of Ontario. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") trading under the symbol "AN". The Company's head office is located at 120 Adelaide Street West, Suite 1410, Toronto, Ontario, Canada, M5H 1T1.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. The Company's property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

At December 31, 2020, the Company had working capital of \$499,929 and a cumulative loss since inception of \$18,037,989. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

**2. Basis of preparation**

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries: Arena Minerals Chile SpA and Antofalla Minerals S.A. All material intercompany transactions and balances between its subsidiary have been eliminated on consolidation.

(b) Approval of the financial statements

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

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
**(Expressed in Canadian dollars unless otherwise noted)**

---

**2. Basis of preparation (continued)**

(c) New and future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2021, or later. Updates that are not applicable or are not consequential to the Company have been excluded.

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

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

The Company is in the process of evaluating the potential impact of these amendments.

Newly adopted accounting policies.

During the year ended December 31, 2020, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1, IAS 8 and IFRS 3. These new standards and changes did not have any material impact on the Company’s financial statements.

(d) Currency translation

The Company’s functional and presentation currency, and the functional currency of the Company’s subsidiaries, is the Canadian dollar (“\$”). Transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

(e) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

---

**2. Basis of preparation (continued)**

(e) Significant accounting judgments, estimates and assumptions

*Estimation of decommissioning and restoration costs and the timing of expenditure*

Cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at December 31, 2020 and 2019, the Company estimated that it had no material decommissioning or restoration obligations.

(e) Significant accounting judgments, estimates and assumptions (continued)

*Taxes, income taxes and deferred taxes*

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. All estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

*Share-based payments*

Management determines costs for share-based payments using the Black-Scholes valuation method, a market-based valuation technique. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

*Commitments and contingencies*

Refer to Note 13.

**3. Significant accounting policies**

(a) Principles of consolidation

These consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its wholly-owned subsidiaries Arena Minerals Chile SpA and AMSA Minerals S.A.U. (previously Antofalla Minerals S.A.) ("AMSA"). All material intercompany transactions and balances between the subsidiary and the Company are eliminated on consolidation. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

(b) Cash

Cash in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

---

**3. Significant accounting policies (continued)**

(c) Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, all assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

(d) Exploration and evaluation assets

All expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are recorded as exploration expenses until it has been established that a mineral property is commercially viable and a decision has been made to proceed with development, after which, development costs are capitalized a construction in progress within property, plant and equipment. The Company recognizes proceeds on the sale of its property claims into income.

(e) Equipment

Equipment is generally depreciated on a straight-line basis at a rate of 20% to 50% per annum.

An item of equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The assets' residual values, useful lives, and methods of depreciation/amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

(f) Impairment of non-financial assets

The carrying values of non-financial assets are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the operations so as to reduce the carrying amount to its recoverable amount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of operations.

(g) Provisions

I. General

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

II. Decommissioning and restoration provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore locations in the period in which the obligation is incurred.

The obligation generally arises when an asset is installed or the ground/environment is disturbed at the property location. When the liability is initially recognized, the present value of the estimated cost is expensed if it relates to an exploration and evaluation property or capitalized if it relates to a development property by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

As at December 31, 2020 and 2019, the Company did not have any material decommissioning and restoration obligations.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

---

**3. Significant accounting policies (continued)**

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

I. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

II. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted

(h) Taxation (continued)

by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 8.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

---

**3. Significant accounting policies (continued)**

(i) Share-based payments

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

On expiry, the grant date fair value of any unexercised share-based payments (options and warrants) is charged to the deficit.

(j) Financial assets and liabilities

Financial assets

I. Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either “fair value through profit or loss” (“FVPL”) or “fair value through other comprehensive income” (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

II. Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations. Receivables held for collection of contractual cash flows are measured at amortized cost.

III. Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company’s investments are classified as financial assets at FVPL.

IV. Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
**(Expressed in Canadian dollars unless otherwise noted)**

---

**3. Significant accounting policies (continued)**

(j) Financial assets and liabilities (continued)

V. Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

VI. Impairment of financial assets

The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

I. Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

II. Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations. The Company's financial liabilities include accounts payable and accruals, which are each measured at amortized cost.

III. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

(k) Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(l) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange gains and losses on foreign currency borrowings.

(m) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share for 2020 and 2019 as the effects of including all outstanding options and warrants would be anti-dilutive.



**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**3. Significant accounting policies (continued)**

(n) Expensing exploration and evaluation cost

During the year ended December 31, 2020, the Company changed its accounting policy to expense all and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts. The consolidated financial statements for the year ended December 31, 2019 and as at December 31, 2018 have been restated to reflect adjustments made as a result of this change in accounting policy.

The following is a reconciliation of the Company's consolidated financial statements as at December 31, 2018 and 2019, and for the year ended December 31, 2019

**Consolidated Statement of Financial Position**

|  | December 31, 2018<br>as previously reported | Adjustment            | December 31, 2018<br>as restated |
|--|---|-----------------------|----------------------------------|
| <b>Assets</b>                                      |   |                       |                                  |
| <b>Current assets</b>                              |   |                       |                                  |
| Cash   | \$ 1,235,056                                | \$ -                  | \$ 1,235,056                     |
| Receivables  | 29,873                                      | -                     | 29,873                           |
| Prepaid expenses                                   | 9,406                                       | -                     | 9,406                            |
| Investments, at fair value through profit and loss | 1,059,329                                   | -                     | 1,059,329                        |
| Total current assets                               | 2,333,664                                   | -                     | 2,333,664                        |
| <b>Non-current assets</b>                          |   |                       |                                  |
| Exploration and evaluation assets                  | 5,544,542                                   | (5,544,542)           | -                                |
| <b>Total assets</b>                                | <b>\$ 7,878,206</b>                         | <b>\$ (5,544,542)</b> | <b>\$ 2,333,664</b>              |
| <b>Liabilities and Equity</b>                      |   |                       |                                  |
| <b>Current liabilities</b>                         |   |                       |                                  |
| Accounts payable and accrued liabilities           | \$ 306,723                                  | \$ -                  | \$ 306,723                       |
| Total current liabilities                          | 306,723                                     | -                     | 306,723                          |
| <b>Equity</b>                                      |   |                       |                                  |
| Share capital                                      | 17,529,757                                  | -                     | 17,529,757                       |
| Reserves   | 1,265,041                                   | -                     | 1,265,041                        |
| Deficit  | (11,223,315)                                | (5,544,542)           | (16,767,857)                     |
| Total equity                                       | 7,571,483                                   | (5,544,542)           | 2,026,941                        |
| <b>Total liabilities and equity</b>                | <b>\$ 7,878,206</b>                         | <b>\$ (5,544,542)</b> | <b>\$ 2,333,664</b>              |

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**3. Significant accounting policies (continued)**

(n) Expensing exploration and evaluation cost (continued)

**Consolidated Statement of Financial Position**

|  | December 31, 2019<br>as previously reported | Adjustment            | December 31, 2019<br>as restated |
|--|---|-----------------------|----------------------------------|
| <b>Assets</b>                                      |   |                       |                                  |
| <b>Current assets</b>                              |   |                       |                                  |
| Cash   | \$ 62,717                                   | \$ -                  | \$ 62,717                        |
| Receivables  | 15,657                                      | -                     | 15,657                           |
| Prepaid expenses                                   | 8,450                                       | -                     | 8,450                            |
| Investments, at fair value through profit and loss | 735,754                                     | -                     | 735,754                          |
| Total current assets                               | 822,578                                     | -                     | 822,578                          |
| <b>Non-current assets</b>                          |   |                       |                                  |
| Exploration and evaluation assets                  | 6,572,194                                   | (6,572,194)           | -                                |
| <b>Total assets</b>                                | <b>\$ 7,394,772</b>                         | <b>\$ (6,572,194)</b> | <b>\$ 822,578</b>                |
| <b>Liabilities and Equity</b>                      |   |                       |                                  |
| <b>Current liabilities</b>                         |   |                       |                                  |
| Accounts payable and accrued liabilities           | \$ 356,394                                  | \$ -                  | \$ 356,394                       |
| Total current liabilities                          | 356,394                                     | -                     | 356,394                          |
| <b>Equity</b>                                      |   |                       |                                  |
| Share capital                                      | 17,529,757                                  | -                     | 17,529,757                       |
| Reserves   | 1,154,694                                   | -                     | 1,154,694                        |
| Deficit  | (11,646,073)                                | (6,572,194)           | (18,218,267)                     |
| Total equity                                       | 7,038,378                                   | (6,572,194)           | 466,184                          |
| <b>Total liabilities and equity</b>                | <b>\$ 7,394,772</b>                         | <b>\$ (6,572,194)</b> | <b>\$ 822,578</b>                |

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**3. Significant accounting policies (continued)**

(n) Expensing exploration and evaluation cost (continued)

**Consolidated Statement of Operations and Comprehensive Loss**

|  | December 31, 2019<br>as previously reported | Adjustment  | December 31, 2019<br>as restated |
|--|---|-------------|----------------------------------|
| Expenses                                       |   |             |                                  |
| Management and consulting fees                 | \$ 510,406                                  | \$ -        | \$ 510,406                       |
| Share-based payments                           | 34,483                                      | -           | 34,483                           |
| Accounting and legal                           | 111,929                                     | -           | 111,929                          |
| Travel and promotion                           | 127,674                                     | -           | 127,674                          |
| Office and rent                                | 123,861                                     | -           | 123,861                          |
| Exploration and evaluation expenses            | -   | 1,027,652   | 1,027,652                        |
| Regulatory and transfer agent                  | 30,915                                      | -           | 30,915                           |
| Foreign exchange (gain)                        | (102,685)                                   | -           | (102,685)                        |
| Loss before other items                        | (836,583)                                   | (1,027,652) | (1,864,235)                      |
| Other items                                    |   |             |                                  |
| Interest income                                | 4,225                                       | -           | 4,225                            |
| Realized loss on investment                    | (1,238,257)                                 | -           | (1,238,257)                      |
| Unrealized gain on investments                 | 1,503,027                                   | -           | 1,503,027                        |
| Loss before provision for income taxes         | (567,588)                                   | (1,027,652) | (1,595,240)                      |
| Income taxes                                   | -   | -           | -                                |
| Loss and comprehensive loss for the year       | (567,588)                                   | (1,027,652) | (1,595,240)                      |
| (Loss) per share:                              |   |             |                                  |
| Basic and diluted                              | \$ (0.00)                                   |             | \$ (0.01)                        |
| Weighted average number of shares outstanding: |   |             |                                  |
| Basic and diluted                              | 142,621,090                                 |             | 142,621,090                      |

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**3. Significant accounting policies (continued)**

(n) Expensing exploration and evaluation cost (continued)

**Consolidated Statement of Cash Flows**

|  | December 31, 2019<br>as previously reported | Adjustment       | December 31, 2019<br>as restated |
|--|---|------------------|----------------------------------|
| <b>Cash provided by (used in) operations:</b>      |   |                  |                                  |
| <b>Net loss for the year</b>                       | \$ (567,588)                                | \$ (1,027,652)   | \$ (1,595,240)                   |
| Items not involving cash:                          |   |                  |                                  |
| Share-based payments                               | 34,483                                      | -                | 34,483                           |
| Realized loss on investment                        | 1,238,257                                   | -                | 1,238,257                        |
| Unrealized gain on investment                      | (1,503,027)                                 | -                | (1,503,027)                      |
| Unrealized foreign exchange (gain) loss            | 5,380                                       | -                | 5,380                            |
| Working capital adjustments                        |   |                  |                                  |
| Change in receivables                              | 14,216                                      | -                | 14,216                           |
| Change in prepaid expenses                         | 956   | -                | 956                              |
| Change in accounts payable and accrued liabilities | (115,099)                                   | 160,427          | 45,328                           |
| <b>Net cash used in operating activities</b>       | <b>(892,422)</b>                            | <b>(867,225)</b> | <b>(1,759,647)</b>               |
| <b>Investing activities</b>                        |   |                  |                                  |
| Investment in exploration and evaluation of assets | (867,225)                                   | 867,225          | -                                |
| Proceeds from sale of investment                   | 588,345                                     | -                | 588,345                          |
| <b>Net cash used in investing activities</b>       | <b>(278,880)</b>                            | <b>867,225</b>   | <b>588,345</b>                   |
| <b>Effect of exchange rate changes on cash</b>     | <b>(1,037)</b>                              | <b>-</b>         | <b>(1,037)</b>                   |
| Change in cash                                     | (1,172,339)                                 | -                | (1,172,339)                      |
| Cash, beginning of year                            | 1,235,056                                   | -                | 1,235,056                        |
| <b>Cash, end of year</b>                           | <b>\$ 62,717</b>                            | <b>\$ -</b>      | <b>\$ 62,717</b>                 |

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**4. Receivables**

|                   | December 31, 2020 |        | December 31, 2019 |        |
|-------------------|-------------------|--------|-------------------|--------|
| HST receivable    | \$                | 13,504 | \$                | 13,504 |
| Supplier advances |                   | 2,123  |                   | 2,153  |
|                   | \$                | 15,627 | \$                | 15,657 |

Receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

**5. Investments, at fair value through profit and loss**

| Description             | Cost |           | Estimated Fair Value |         |
|-------------------------|------|-----------|----------------------|---------|
| B2Gold Corp.            | \$   | 326,142   | \$                   | 468,900 |
| Fiore Exploration Ltd.  |      | 1,212,128 |                      | 266,854 |
| As at December 31, 2019 | \$   | 1,538,270 | \$                   | 735,754 |
| B2Gold Corp.            | \$   | 282,657   | \$                   | 556,140 |
| Fiore Exploration Ltd.  |      | 758,354   |                      | 335,732 |
| As at December 31, 2020 | \$   | 1,041,011 | \$                   | 891,872 |

B2Gold Corp.

During the year ended December 31, 2019, the Company sold 80,000 shares of B2Gold for gross proceeds of \$343,785 for a realized gain of \$53,880. As at December 31, 2019, the quoted market value of these shares was \$468,900 resulting in an unrealized gain of \$80,505 being included in loss for the year ended December 31, 2019.

During the year ended December 31, 2020, the Company sold 12,000 shares of B2Gold for gross proceeds of \$77,517 for a realized gain of \$35,406. As at December 31, 2020, the quoted market value of these shares was \$556,140 resulting in an unrealized gain of \$130,726 being included in loss for the year ended December 31, 2020..

Fiore Exploration Ltd.

During the year ended December 31, 2019, the Company sold 626,500 shares of Fiore for gross proceeds of \$244,560 for a realized loss of \$1,262,138. As at December 31, 2019, the quoted market value of these shares was \$266,855 resulting in an unrealized gain of \$1,422,523 included in loss for the year ended December 31, 2019.

During the year ended December 31, 2020, the Company sold 260,000 shares of Fiore for gross proceeds of \$243,185 for a realized loss of \$374,273. As at December 31, 2020, the quoted market value of these shares was \$335,732 resulting in an unrealized gain of \$725,963 included in loss for the year ended December 31, 2020.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**6. Exploration and evaluation assets**

Exploration and evaluation properties comprise the following:

a) Atacama Copper Property, Chile

The Company owns an 80% interest in the Atacama Copper Property subject to a 3% net smelter royalty on all metallic minerals. See Note 15

b) Antofalla Minerals S.A., Argentina

The Company owns 100% of certain projects in Argentina through its wholly owned subsidiary, AMSA.

The Company disposed of one of its mining rights (Tabahm 4) in August 2020 for proceeds of US\$100,000.

**7. Share capital**

|   | Number of Shares | Amount        |
|---|------------------|---------------|
| Balance, December 31, 2018, 2019 & 2020 | 142,621,090      | \$ 17,529,757 |

**8. Reserves**

|                   | Options           |                                  |                  | Warrants           |                                  |                   | Total Value  |
|-------------------|-------------------|----------------------------------|------------------|--------------------|----------------------------------|-------------------|--------------|
|                   | Number of Options | Weighted average exercise prices | Value of options | Number of warrants | Weighted average exercise prices | Value of warrants |              |
| December 31, 2018 | 8,205,000         | \$ 0.16                          | \$ 833,741       | 46,000,000         | \$ 0.10                          | \$ 431,300        | \$ 1,265,041 |
| Expired           | (1,075,000)       | \$ 0.22                          | \$ (144,830)     | -                  | \$ -                             | \$ -              | (144,830)    |
| Grant             | 750,000           | \$ 0.06                          | \$ 34,483        | -                  | \$ -                             | \$ -              | 34,483       |
| December 31, 2019 | 7,880,000         | \$ 0.14                          | \$ 723,394       | 46,000,000         | \$ 0.10                          | \$ 431,300        | \$ 1,154,694 |
| Expired           | (1,980,000)       | \$ 0.12                          | \$ (233,982)     | -                  | \$ -                             | \$ -              | (233,982)    |
| December 31, 2020 | 5,900,000         | \$ 0.08                          | \$ 489,412       | 46,000,000         | \$ 0.10                          | \$ 431,300        | \$ 920,712   |

Employee share option plan

The Company has an ownership-based compensation scheme for executives and employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, officers, directors and consultants of the Company may be granted options to purchase common shares with the exercise prices determined at the time of grant. The Company has adopted a floating stock option plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is equivalent of up to 10% of the issued and outstanding shares of the Company from time to time. Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**8. Reserves (continued)**

The following options were in existence at December 31, 2020:

| Number outstanding | Number exercisable | Grant date | Expiry date | Exercise price | Fair value at grant date | Grant date share price | Expected volatility | Remaining life (yrs) | Expected dividend yield | Risk-free interest rate |
|--------------------|--------------------|------------|-------------|----------------|--------------------------|------------------------|---------------------|----------------------|-------------------------|-------------------------|
| 950,000            | 950,000            | 17-May-16  | 17-May-21   | \$ 0.35        | \$ 194,370               | \$ 0.325               | 81%                 | 0.38                 | 0%                      | 0.71%                   |
| 200,000            | 200,000            | 09-May-17  | 09-May-22   | \$ 0.20        | \$ 37,853                | \$ 0.17                | 77%                 | 1.35                 | 0%                      | 1.04%                   |
| 4,000,000          | 4,000,000          | 21-Sep-18  | 21-Sep-23   | \$ 0.09        | \$ 222,706               | \$ 0.09                | 87%                 | 2.72                 | 0%                      | 2.17%                   |
| 750,000            | 750,000            | 19-Mar-19  | 19-Mar-24   | \$ 0.06        | \$ 34,483                | \$ 0.06                | 104%                | 3.22                 | 0%                      | 1.83%                   |
| 5,900,000          | 5,900,000          |            |             |                | \$ 489,412               |                        |                     |                      |                         |                         |

The following warrants were in existence at December 31, 2020.

| Number outstanding | Number exercisable | Grant date | Expiry date | Exercise price | Fair value at grant date | Grant date share price | Expected volatility | Remaining life (yrs) | Expected dividend yield | Risk-free interest rate |
|--------------------|--------------------|------------|-------------|----------------|--------------------------|------------------------|---------------------|----------------------|-------------------------|-------------------------|
| 46,000,000         | 46,000,000         | 06-Sep-18  | 06-Sep-21   | \$ 0.10        | \$ 431,300               | \$ 0.08                | 78%                 | 0.68                 | 0%                      | 2.17%                   |

**9. Operating segments**

*Geographical information*

The Company operates in Canada, Argentina and Chile. The Company's information about its current assets by geographical location as at December 31, 2020 and 2019, are detailed below:

|           | Total Assets as at December 31 |                   |
|-----------|--------------------------------|-------------------|
|           | 2020                           | 2019              |
| Argentina | \$ 3,565                       | \$ 7,149          |
| Canada    | 602,373                        | 532,943           |
| Chile     | 369,841                        | 282,486           |
|           | <u>\$ 975,779</u>              | <u>\$ 822,578</u> |

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**10. Financial instruments**

Financial assets and financial liabilities as at December 31, 2020 and 2019, were as follows:

|  | Assets (liabilities) at<br>amortized cost | Assets /(liabilities)<br>at fair value through<br>profit and loss | Total     |
|--|---|---|-----------|
| <u>December 31, 2020</u>                           |   |   |           |
| Cash   | \$ 57,840                                 | \$ -  | \$ 57,840 |
| Amounts receivable                                 | 15,627                                    | -   | 15,627    |
| Investments, at fair value through profit and loss | -   | 891,872   | 891,872   |
| Accounts payable and accrued liabilities           | (563,299)                                 | -   | (563,299) |
| <u>December 31, 2019</u>                           |   |   |           |
| Cash   | \$ 62,717                                 | \$ -  | \$ 62,717 |
| Amounts receivable                                 | 15,657                                    | -   | 15,657    |
| Investments, at fair value through profit and loss | -   | 735,754   | 735,754   |
| Accounts payable and accrued liabilities           | (356,394)                                 | -   | (356,394) |

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the years ended December 31, 2020 and 2019.

**Credit risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparty related to its cash carries an investment grade rating as assessed by external rating agencies. The Company maintains all or substantially all of its cash with a major financial institution domiciled in Canada. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

**Liquidity risk**

The Company manages liquidity risk by maintaining adequate cash balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at December 31, 2020, the Company had current assets of \$975,779 to settle current liabilities of \$475,850.

**Market risk**

(a) **Interest rate risk**

The Company's cash is subject to interest rate cash flow risk as they carry variable rates of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. Based on cash balances on hand at December 31, 2020, a 1% charge in interest rates could result in a corresponding change in annual loss of approximately \$578.

(b) **Currency risk**

As the Company operates on an international basis, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the Chilean Peso. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.



**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**10. Financial instruments (continued)**

As at December 31, 2020, the Company had the following financial assets and liabilities denominated in foreign currency presented below in Canadian dollars:

|  | Argentinian<br>Peso | Chilean Peso | US Dollars | Total        |
|--|---------------------|--------------|------------|--------------|
| Cash                                     | \$ 3,283            | \$ 31,332    | \$ (30)    | \$ 34,585    |
| Receivables                              | -                   | 2,123        | -          | \$ 2,123     |
| Accounts payable and accrued liabilities | (24,157)            | (79,763)     | -          | \$ (103,920) |
| Total                                    | \$ (20,873)         | \$ (46,308)  | \$ (30)    | \$ (67,212)  |
| Effect of +/- 1% change in exchange rate | \$ (209)            | \$ (463)     | \$ (0)     | \$ (672)     |

As at December 31, 2019, the Company had the following financial assets and liabilities denominated in foreign currency presented below in Canadian dollars:

|  | Argentinian<br>Peso | Chilean Peso | US Dollars | Total        |
|--|---------------------|--------------|------------|--------------|
| Cash                                     | \$ 3,283            | \$ 31,332    | \$ (30)    | \$ 34,585    |
| Receivables                              | -                   | 2,123        | -          | \$ 2,123     |
| Accounts payable and accrued liabilities | (24,157)            | (79,763)     | -          | \$ (103,920) |
| Total                                    | \$ (20,874)         | \$ (46,308)  | \$ (30)    | \$ (67,212)  |
| Effect of +/- 1% change in exchange rate | \$ (209)            | \$ (463)     | \$ (0)     | \$ (672)     |

A 1% strengthening (weakening) of the Canadian dollar against the Chilean Peso and United States dollar would decrease (increase) net loss nominally.

Rates as at December 31, 2020 and 2019, are represented in the following chart:

|                                     | December 31, 2020 | December 31, 2019 |
|-------------------------------------|-------------------|-------------------|
| 1 US dollar to Canadian dollar      | 1.2754            | 1.3016            |
| 1 US dollar to Chilean Peso         | 0.001408          | 0.001468          |
| 1 Canadian dollar to Chilean Peso   | 0.001795          | 0.001820          |
| 1 Canadian dollar to Argentina Peso | 0.01517           | 0.021700          |

(c) Price risk

The Company will be exposed to price risk with respect to commodity prices, specifically gold, copper, and lithium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices of these commodities. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for gold, copper and lithium, the level of interest rates, the rate of inflation, investment decisions by large holders of gold and copper, and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors may in turn be influenced by changes in international investment patterns and monetary systems and political developments.

The Company is also exposed to price risk with respect to the Company's financial instruments. The Company exposed to the risk that the fair value of, or future cash flows from, the Company's financial instruments, will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than quoted market prices.

For the year ended December 31, 2020, a 10% decrease (increase) in the closing prices of its portfolio investments would result in an estimated increase (decrease) in after-tax net loss of \$73,575 or approximately \$0.00 per share.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

---

**10. Financial instruments (continued)**

(d) Fair value

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs can be a quoted price in market that is not active.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

At December 31, 2020, the Company's financial instruments that are carried at fair value, consisted of investments of securities of \$891,872 (December 31, 2019 – \$735,754) which have been classified as Level 1 within the fair value hierarchy.

**11. Capital management**

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of common shares, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended December 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements other than that of the TSX-V, which has certain working capital and financial resource requirements to be available to maintain operations and cover general and administration expenses. As of December 31, 2020 and 2019, the Company did not believe it was in violation of such requirements.

**12. Related party disclosures**

Compensation of key management personnel of the Company:

The remuneration of directors and other members of key management personnel during the year ended December 31, 2020 and 2019, were as follows:

|                      | 2020 |         | 2019 |         |
|----------------------|------|---------|------|---------|
| Short-term benefits  | \$   | 147,270 | \$   | 785,735 |
| Share-based payments | \$   | -       | \$   | 34,483  |

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. See also Note 13

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
**(Expressed in Canadian dollars unless otherwise noted)**

---

**12. Related party disclosures (continued)**

In March 2019, the Company granted an aggregate of 750,000 stock options to various directors of the Company. The stock options vested immediately and are exercisable at \$0.06 for a period of five years.

At December 31, 2020, the Company had an accounts payable balance of \$309,339 (2019 - \$174,237) owing to its key management and directors for expense reimbursements and fees. Such amounts are unsecured, non-interest bearing and with no fixed terms of payment.

**13. Commitments and contingencies**

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately \$1,155,000 be made upon the occurrence of certain events such as a change of control. As no triggering event has taken place as at December 31, 2020, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately \$435,000 all due within one year.

The Company has sold, disbursed of, or abandoned the carrying value of exploration and evaluation property interests. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor, or indemnifier is not determinable, nor expected to be material, and no amount has been provided for in these consolidated financial statements.

**Novel Coronavirus**

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

**14. Income taxes**

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Federal and Provincial statutory rate of 26.5% (2019 - 26.5%) were as follows:

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Loss before income taxes                             | (53,704)    | (567,588)   |
| Expected income tax recovery based on statutory rate | (14,000)    | (150,000)   |
| Adjustment to expected income tax benefit:           |             |             |
| Share based compensation                             | -           | 9,000       |
| Change in benefits not recognized                    | 14,000      | 141,000     |
| Deferred income tax provision (recovery)             | -           | -           |

b) Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Non-capital loss carry-forwards - Canada      | 5,204,000   | 3,774,000   |
| Share issue costs - Canada                    | 9,000       | 9,000       |
| Exploration and evaluation assets - Chile     | -           | -           |
| Non-capital loss carry-forwards - Chile       | 13,092,000  | 9,646,000   |
| Exploration and evaluation assets - Argentina | -           | -           |
| Non-capital loss carry-forwards - Argentina   | 67,000      | 85,000      |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The non-capital loss carry forwards in Canada expire between 2033 to 2040.

The non-capital loss carry forwards in Argentina expire in 2026

The non-capital losses in Chile can be carried forward indefinitely.

No deferred taxes are recognized on the temporary differences related to the Company's investment in its Chilean and Argentine subsidiaries to the extent that the Company controls the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

**Arena Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**  
(Expressed in Canadian dollars unless otherwise noted)

---

**15. Subsequent Events**

On February 4, 2021, the Company closed a \$2.8 million private placement financing. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at \$0.15 for a period of 36 months from the date of issuance.

On February 4, 2021, the Company announced the planned sale of its Pampa Paciencia epithermal gold property, located in the Atacama region of northern Chile, to Astra Exploration Ltd ("Astra"), a private mineral exploration company. Pursuant to the Agreement, Arena's wholly owned subsidiary, Arena Minerals Chile SpA, will transfer to a newly incorporated Chilean subsidiary of Arena ("AM Newco") all of the shares it owns in Sociedad Contractual Minera Paciencia (the "JV Company"), representing 80% of the outstanding shares of the JV Company. The JV Company holds 100% of the Paciencia Property, one of the two Chilean properties in which Arena holds an interest. Astra will then purchase all of the shares of AM Newco in consideration for the issuance to Arena of shares representing 40% of Astra's issued and outstanding shares after Astra completes a proposed financing to raise a minimum of \$600,000, which financing is to close prior to the sale to Astra of AM Newco. This potential sale remains contingent upon the completion of this financing and there is no guarantee that this financing will be obtained or that the sale will ultimately occur.

On March 29, 2021, the Company entered into a binding memorandum of understanding (the "MOU") with LITH-ARG Acquisition LLC ("LITH-ARG") to acquire 100% of the Sal de la Puna project in Argentina. Under the MOU, LITH-ARG agrees to assign all rights, title and interest in the HOA to Arena in consideration for payment by Arena to LITH-ARG or to its direction of (a) 49,345,314 common shares of Arena, (b) 18,384,519 share purchase warrants each entitling the holder to acquire one common share of Arena at a price of \$0.16 per common share for a period of 24 months following closing, (c) a cash payments of USD \$1.98 million.