



**Pucara Gold Ltd. (Formerly, Magnitude Mining Ltd.)**  
(An Exploration Stage Company)

**Consolidated Financial Statements**  
(expressed in Canadian dollars)

For the Nine Months Ended December 31, 2020 and Year Ended March 31, 2020

**Pucara Gold Ltd.**  
2110 – 650 West Georgia Street  
Vancouver, BC V6B 4N9

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Pucara Gold Ltd. (formerly Magnitude Mining Ltd.)

### *Opinion*

We have audited the accompanying consolidated financial statements of Pucara Gold Ltd. (formerly Magnitude Mining Ltd.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and March 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the nine months ended December 31, 2020 and the year ended March 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

We conducted our audits 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$5,511,142 during the nine months ended December 31, 2020 and, as of that date, the Company's accumulated deficit was \$14,247,029. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 to cease operations, or has no realistic alternative but to do so.

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 29, 2021

Pucara Gold Ltd. (Formerly, Magnitude Mining Ltd.)  
(An Exploration Stage Company)  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	Note	December 31, 2020	March 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 6,058,585	\$ 193,946
Short-term investments		-	400,000
Receivables	12	57,628	42,171
Prepaid expenses		119,880	56,894
<b>Total current assets</b>		<b>6,236,093</b>	<b>693,011</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	418,894	293,671
Equipment	5	124,839	92,821
Right of use asset	6	36,542	74,144
<b>Total non-current assets</b>		<b>580,275</b>	<b>460,636</b>
<b>TOTAL ASSETS</b>		<b>\$ 6,816,368</b>	<b>\$ 1,153,647</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9,12	\$ 744,572	\$ 292,069
Lease liability	6	36,646	41,485
Convertible note	7	-	500,000
<b>Total current liabilities</b>		<b>781,218</b>	<b>833,554</b>
<b>Non-current liabilities</b>			
Lease liability	6	-	30,062
<b>TOTAL LIABILITIES</b>		<b>781,218</b>	<b>863,616</b>
<b>EQUITY</b>			
Share capital	8	18,698,544	7,844,030
Share-based payment reserve	8	1,464,862	1,063,115
Accumulated other comprehensive income		118,773	134,008
Deficit		(14,247,029)	(8,751,122)
<b>TOTAL EQUITY</b>		<b>6,035,150</b>	<b>290,031</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 6,816,368</b>	<b>\$ 1,153,647</b>
Nature of operations	1		
Continuance of operations	2 (C)		

Approved on behalf of the Board of Directors

\_\_\_\_\_  
"Steve Zuker" Director

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"Gord Fretwell" Director

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

Pucara Gold Ltd. (Formerly, Magnitude Mining Ltd.)  
(An Exploration Stage Company)  
Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

	Note	Nine Months Ended December 31, 2020	Year Ended March 31, 2020
<b>Exploration expenditures</b>	4,9	\$ 2,723,006	\$ 1,206,310
<b>General and administration</b>			
Accounting and legal	9	148,001	155,601
Accretion	6	4,178	2,683
Amortization	6	31,605	35,628
Office and miscellaneous		93,778	61,086
Investor relations	9	141,360	133,416
Management and consulting fees	9	379,572	355,620
Share-based payments	8,9	328,808	279,222
Travel		15,228	24,528
<b>Total general and administrative expenses</b>		<b>1,142,530</b>	<b>1,047,784</b>
<b>Loss before other items</b>		<b>3,865,536</b>	<b>2,254,094</b>
<b>Other items</b>			
Foreign exchange (gain) loss		208,024	11,399
Interest income		(10,251)	(18,556)
Listing expense	3	1,432,598	-
Other income	4	-	(99,228)
<b>Net loss</b>		<b>5,495,907</b>	<b>2,147,709</b>
Other comprehensive (income) loss		15,235	(8,123)
<b>Total comprehensive loss</b>		<b>\$ 5,511,142</b>	<b>\$ 2,139,586</b>
<b>Loss per common share</b>			
Basic and fully diluted		\$ 0.13	\$ 0.06
Weighted average number of common shares outstanding		43,639,325	34,234,460

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Pucara Gold Ltd. (Formerly, Magnitude Mining Ltd.)  
(An Exploration Stage Company)  
Consolidated Statements of Changes in Equity  
For the Nine Month Period Ended December 31, 2020 and Year Ended March 31, 2020  
(Expressed in Canadian dollars)

	Note	Share capital		Share-based payment reserve	Accumulated other comprehensive income (loss)	Deficit	Total
		Number of shares	\$				
<b>Balance at March 31, 2019</b>		34,234,460	7,844,030	783,893	125,885	(6,603,413)	2,150,395
Net loss for the year		-	-	-	-	(2,147,709)	(2,147,709)
Share-based payments	8	-	-	279,222	-	-	279,222
Other comprehensive loss		-	-	-	8,123	-	8,123
<b>Balance at March 31, 2020</b>		34,234,460	7,844,030	1,063,115	134,008	(8,751,122)	290,031
Net loss for the period		-	-	-	-	(5,495,907)	(5,495,907)
Consideration for reverse acquisition	3	3,100,000	1,240,000	21,750	-	-	1,261,750
Concurrent financing	1	21,250,000	8,500,000	-	-	-	8,500,000
Finders' fees – shares	1	810,000	-	-	-	-	-
Finders' fees – warrants	1	-	(116,564)	116,564	-	-	-
Share issuance costs		-	(12,000)	-	-	-	(12,000)
Conversion of convertible note	7	2,500,000	1,000,000	-	-	-	1,000,000
Share-based payments	8	-	-	328,808	-	-	328,808
Exercise of stock options	8	682,500	243,078	(65,375)	-	-	177,703
Other comprehensive loss		-	-	-	(15,235)	-	(15,235)
<b>Balance at December 31, 2020</b>		62,576,960	18,698,544	1,464,862	118,773	(14,247,029)	6,035,150

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

Pucara Gold Ltd. (Formerly, Magnitude Mining Ltd.)  
(An Exploration Stage Company)  
Consolidated Statements of Cash Flows  
For the nine months ended December 31, 2020 and year ended March 31, 2020  
(Expressed in Canadian dollars)

	Note	Nine Months Ended December 31, 2020	Year Ended March 31, 2020
<b>Operating activities</b>			
Net loss		\$ (5,495,907)	\$ (2,147,709)
Items not affecting cash			
Impairment of exploration and evaluation assets		-	48,670
Accretion		4,178	2,683
Amortization of right-of-use asset		31,605	35,628
Depreciation of equipment		29,804	38,294
Foreign exchange gain		74	(501)
Listing expense		1,250,774	-
Share-based payments		328,808	279,222
		<b>(3,850,664)</b>	<b>(1,743,713)</b>
Change in non-cash operating working capital			
(Increase) decrease in receivables and prepaid expenses		(72,335)	806
Increase in accounts payable and accrued liabilities		446,503	59,602
<b>Cash used in operating activities</b>		<b>(3,476,496)</b>	<b>(1,683,305)</b>
<b>Investing activities</b>			
Payments for exploration and evaluation assets		(182,761)	(135,558)
Short-term investments		400,000	-
Cash acquired from reverse acquisition		4,868	-
Payments for equipment		(78,168)	(3,559)
<b>Cash provided by (used in) investing activities</b>		<b>143,939</b>	<b>(139,117)</b>
<b>Financing activities</b>			
Proceeds from convertible note		500,000	500,000
Proceeds from private placements		8,500,000	-
Proceeds from exercise of stock options		177,703	-
Share issuance costs		(6,000)	-
Purchase of short-term investments		-	(400,000)
Lease payments		(33,154)	(40,407)
<b>Cash provided by financing activities</b>		<b>9,138,549</b>	<b>59,593</b>
<b>Effect of exchange rate changes on cash</b>		<b>58,647</b>	<b>(4,756)</b>
<b>Increase (decrease) in cash</b>		<b>5,864,639</b>	<b>(1,767,585)</b>
<b>Cash - beginning of period</b>		<b>193,946</b>	<b>1,961,531</b>
<b>Cash - end of period</b>		<b>\$ 6,058,585</b>	<b>\$ 193,946</b>

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

Pucara Gold Ltd. (Formerly, Magnitude Mining Ltd.)  
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Consolidated Statements of Cash Flows  
For the nine months ended December 31, 2020 and year ended March 31, 2020  
(Expressed in Canadian dollars)

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<b>Supplemental cash flow information</b>			
Interest received	\$	<b>12,394</b>	\$ 34,047
Interest paid	\$	-	\$ -
Income taxes paid	\$	-	\$ -

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

## 1. Nature of Operations

On September 30, 2020, Pucara Gold Ltd. formerly Magnitude Mining Ltd. ("Magnitude") and Pucara Resources Corp. ("Pucara Resources") completed a plan of arrangement which resulted in a reverse takeover of Magnitude by the shareholders of Pucara Resources and constituted Magnitude's Qualifying Transaction, as defined under TSX Venture Exchange Policy 2.4 – Capital Pool Companies (the "Transaction"). In connection with the closing of the Transaction, Magnitude also completed a 2:1 consolidation of its common shares and changed its name to Pucara Gold Ltd. (the "Company" or "Pucara").

Magnitude, a Capital Pool Company, is incorporated under the British Columbia Business Corporation Act on February 17, 2011. The principal business of Magnitude was the identification and evaluation of a Qualifying Transaction.

Pucara Resources, a company incorporated under the British Columbia Business Corporations Act on August 10, 2012, purchased Pucara Resources S.A.C., a limited liability company formed under the laws of Peru on September 12, 2012, from Esperanza Resources Corp. and Esperanza Silver Peru S.A.C. ("Esperanza") on January 14, 2013. Pucara Resources is engaged in the acquisition, exploration and development of mineral properties in Latin America, currently with exploration and evaluation properties in Peru.

Pursuant to the Transaction, Magnitude acquired all of the issued and outstanding common shares of Pucara Resources ("Pucara Shares"). Pucara Resources became a wholly owned subsidiary of Magnitude and the shareholders of Pucara Resources were issued one common share of the Company in exchange of every Pucara Share held immediately prior to the completion of the Transaction. Holder of the options to acquire Pucara Shares ("Pucara Options") and warrants to purchase Pucara Shares ("Pucara Warrants") are entitled to receive, upon exercise of a Pucara Option or Pucara Warrant, for the same aggregate consideration, the common shares of the Company.

Additional details of the Transaction were as follows:

- 3,100,000 shares of the Company were held by the existing shareholders of Magnitude;
- 34,234,460 shares of the Company were issued to the former shareholders of Pucara Resources in exchange of Pucara Shares;
- 5,314,960 warrants of the Company were issued to the former warrant holders of Pucara Resources in exchange for Pucara Warrants, entitles the holder to acquire a common share of the Company at an exercise price of \$0.60 per common share until August 4, 2022;
- 21,250,000 shares of the Company were issued to the former holders of 21,250,000 Pucara Resources Shares, which were issued pursuant to the concurrent financing in connection with the Transaction (the "Concurrent Financing"). The Company raised total proceeds of \$8,500,000 from Concurrent Financing;
- 810,000 shares of the Company were issued to certain arm's length finders as finders' fee payable in connection with the Concurrent Financing;
- 687,500 Pucara Warrants were issued to certain finders in relation to the private placement. Each Pucara Warrant entitles the holder to acquire a common share of the Company at an exercise price of \$0.60 per common share until September 30, 2022; and
- 2,500,000 shares of the Company were issued to Lunde International Corp. in connection with the automatic conversion of a \$1 million convertible promissory note (Note 7).

Upon completion of the Transaction, the existing shareholders of Magnitude held approximately 5% in the capital of the Company while the former shareholders of Pucara Resources held approximately 95%.

Since the Transaction resulted in the shareholders of Pucara Resources obtaining control of Magnitude, it constituted a reverse acquisition for accounting purposes with Pucara Resources being identified as the accounting acquirer. The net assets of Magnitude at the date of the reverse acquisition were deemed to have been acquired by Pucara Resources (Note 3). These consolidated financial statements include the results of operations of Magnitude from September 30, 2020. During the period ended December 31, 2020, the year-end of Pucara was changed to December 31, 2020. The comparative figures are those of Pucara Resources prior to the reverse acquisition for the year ended March 31, 2020.

Pucara is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. As at the date of these consolidated financial statements, the Company has not identified a body of commercial grade mineral on any of its properties. The Company's objective is to discover mineral deposits and either sell, option, joint venture, or otherwise participate in their development.

The novel coronavirus ("COVID-19") has caused many countries to implement measures to reduce the spread of the virus. On March 15, 2020, the President of Peru issued a national state of emergency decree that closed the country's borders, limited transportation within

the country, and required most people to work from their homes. The stay at home decree was lifted on June 30, 2020, while the state of health emergency remains in place until September 2, 2021. The situation with COVID-19 is evolving and consequently, management cannot predict the effect of unknown adverse changes to its future business plans, financial position, cash flows, and results of operations.

The Company's registered address and records office is #2110 – 650 West Georgia Street, Vancouver, British Columbia, V6B 4N9, Canada.

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 28, 2021.

## 2. Basis of Presentation and Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statement are set out below.

### l) Basis of Presentation and Measurement

#### a) Statement of Compliance

These audited consolidated financial statements for the nine months ended December 31, 2020 and year ended March 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

#### b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts are expressed in Canadian dollars, unless noted otherwise.

#### c) Continuation of Operations

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these consolidated financial statements do not include adjustments that would be necessary if the going concern assumption is not appropriate.

The Company incurred a comprehensive loss of \$5,511,142 for the nine months ended December 31, 2020 (year ended March 31, 2020 - \$2,139,586) and has an accumulated deficit of \$14,247,029 at December 31, 2020. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations and its ability to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and to seek joint venture partners. Although the Company has been successful at raising capital in the past, there is no assurance that the Company will be able to raise adequate financing on terms that are acceptable to the Company, if at all. Based on its current plans, budgeted expenditures, and cash requirements, management believes the Company would need to raise additional capital to accomplish its business objectives thereafter.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates and exercise judgement in applying the Company's policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 2 (IV).

## II) Significant Accounting Policies

### a) Basis of consolidation

These consolidated financial statements combine the results and financial position of the Company and its subsidiary, after the elimination of all material intercompany balances and transactions, from the date that control commenced. The Company's wholly owned subsidiary is as follows:

Subsidiary	Jurisdiction	Nature of Operation	Equity Interest	
			December 31, 2020	March 31, 2020
Pucara Resources Corp.	Canada	Holding company	100%	N/A
Pucara Resources S.A.C.	Peru	Mineral exploration	100%	100%

### b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and other short-term highly liquid investments with the original term to maturity of three months or less.

### c) Short-term investments

Short-term investments are investments which are transitional or current in nature with an original term to maturity greater than three months but less than one year.

### d) Foreign currency translation and transactions

The functional currency of the Company and its subsidiaries is determined based on the currency of the primary economic environment in which it operates. The functional currency of the Company's Peruvian subsidiary is the Peruvian nuevo sol. The functional currency of the parent and the Canadian subsidiary is the Canadian dollar, which is the same as the presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transactions. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial position of the subsidiary, whose functional currency is different from the reporting currency, are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end;
- income and expenses are translated at average exchange rates for the period, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions;
- equity transactions are translated using the exchange rate at the date of the transactions; and
- all resulting exchange differences are recognized in other comprehensive income and reported as a separate component of equity.

### e) Property and equipment

Property and equipment are carried at cost less accumulated amortization and any accumulated impairment charges. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods and any changes arising from the assessment are applied by the Company prospectively.

Amortization of each asset is calculated on a straight-line basis and allocated over the estimated useful life of the asset.

Useful lives are as follows:

Asset	Estimated Useful Life
Vehicles	5 years
Field equipment	7 years
Furniture, computer and other equipment	4-10 years

**f) Exploration and evaluation assets and expenditures**

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and value of common shares, based on recent issue prices, issued for exploration and evaluation assets pursuant to the terms of the agreement, as well as annual maintenance costs for the concessions. Exploration expenditures, net of recoveries, are recorded in the consolidated statements of loss and comprehensive loss as incurred.

After an exploration and evaluation asset is determined by management to be commercially viable and technically feasible, exploration and evaluation expenditures on the property will first be assessed for impairment before being capitalized.

When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

**g) Leases**

Leases are recognized as a right-to-use asset with a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable.
- Variable lease payments that are based on an index or rate.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option.
- Payments for penalties for terminating the lease.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low value assets comprise office equipment.

**h) Financial instruments**

*(i) Classification*

Financial assets are classified at initial recognition as either: measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit and loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Under IFRS 9, the Company classifies its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	FVTPL
Short-term investments	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible note	Amortized cost

*(ii) Measurement*

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

*(iii) Impairment*

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**i) Income taxes**

Income tax expense is comprised of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with respect of previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

**j) Share capital**

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

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in reserves. The Company has allocated \$Nil to warrants as all fair value are considered to be attached to the shares before the Company gets listed on a stock exchange.

**k) (Loss) Earnings per share**

Basic (loss) earnings per share is computed by dividing the net (loss) earnings by the weighted average number of common shares outstanding during the period, which excludes shares held in escrow.

Diluted (loss) earnings per share is computed by dividing the loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. In periods that the Company reports a net loss, stock options are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive. For the years presented, this calculation proved to be anti-dilutive.

**l) Share-based payments**

The Company adopted an incentive stock option plan (the "Plan") in 2016 under which the Company's Board of Directors are authorized to grant options to directors, officers, employees and consultants.

The options can be granted for a maximum term of five year with vesting terms of 25% on the date of granting and the remaining in 25% increments every six-months thereafter.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. The terms and conditions of the options granted is accounted for in the Black-Scholes option pricing model that is used to measure the fair value of the options granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital. Where stock options expire unexercised, amounts previously recorded as share-based payment reserves remain as such.

**III) New Accounting Standards**

**Property, Plant and Equipment**

Proceeds before Intended Use (Amendments to IAS 16): The amendments prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This amendment is effective for the Company's annual reporting period beginning January 1, 2022, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of this amendment. None of the remaining standards and amendments to standards and interpretations that have been issued but are not yet effective are expected to significantly affect the Company's consolidated financial statements.

#### IV) Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and certain disclosures reported in these consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognized in the period in which the estimates are revised and in future periods affected.

Areas where critical accounting estimates and assumptions have the most significant effect on the amounts recognized in these consolidated financial statements include the following:

##### a) **Impairment of exploration and evaluation assets**

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial resources. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

Management has several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic, geochemical, and geophysical information; environmental issues, economic assessment studies, surface ownership, community issues and social licenses.

##### b) **Recovery of deferred tax assets**

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its deferred tax assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

##### c) **Share-based payments**

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Areas requiring critical judgment include going concern assumption (see note 2. I) c)) and determination of functional currency (see note 2. II) c)). The Company determined the functional currency for the subsidiary is the Peruvian nuevo sol.

#### 3. Reverse Acquisition

As described in Note 1, on September 30, 2020, Magnitude and Pucara Resources completed the Transaction which constituted a reverse acquisition. Because of the Transaction, the shareholders of Pucara Resources obtained control of Pucara, the combined entity, by obtaining control of the voting power of the Company and the resulting power to govern its financial and operating policies. The Transaction was accounted for as a reverse acquisition in accordance with the guidance provided in IFRS 2, Share-based Payments and IFRS 3, Business Combinations. As Magnitude did not qualify as a business according to the definition in IFRS 3, the reverse acquisition did not constitute a business combination; rather it was treated as an issuance of shares by Pucara Resources for the net assets of Magnitude and to obtain a listing status as Pucara. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction. For accounting purposes, Pucara Resources (legal subsidiary) was treated as the accounting parent company and Magnitude (legal parent) was considered the accounting subsidiary in these consolidated financial statements.

As Pucara Resources was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Magnitude's results of operations have been included from September 30, 2020.

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	December 31, 2020
<b>Magnitude Net Assets acquired:</b>	<b>\$</b>
Cash	4,868
Accounts receivable	6,108
Total net assets acquired	10,976
<b>Consideration provided in reverse acquisition</b>	
Common shares (3,100,000 shares with fair value of \$0.40 per share)	1,240,000
Stock Options (75,000 options with fair value of \$0.29 per option)	21,750
Total consideration paid	1,261,750
Net assets acquired	(10,976)
Excess of total consideration over net assets acquired	1,250,774
Professional fees and other transaction cost	181,824
<b>Listing expense</b>	<b>1,432,598</b>

The fair value of the stock options issued as consideration for the reverse acquisition was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2020
Assumptions:	
Risk-free interest rate	0.25%
Expected life of options	2.68 years
Expected volatility (based on comparable companies)	100%
Dividend yield	Nil
Forfeiture rate	0.0%
Exercise price	\$0.20
Share price on grant date	\$0.40
Result:	
Weighted average fair value per option granted	\$0.29

#### 4. Exploration and Evaluation Assets

During the nine months ending December 31, 2020 the Company and its partners: Lowell Copper S.A.C. ("Lowell") and IAMGOLD Peru S.A. ("IAMGOLD"), continued exploration on its nine projects and generative exploration on new projects.

On October 19, 2017 the Company granted a 1.0% Net Smelter Returns (NSR) royalty on all products to Sandstorm Gold Ltd ("Sandstorm") for consideration of \$1,000,000 (received) on the Company's mineral exploration projects: Azucena, Capricho, Lourdes, Pacaska, Paco Orco, Pucapaca, and Santo Tomas. The Company abandoned Azucena and Belen projects writing off capitalized costs of \$13,440.

##### Lourdes Project, Ayacucho, Peru

On January 14, 2013, the Company acquired the Lourdes project for share consideration and a 1% NSR royalty. On October 19, 2017, the Company granted an additional 1% NSR royalty, to Sandstorm.

Pursuant to the Company's agreement with Lunde International Corp. ("Lunde") (Note 7), Pucara granted Lunde a 0.5% NSR royalty on the properties comprising the Lourdes Property.

##### Pacaska Project, Ayacucho, Peru

The Pacaska property was acquired through staking. On October 19, 2017, the Company granted a 1% NSR royalty to Sandstorm. The property is also subject to the 0.5% NSR royalty in favour of Lunde (Note 7).

**Other**

a) Capricho Project, Cuzco, Peru

On January 14, 2013, the Company acquired the Capricho project for share consideration and a 1% NSR royalty. On October 19, 2017, the Company granted Sandstorm a 1% NSR royalty.

On May 4, 2018, the Company entered into an Option Agreement with Lowell, granting exclusive rights to earn-in up to 75% of the project. On the first option, Lowell can earn-in 51% in the project ("First Interest") within three years by paying US\$15,000 (received) and, starting on the date which all permits and community approvals for drilling are obtained, by:

- making qualified expenditures of US\$1,000,000 during year 1;
- making qualified expenditures of US\$1,500,000 during year 2; and
- making qualified expenditures of US\$2,500,000 during year 3.

On the second option, Lowell can earn-in an additional 24% in the project by:

- making qualified expenditures of US\$14,500,000 prior to the fourth anniversary of acquiring the First Interest;
- delivering a Pre-Feasibility Study on the project, solely funded by Lowell; and
- paying the Company US\$500,000.

b) Clavelito Project, Ayacucho, Peru

During 2018, the Company acquired the Clavelito project through staking. Pucara has granted Lunde a 0.5% NSR royalty to Lunde (Note 7).

c) Cristina Project, Ayacucho, Peru

During the year ended March 31, 2019, the Company acquired the Cristina project through staking. The Company abandoned the Cristina project and as a result recognized an impairment loss of \$13,305 during the year ended March 31, 2020.

d) Guadalupe Project, Ancash, Peru

On January 14, 2013, the Company acquired the Guadalupe project for share consideration and a 1% NSR royalty. On February 8, 2019, Nexa notified the Company of its intention to terminate the Option Agreement. Under the terms of the option agreement Nexa is responsible for all reclamation and closure costs.

The property is also subject to the 0.5% NSR royalty in favour of Lunde (Note 7).

e) Keyla Project, Ayacucho, Peru

During the year ended March 31, 2019, the Company acquired the Keyla project through staking. The property is also subject to the 0.5% NSR royalty in favour of Lunde (Note 7).

f) Paco Orco Project, Ayacucho, Peru

The Paco Orco property was acquired through staking. In 2017, the Company granted a 1% NSR royalty to Sandstorm.

On May 17, 2018, the Company entered into an Option Agreement with Lowell, granting exclusive rights to acquire up to 75% of the Paco Orco project. On the first option, Lowell can earn-in 51% in the project ("First Interest") within three years by paying US\$15,000 (received) and, starting on the date which all permits and community approval for drilling are obtained, by:

- making qualified expenditures of US\$1,000,000 during year 1,
- making qualified expenditures of US\$1,250,000 during year 2, and
- making qualified expenditures of US\$1,750,000 during year 3.

On the second option, Lowell can earn-in an additional 24% in the project by:

- making qualified expenditures of US\$11,500,000 prior to the fourth anniversary of acquiring the First Interest,
- deliver a Pre-Feasibility Study on the project, solely funded by Lowell, and
- paying the Company US\$500,000.

g) Pucapaca Project, Ayacucho, Peru

The Pucapaca property was acquired through staking. On October 19, 2017, the Company granted a 1% NSR royalty to Sandstorm. The exploration target is a HSE gold type deposit. The property is also subject to the 0.5% NSR royalty in favour of Lunde (Note 7).

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h) Santo Tomas Project, Ayacucho, Peru

On January 14, 2013, the Company acquired the Santo Tomas project for share consideration and a 1% NSR royalty. On October 19, 2017, the Company granted a 1% NSR royalty to Sandstorm.

On February 5, 2018, the Company entered into an Option Agreement with IAMGOLD, granting the right to earn-in up to 70% of the project. On the first option, IAMGOLD can earn-in 60% starting on the date all permits for drilling are obtained, by:

- making staged payments totaling US\$500,000 (\$200,000 received);
- making qualified expenditures of US\$4,000,000 over 4 years; and
- drilling 2,000 meters.

On the second option, IAMGOLD can earn-in an additional 10% within two years by:

- producing a 43-101 compliant resource estimate in all categories of at least 1 million ounces of gold or gold equivalent; and
- paying the Company US\$2 per ounce of gold or gold equivalent for total of measured, indicated, and inferred resources.

During the year ended March 31, 2020, the Company received US\$75,000 (CAD\$99,228) from IAMGOLD. These payments have been included in Other Income on the Consolidated Statements of Loss and Comprehensive Loss. As at December 31, 2020 the Company has received total payments of US\$200,000 and the remaining balance US\$300,000 will be received over the next 3 years.

Capitalized expenditures relating to the projects in Peru are summarized as follows:

	<b>Lourdes</b>	<b>Pacaska</b>	<b>Other</b>	<b>Total</b>
Balance, March 31, 2019	\$ 19,294	\$ 43,485	\$ 132,940	\$ 195,719
Acquisition and mineral licenses	13,347	54,393	67,818	135,558
Impairment of exploration and evaluation assets	-	-	(48,670)	(48,670)
Foreign exchange movement	1,184	3,433	6,447	11,064
Balance, March 31, 2020	33,825	101,311	158,535	293,671
Acquisition and mineral licenses	15,308	29,554	137,899	182,761
Impairment of exploration and evaluation assets	-	-	-	-
Foreign exchange movement	(6,189)	(17,295)	(34,054)	(57,538)
Balance, December 31, 2020	\$ 42,944	\$ 113,570	\$ 262,380	\$ 418,894

During the nine months ended December 31, 2020 and year ended March 31, 2020, the Company incurred the following exploration expenditures, which were expensed as incurred:

	<b>Nine Months Ended December 31, 2020</b>	<b>Year Ended March 31, 2020</b>
Administrative	\$ 79,028	\$ 14,384
Assays	20,343	68,149
Community programs	108,165	35,048
Consulting	193,851	-
Drilling	840,315	-
Equipment maintenance	29,492	17,053
Geological	1,009,903	868,761
Impairment of exploration and evaluation assets	-	48,670
Travel	441,909	154,245
Total expenditures	\$ 2,723,006	\$ 1,206,310

## 5. Equipment

Equipment is comprised of the following:

<b>Cost</b>	Vehicles	Field equipment	Furniture, computer, other equipment	Total
Balance, March 31, 2019	\$ 152,951	\$ 38,721	\$ 54,541	\$ 246,213
Additions	-	-	3,559	3,559
Foreign exchange movement	3,916	-	1,458	5,374
Balance, March 31, 2020	156,867	38,721	59,558	255,146
Additions	45,593	-	32,575	78,168
Foreign exchange movement	(26,768)	-	(10,133)	(36,901)
Balance, December 31, 2020	\$ 175,692	\$ 38,721	\$ 82,000	\$ 296,413
<b>Accumulated depreciation</b>				
Balance, March 31, 2019	\$ (68,238)	\$ (27,660)	\$ (24,574)	\$ (120,472)
Depreciation for the year	(25,805)	(5,533)	(6,956)	(38,294)
Foreign exchange movement	(2,731)	-	(828)	(3,559)
Balance, March 31, 2020	(96,774)	(33,193)	(32,358)	(162,325)
Depreciation for the period	(19,355)	(4,194)	(6,303)	(29,804)
Foreign exchange movement	15,842	4	4,712	20,558
Balance, December 31, 2020	\$ (100,287)	\$ (37,338)	\$ (33,949)	\$ (171,574)
<b>Net book value</b>				
As at March 31, 2020	\$ 60,093	\$ 5,528	\$ 27,200	\$ 92,821
As at December 31, 2020	\$ 75,405	\$ 1,383	\$ 48,051	\$ 124,839

## 6. Leases

In December 2017, the Company entered into a lease for an office space in Peru and had accounted for it as an operating lease based on the previous IFRS standards as of March 31, 2019. On April 1, 2019, the Company adopted IFRS 16 standard and recognized this lease as per the new standard. For the purpose of initial recognition of right of use asset and lease liability, the Company used the total commitment amount of \$26,141 (US\$19,600) as at April 1, 2019 and discounted this amount to \$25,295 (US\$18,966) by using a discount rate of 10%, the Company's incremental borrowing rate.

In December 2019, the Company entered into a lease for an office space in Peru. For the purpose of the addition of the right of use asset and lease liability, the Company used the commitment amount of \$86,737 (US\$66,000) as at December 16, 2019 and discounted this amount to \$78,929 (US\$60,058) by using a discount rate of 10%, the Company's incremental borrowing rate.

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A continuity of the Company's lease liability is as follows:

Balance, March 31, 2019	\$ -
Initial recognition	25,295
Additions	78,929
Payments	(40,407)
Accretion	2,683
Impact of foreign exchange	5,047
Balance, March 31, 2020	71,547
Payments	(33,154)
Accretion	4,178
Impact of foreign exchange	(5,925)
Balance, December 31, 2020	\$ 36,646
Current portion	(36,646)
Non-current portion	\$ -

A continuity of the Company's right of use asset is as follows:

Balance, March 31, 2019	\$ -
Initial recognition	25,295
Additions	78,929
Amortization	(35,628)
Impact of foreign exchange	5,548
Balance, March 31, 2020	74,144
Amortization	(31,605)
Impact of foreign exchange	(5,997)
Balance, December 31, 2020	\$ 36,542

## 7. Convertible Note

On September 10, 2019 the Company entered into an Investment Agreement with Lunde to invest \$500,000 and assist the Company in raising an additional \$3,500,000 in equity financing. The Company agreed to: (i) issue Lunde a convertible promissory note of the Company for \$500,000; and (ii) grant Lunde a 0.5% NSR royalty on certain of the Company's mineral exploration properties: Clavelito, Cristina, Guadalupe, Keyla, Lourdes, Pacaska and Pucapaca, vesting upon successful completion of the equity financing (Note 4). The maturity date of the note was September 11, 2020.

The conversion price is set at the price of the Qualifying Financing. The conversion feature embedded in the convertible note is a derivative liability but the value is \$nil as the holder of the convertible note receives shares equal in value to the cash payment that would otherwise be made.

Under the Investment Agreement, the 0.5% NSR royalty will vest and become effective only if the Qualifying Financing is completed within one year of the Investment Agreement.

On May 25, 2020, the convertible unsecured note agreement with Lunde was amended to a principal amount of \$1Million, a maturity date of September 30, 2020, and the 0.5% NSR vesting immediately.

As part of the Transaction between Magnitude and Pucara Resources (Note 1), on September 30, 2020, the entire principal balance of \$1,000,000 was converted into 2,500,000 common shares of the Company at a conversion price of \$0.40 per common share.

## 8. Share Capital

### Authorized and issued shares

The Company is authorized to issue an unlimited number of common shares without par value.

During the nine months ended December 31, 2020, the Company issued 21,250,000 common shares of the Company as part of the Concurrent Financing in conjunction with the reverse acquisition Transaction (Note 1) for total proceeds of \$8,500,000. An additional 3,100,000 common shares were issued as consideration for the acquisition (Note 3). Total cash financing cost incurred by the Company for the Concurrent Financing amounted to \$12,000 (\$6,000 is included in accounts payable as at December 31, 2020) and an additional 810,000 common shares with a value of \$324,000 and 687,500 share purchase warrants of the Company with a value of \$116,564 were issued to certain finders.

The Company further issued 2,500,000 common shares of the Company as part of the convertible note agreement with Lunde (Note 7), and 682,500 common shares for total proceeds of \$177,703 as a result of the exercise of stock options.

There were no common share transactions during the year ended March 31, 2020.

As at December 31, 2020 the Company has 5,689,125 common shares held in escrow.

### Share purchase warrants

The continuity of share purchase warrants as at December 31, 2020 and March 31, 2020 is as follows:

	December 31, 2020		March 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the year	5,314,960	\$ 0.60	5,314,960	\$ 0.60
Issued	687,500	\$ 0.60	-	-
Balance, end of the year	6,002,460	\$ 0.60	5,314,960	\$ 0.60

The following table is a reconciliation of outstanding and exercisable warrants as at December 31, 2020 and March 31, 2020:

Expiry date	December 31, 2020		March 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
August 4, 2022	5,314,960	\$ 0.60	5,314,960	\$ 0.60
September 30, 2022	687,500	\$ 0.60	-	-

The remaining contractual life of the outstanding share purchase warrants at December 31, 2020 was 1.61 years (March 31, 2020 – 2.35 years).

### Stock options

The Company currently has a 10% Rolling Stock Option Plan (the "Plan"), which was last approved by the shareholders of the Company on May 13, 2020. The number of common shares which may be issued pursuant to options previously granted and those granted under the Plan is a maximum of 10% of the issued and outstanding common shares at the time of the grant. The terms and vesting periods are determined by the Board of Directors.

The Company provides share-based payment compensation to its directors, officers, employees, and service providers through grants of stock options. During the nine months ended December 31, 2020, the Board of Directors approved the grant of 1,700,000 stock options to certain officers, directors, consultants and employees which vest 25% on the grant date and 25% every six months thereafter. The fair value of the stock options granted was estimated to be \$502,659 using the Black-Scholes option pricing model with weighted average assumptions and resulting values as follows:

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	December 31, 2020
Assumptions:	
Risk-free interest rate	0.42%
Expected life of options	5 years
Expected volatility (based on comparable companies)	100%
Dividend yield	Nil
Forfeiture rate	0.0%
Exercise price	\$0.40
Share price on grant date	\$0.40
Result:	
Weighted average fair value per option granted	\$0.29

An additional 75,000 stock options were issued as consideration for the reverse acquisition as described in Note 3.

The continuity of stock options as at December 31, 2020 and March 31, 2020 is as follows:

	December 31, 2020		March 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the year	3,815,000	\$ 0.39	3,815,000	\$ 0.39
Granted	1,700,000	\$ 0.40	-	-
Stock options of Magnitude pursuant to the reverse acquisition (Notes 1 & 3)	75,000	\$ 0.20	-	-
Exercised	(682,500)	\$ 0.26	-	-
Expired	(60,000)	\$ 0.25	-	-
Balance, end of the period	4,847,500	\$ 0.40	3,815,000	\$ 0.39

During the nine months ended December 31, 2020, the Company recorded stock-based compensation expense of \$328,808 (year ended March 31, 2020 - \$279,222) which has been recorded to general and administration expense. The Company's granted and exercisable options are as follows:

Date Granted	Expiry date	December 31, 2020		
		Exercise price	Options outstanding	Options exercisable
September 1, 2017	September 1, 2022	\$ 0.40	1,335,000	1,335,000
April 6, 2018	April 6, 2023	\$ 0.40	50,000	50,000
January 30, 2019	January 30, 2024	\$ 0.40	1,710,000	1,710,000
September 30, 2020	June 7, 2023	\$ 0.20	52,500	52,500
August 14, 2020	August 14, 2025	\$ 0.40	1,700,000	425,000
Total			4,847,500	3,572,500

The weighted average remaining contractual life of options outstanding at December 31, 2020 was 3.22 years (March 31, 2020 – 2.76 years).

## 9. Related Party Transactions

### a) Transactions

The Company's related parties consist of entities where the executive officers and directors of the Company are principles. Their position in these entities results in their having control or significant influence over the financial or operating policies of these entities.

#### Sumaq Exploration Corp.

On September 1, 2017, Pucara Resources entered into a consulting agreement with its CEO, amended October 28, 2020 for annual management fee of USD \$214,500 (the "Fee") through Sumaq Exploration Corp ("Sumaq"). The Company is committed to paying termination benefits to the CEO if he is terminated without cause, equal to the Fee as of the termination date. In the event of a change of control, the Company may terminate the agreement by paying the CEO a lump sum payment equal to two years of the Fee.

During the nine months ended December 31, 2020, the Company incurred \$266,688 (year ended March 31, 2020 – \$260,312) to Sumaq. As at December 31, 2020, \$27,493 was owing to Sumaq.

#### Avisar Everyday Solutions Ltd.

Avisar Everyday Solutions Ltd. ("Avisar") (a company where the CFO of the Company effective August 1, 2020, is a founder) provides bookkeeping, treasury, and financial reporting services to the Company. During the nine months ended December 31, 2020, the Company incurred \$40,180 (year ended March 31, 2020 - \$nil) of fees to Avisar. As at December 31, 2020, \$7,875 was owing to Avisar.

#### Gordon J. Fretwell Law Corporation

Gordon J. Fretwell Law Corp., an entity where a director of the Company is a principal, provides legal services to the Company. During the nine months ended December 31, 2020, the Company incurred \$88,493 (year ended March 31, 2020 - \$33,383) to Gordon J. Fretwell Law Corp. As at December 31, 2020, \$nil was owing to the entity.

### b) Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel are the Company's executive management team and members of the Board of Directors.

Key management personnel compensation comprised share-based compensation related to the fair value of the stock options granted to these key management personal and its recognition in these consolidated financial statements on a graded vesting basis. During the nine months ended December 31, 2020, share-based compensation for the key management personnel amounted to \$287,960 (year ended March 31, 2020 - \$138,112).

## 10. Income Taxes

A reconciliation of income taxes at statutory rates with reported taxes is as follows for the nine months ended December 31, 2020 and year ended March 31, 2020:

	December 31, 2020	March 31, 2020
Net loss for the year before income taxes	\$ (5,495,907)	\$ (2,147,709)
Statutory income tax rate	27.00%	27.00%
Income tax benefit computed at statutory tax rate	(1,484,000)	(580,000)
Items not deductible for income tax purposes	451,000	82,000
Difference in tax rates in other jurisdictions	(68,000)	(37,000)
Foreign exchange movement and other	370,000	(62,000)
Change in unrecognized benefit of deferred income tax assets	731,000	597,000
Deferred income tax expense	\$ -	\$ -

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The significant components of the Company's deferred income tax assets and deferred income tax liabilities at December 31, 2020 and March 31, 2020 are presented below:

	December 31, 2020	March 31, 2020
Non-capital losses carried forward	\$ 1,207,000	\$ 876,000
Exploration and evaluation assets	1,634,000	1,237,000
Capital assets and other	14,000	11,000
	2,855,000	2,124,000
Unrecognized deferred income tax assets	(2,855,000)	(2,124,000)
Net deferred income tax assets	\$ -	\$ -

The Company has non-capital losses of \$2,993,000 (March 31, 2020 - \$1,901,000) available for carry-forward to reduce future years' income for Canadian income tax purposes. These losses expire as follows:

	Canada
2033	\$ 90,000
2034	213,000
2035	193,000
2036	262,000
2037	15,000
2038	414,000
2039	336,000
2040	1,470,000
	\$ 2,993,000

The Company also has certain tax losses in Peru which can be carried forward indefinitely but are limited to 50% of taxable income each subsequent year.

## 11. Segmented Information

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets. Non-current assets by country are as follows:

	December 31, 2020			March 31, 2020		
	Canada	Peru	Total	Canada	Peru	Total
Exploration and evaluation assets	\$ -	\$ 418,894	\$ 418,894	\$ -	\$ 293,671	\$ 293,671
Right of use assets	\$ -	\$ 36,542	\$ 36,542	\$ -	\$ 74,144	\$ 74,144
Equipment	\$ 10,138	\$ 114,701	\$ 124,839	\$ 7,420	\$ 85,401	\$ 92,821

## 12. Financial Instruments, Capital Management and Risk Management

### l) Financial Instruments

The Company's financial instruments include cash, short-term investments, receivables, accounts payable and accrued liabilities, and convertible note.

#### Determination of Fair Value

The carrying value of cash, short-term investments, receivables, accounts payable and accrued liabilities, and convertible note approximate their fair value because of the short-term nature of these instruments. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

#### Fair Value Hierarchy

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is measured using level 1 hierarchy.

#### II) Capital Management

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to seek new investment opportunities for the benefit of its shareholders. The Company includes equity in the definition of capital.

The Company sets the amount of capital required in proportion to its operating requirements and perceived risk of loss. The Company manages the capital structure and adjusts according to changes in economic conditions and the risk characteristics of the underlying assets. The Company has historically relied on the equity markets to fund its activities and is open to new sources of financing to manage its expenditures in the interest of sustaining long-term viability. The Company's capital management objectives, policies and processes have not changed over the years presented.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital requirements.

#### III) Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

##### a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and receivables. The Company's credit exposure is limited to the carrying amount of these financial assets.

The Company's cash is held by high-credit-rated financial institutions and, as such, the Company does not believe there to be a significant credit risk. The Company's concentration of credit risk and maximum exposure is as follows:

	December 31, 2020	March 31, 2020
Cash at Canadian financial institutions	\$ 5,859,206	\$ 120,943
Cash at Peruvian financial institutions	199,379	73,003
<b>Total</b>	<b>\$ 6,058,585</b>	<b>\$ 193,946</b>

##### b) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

##### (i) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operations and financial results. The Company operates in Canada and Peru. The Company funds the subsidiary in US dollars and a portion of its expenditures are incurred in Peruvian nuevo soles. The risk is that there could be a significant change in the exchange

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rate of the Canadian dollar relative to the US dollar and the Peruvian nuevo sol. At December 31, 2020, the Peruvian nuevo sol was translated to the Canadian dollar at 2.8441 (March 31, 2020 – 2.4219) and the US dollar was translated to the Canadian dollar at 1.2732 (March 31, 2020 – 1.4187). A significant change in these exchange rates could have an adverse effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2020, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Peruvian nuevo soles:

	US dollars	Peruvian nuevo soles	Total
Cash and cash equivalents	\$ 2,979,653	S/. 890	
Receivables	-	77,062	
Accounts payable and accrued liabilities	(77,324)	(1,632,407)	
Net exposure	\$ 2,902,329	S/. (1,554,455)	
Canadian dollar equivalent	\$ 3,695,246	\$ (546,546)	\$ 3,148,699

Based on the above net exposures as at December 31, 2020, and assuming all other variables remain, constant, a 10% change in the value of the Canadian dollar against the above foreign currencies would result in an increase/decrease of approximately \$314,900 (March 31, 2020 - \$12,400).

(ii) *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Its interest rate risk is limited to potential decreases on the interest rate offered for cash held with chartered Canadian financial institutions. The Company earns 1.85% per annum interest on its short-term investments. The Company considers the risk to be immaterial.

(iii) *Commodity price risk*

Commodity risk is the exposure to fluctuations in the market price of commodities. The Company does not have any commodity exposure.

(iv) *Equity price risk*

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company does not have any equity investments.

c) **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The key success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's policy is to ensure that it will have sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.