

FILO MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020
(Amounts in Canadian Dollars unless otherwise indicated)

The following management's discussion and analysis ("MD&A") of Filo Mining Corp. ("Filo Mining" or the "Company") should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020 and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is partly derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The effective date of this MD&A is March 18, 2021. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and the Company's website www.filo-mining.com.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

CORE BUSINESS

Filo Mining is a mineral exploration company, focused on its 100% controlled Filo del Sol Project which is comprised of two adjacent land holdings: the Filo del Sol Property located in San Juan Province, Argentina, and the Tamberias Property, located in Region III, Chile. The Filo del Sol Project ("Filo del Sol") is located between the prolific Maricunga and El Indio gold belts, two major mineralized trends that contain such deposits as Caspiche, La Coipa, Veladero, and El Indio. The region is a stable mining jurisdiction and hosts a number of large-scale mining operations. The project area is covered under the Mining Integration and Complementation Treaty between Chile and Argentina, which provides the framework for the development of cross border mining projects.

The Company has completed a pre-feasibility study ("PFS") on the Filo del Sol Project, with an effective date of January 13, 2019, which demonstrated the project's robust economic potential. The PFS, which was based only on the oxide portion of the current Mineral Resource and used prices of US\$3.00/lb copper, US\$1,300/oz gold, and US\$20/oz silver, yielded an after-tax net present value ("NPV") of US\$1.28 billion at a discount rate of 8%, and generated an internal rate of return of 23%. Positive valuations were also maintained across a wide range of sensitivities on key assumptions.

The Company's most recent Mineral Resource and Mineral Reserve statement for the Filo del Sol Project is shown below.

Category	Tonnes (millions)	Cu (%)	Au (g/t)	Ag (g/t)	Lbs Cu (billions)	Oz Au (millions)	Oz Ag (millions)
Mineral Resource							
Indicated	425.1	0.33	0.32	10.7	3.1	4.4	146.9
Inferred	175.1	0.27	0.33	6.2	1.1	1.8	34.8
Mineral Reserve							
Proven	-	-	-	-	-	-	-
Probable	259.1	0.39	0.33	15.1	2.2	2.8	126.0

The Filo del Sol Project continues to hold significant exploration potential, as the Mineral Resource remains completely open to expansion at depth and laterally to the north, east and south. The Company's Mineral Resource estimate is inclusive of the Mineral Reserve estimate as set forth above.

The technical information relating to the PFS is based on a technical report titled "NI 43-101 Technical Report, Pre-feasibility Study for the Filo del Sol Project" dated February 22, 2019, with an effective date of January 13, 2019 (the "Technical Report"). The Technical Report was prepared for Filo Mining by Ausenco Engineering Canada Inc. ("Ausenco"). The Qualified Persons, as defined under NI 43-101, responsible for the Technical Report are Scott Elfen, P.E., Ausenco; Robin Kalandchey, P.Eng., Ausenco; Bruno Borntraeger, P.Eng., Knight Piesold Ltd.; Fionnuala Devine, P.Geo., Merlin Geosciences Inc.; Ian Stillwell, BGC Engineering Inc.; Neil Winkelmann, FAusIMM, SRK Consulting (Canada) Inc.; James N. Gray, P.Geo., Advantage Geoservices Limited; and Jay Melnyk, P.Eng., AGP Mining Consultants, all of whom are independent of Filo Mining. The Technical Report is available for review under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.filo-mining.com.

The Company's strategy is to create value for its shareholders by expanding and increasing the quality of the resources and reserves at the Filo del Sol Project through further exploration, and by advancing engineering and other studies that are required to prepare the Filo del Sol Project for eventual development by the Company or by third parties.

The Company has a strong management team and board with extensive experience in the resource sector, particularly in Chile and Argentina. The board and management team have an appropriate mix of geological, engineering, financial, and business skills to advance the Company's projects and to generate value for its shareholders.

2020 OPERATING HIGHLIGHTS

2019/2020 Field Program Confirms Large Copper-Gold Porphyry System beneath Current Resource and Results in Development of Expansive Exploration Target

The 2019/2020 field campaign undertaken at Filo del Sol successfully confirmed the project's vast potential for resource expansion. The program was highlighted by two diamond drill holes which, together with assay results from earlier programs, confirmed that copper-gold-silver mineralization extends to total depths of over 1 kilometre below surface, more than 700 vertical metres below the floor of the current Mineral Resource. In addition, mineralization remains open to the north and south of the Mineral Resource.

Assay results from the two highlight holes of the 2019/2020 drill program are summarized in the table below. Both holes, FSDH032 and FSDH034, ended in mineralization.

Hole-ID	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq¹ (%)
FSDH032	132.0	1,141.0	1,009.0	0.57	0.39	11.1	0.95
 incl.	378.3	1,141.0	762.7	0.68	0.43	13.2	1.10
 and incl.	492.0	702.8	210.8	0.90	0.54	19.5	1.46
FSDH034	72.0	1,106.0	1,034.0	0.42	0.32	3.4	0.68
 incl.	520.0	959.0	439.0	0.54	0.36	4.2	0.84
 incl.	676.0	732.0	56.0	0.74	0.60	8.5	1.25

¹ Copper Equivalent is calculated based on US\$ 2.80/lb Cu, US\$ 1,400/oz Au and US\$ 16/oz Ag, with 80% metallurgical recoveries assumed for all metals. The formula is: CuEq % = Cu % + (0.7292 * Au g/t) + (0.0083 * Ag g/t). See the Company's News Release dated April 20, 2020 for further details.

Following the 2019/2020 field season's conclusion, the Company developed an exploration target by modelling predicted volumes based on the east-west extents of the Mineral Resource, depths below surface drilled by the deeper diamond drill holes and the north-south extent drilled by these holes. The resulting conceptual exploration target was estimated to total between 1.2 to 1.6 billion tonnes with a copper equivalent grade of between 0.7 and 1.0%. As an exploration target, these potential quantities and grades are conceptual in nature, and there has not yet been sufficient exploration for it to constitute a Mineral Resource. It is uncertain if further exploration will result in the target being delineated as a Mineral Resource.

This exploration target is in addition to the current Mineral Resource at Filo del Sol and does not include prospective areas to the north and south of the deposit yet to be drilled. In addition, consistent with the geological model and the drill results to date, the Company anticipates that there could also be smaller zones of considerably higher-grade mineralization within this overall target. This exploration target will be a key focus of the Company's future exploration programs.

2020/2021 Drill Campaign Underway Following Implementation of COVID-19 Protocols

Following the successes of the 2019/2020 field season, the Company launched its 2020/2021 drill campaign in November 2020. Guided by the results of 3D geophysical surveys conducted in the previous season, the Company aims to complete approximately 8,000 metres of targeted core drilling in this current program. Drilling is ongoing at Filo del Sol, and initial assay results are anticipated towards the end of March 2021.

The main objectives for the field program include:

- Step-out drilling to the north to explore the 1.7 km gap between hole FSDH032 and a mineralized intersection in hole VRC093;
- Drill testing and investigating the geological controls on the high-grade copper, gold and silver mineralization present within the overall mineralized envelope; and
- Tightening of drill spacing to enable the Company to add a portion of the sulphide mineralization underlying the deposit's oxide cap to Filo del Sol's Mineral Resource estimate, as appropriate.

The 2020/2021 field campaign began with two diamond rigs at site in November, with two additional rigs added in December, and a fifth rig in February 2021. This staged ramp up of the current season's operations has enabled the Company to operate in a safe and controlled manner amidst the current novel coronavirus pandemic, in accordance with its internally developed COVID-19 operating protocol.

With respect to the COVID-19 pandemic, the health and safety of the Company's employees, contractors, visitors, and stakeholders (collectively, "Stakeholders") remain Filo Mining's top priority, and after months of consultation with local governments, health officials and health experts, the Company developed a detailed COVID-19 operating protocol. The protocol includes a comprehensive testing and quarantine plan applicable to all personnel travelling to the Filo del Sol project site, as well as detailed response measures for actual or suspected COVID-19 cases at site. This protocol, which meets or exceeds all current government requirements, was presented to and approved by the San Juan provincial health authority before implementation by the Company.

As of the date of this MD&A, the Company has not incurred any lost-time incidents at its operations with respect to COVID-19.

CORPORATE UPDATE

Closing of Equity Financings for \$41.7 Million

On July 30, 2020 the Company closed the sale of 6,325,000 common shares of the Company, including 825,000 common shares sold pursuant to the full exercise of an over-allotment option, on a bought deal basis to a syndicate of underwriters led by PI Financial Corp. and Canaccord Genuity Corp. (the "Underwriters"), at a price of \$1.85 per share (the "Issue Price") for total gross proceeds of approximately \$11.7 million (the "Offering").

On July 30, 2020, the Company also closed a concurrent private placement of 16,213,235 common shares at the Issue Price for additional gross proceeds of approximately \$30.0 million (the "Concurrent Private Placement", and together with the Offering, the "Financings"). The Concurrent Private Placement was to certain investors introduced to the Company by SpareBank 1 Markets AS ("SpareBank"), and to certain other investors, including Lorito Holdings S.à.r.l ("Lorito") and Zebra Holdings and Investments S.à.r.l ("Zebra", and together with Lorito, the "Significant Shareholders"). The Significant Shareholders each purchased 3,515,004 common shares in the Concurrent Private Placement to maintain their approximate combined pro rata interest in the Company. No commission or other fee was paid to the Underwriters or any other party in connection with the sale of common shares pursuant to the Concurrent Private Placement, except for broker fees paid by the Company to SpareBank equal to 5% of the gross proceeds raised by investors introduced to the Company by SpareBank. The common shares issued pursuant to the Concurrent Private Placement were subject to a statutory hold period in Canada, which expired on December 1, 2020.

Zebra and Lorito report their shareholding in the Company as joint actors, as the term is defined by Canadian securities regulations, and are related parties of the Company by virtue of their combined shareholding in the Company in excess of 20%. Immediately following the close of the Offering and Concurrent Private Placement, Zebra and Lorito held 25.05% and 9.96%, respectively, of the then issued and outstanding common shares of the Company.

Shortly after closing of the Offering and Concurrent Private Placement, approximately \$1.3 million of the resulting net proceeds was used by the Company to fully repay amounts drawn under an existing credit facility extended by Zebra (see "Liquidity and Capital Resources"). The Company plans to use the remaining net proceeds for exploration and development of the Filo del Sol Project, as well as for working capital, corporate overhead and general and administrative purposes.

OUTLOOK AND CONTINUED RESPONSE TO COVID-19

The Company's 2020/2021 field program is currently ongoing and is scheduled to continue through April 2021.

The program targets the completion of approximately 8,000 metres of diamond drilling, which will seek to confirm the extension of mineralization to the north, particularly towards a previously completed reverse circulation drill hole (VRC093, drilled in 2015), which ended with 166.0 m (from 284 m depth) at 0.42% CuEq (0.15% Cu, 0.24 g/t Au, 11.9 g/t Ag) including 42.0 m of 0.57% CuEq (0.40% Cu, 0.17 g/t Au, 6.1 g/t Ag) at the bottom of the hole. In addition, the program will look to identify the geological controls of high-grade copper, gold and silver zones within the overall mineralization envelope, and provide adequate infill drilling to potentially add portions of the sulphide mineralization to Filo del Sol's Mineral Resource estimate.

As of the date of this MD&A, the Company has completed a total of five holes, for which core samples are now being assayed, with results pending and expected towards the end of March 2021. As drilling continues through April 2021, additional assay results are expected to be received, analyzed, and announced throughout the second quarter.

The Company's plans and timelines are subject to the Company being able to operate safely in accordance with its approved COVID-19 protocol. As a result of its current strategies, the Company is confident that it can safely and effectively complete the 2020/2021 field program currently underway, however, this expectation will be continuously evaluated as the situation with respect to the COVID-19 pandemic in Argentina develops.

As the Company continues to monitor developments with respect to COVID-19, both globally and within its operating jurisdictions, it may implement changes to its COVID-19 protocol, or its business in general, as may be deemed appropriate to mitigate any potential impacts to its business and its Stakeholders. Such changes may include, but are not limited to, temporary closures of the Company's project site or offices, and deviations from the timing and nature of previous operating plans. Moreover, sustained COVID-19 outbreaks globally have resulted in operational and supply chain delays and disruption as a result of governmental regulation and preventative measures being implemented worldwide, including in Argentina. The Company could also be required to close, curtail or otherwise limit its operating activities as a result of the implementation of any such governmental regulation or preventative measures in the jurisdictions in which the Company operates, or as a result of sustained COVID-19 outbreaks at its project site or facilities. Any such closures or curtailments could have an adverse impact on the business of the Company. All non-critical business travel continues to be curtailed.

RESULTS FROM OPERATIONS

Year Ended	Dec-20	Dec-19	Dec-18
Net loss (\$000's)	18,879	28,571	28,891
Loss per share, basic and diluted (\$)	0.19	0.37	0.41
Total assets (\$000's)	47,663	23,750	11,938

Filo Mining is a junior exploration company and, as such, its net losses are largely driven by its exploration and project investigation activities. There is no expectation of generating operating profits until it develops a commercially viable mineral deposit.

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

Three Months Ended	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19
Exploration costs (\$000's)	4,214	969	1,932	11,940	5,759	1,895	4,332	11,022
Operating loss (\$000's)	4,879	2,665	2,776	12,794	7,844	2,575	5,243	12,030
Net loss (\$000's)	3,271	2,510	1,262	11,836	8,038	3,105	5,336	12,092
Net loss per share, basic and diluted (\$)	0.03	0.02	0.01	0.13	0.09	0.04	0.07	0.17

Due to the geographic location of the Filo del Sol Project, the Company's business activities fluctuate with the seasons, through increased drilling and other exploration activities during the summer months in South America. As a result, a general recurring trend is the increase in exploration expenditures, and therefore operating losses and net losses, for the fourth quarter and first quarter of a fiscal year, relative to the second and third quarters. In addition, other relevant factors, such as the financial position of the Company, other corporate initiatives, as well as the type and scope of planned exploration/project work, could affect the level of exploration activities, operating loss, and net loss in a particular period.

Filo Mining incurred a net loss of \$18.9 million (2019: \$28.6 million) for the year ended December 31, 2020, comprised primarily of an operating loss of \$23.1 million (2019: \$27.7 million). Exploration and project investigation costs are generally the most significant expenditures of the Company and for the year ended December 31, 2020, they accounted for approximately 82% (2019: 83%) of the operating loss. This is reflective of the Company's accounting policy to expense its exploration costs through the consolidated statement of comprehensive loss, except for mineral property option payments and mineral property acquisition costs, which are capitalized.

Exploration and project investigation costs for the year ended December 31, 2020 were \$19.1 million (2019: \$23.0 million), which decreased relative to 2019. The decrease is partially the result of smaller environmental programs undertaken during 2020, following completion of the PFS in 2019. Specifically, during 2019 the Company undertook initial hydrological studies with the objective of gathering data that would facilitate advancing the oxide resource of the Filo del Sol deposit through a feasibility study. However, following receipt and analysis of the exploration results from the 2018/2019 drill campaign, the Company has refocused around exploration of the Filo del Sol deposit's deeper mineralization, and accordingly it has reduced its environmental programs to baseline data collection.

In addition, the decrease in exploration costs for the year ended December 31, 2020 is also due to 2019 including certain engineering and study costs related to the PFS, which was completed in early 2019. No such studies have been conducted in 2020. These increases have been partially offset by higher COVID-19-related health and safety costs in 2020, which were not required in the prior year.

Detailed breakdowns of exploration costs for the periods presented are provided in the notes to the consolidated financial statements.

Excluding share-based compensation, administration costs for the year ended December 31, 2020 totalled \$2.5 million (2019: \$2.8 million). Share-based compensation, a non-cash cost, reflects the amortization of the estimated fair value of options over their vesting period and is based to a large degree on the Company's share price and its volatility. The actual future value to the option holders may differ materially from these estimates as it depends on the trading price of the Company's shares if and when the options are exercised. In addition, as the granting of options and their vesting is at the discretion of the Board, the related expense is unlikely to be uniform across quarters or financial years.

Administration costs for 2020, excluding share-based compensation, were lower than 2019 due primarily to lower compensation costs. Specifically, compensation costs for the year ended December 31, 2020 were lower as a result of voluntary salary reductions taken by senior management as a temporary response to the economic uncertainties following the novel coronavirus outbreak. In addition, the lower compensation costs are the result of a lower average senior management headcount in 2020 with the appointment of Mr. James Beck into the dual role of President and Chief Executive Officer, following the resignation of Mr. Adam Lundin as Chief Executive Officer in June 2020.

During the year ended December 31, 2020, the Company reported financing costs of \$31,005, which decreased relative to the prior year (2019: \$1,338,936). This decrease is the result of the Company's heavier use of credit facilities during 2019, whereas during the year ended December 31, 2020 no amounts were drawn against the credit facilities until June 2020, and such amounts were fully repaid by August 2020.

Also, during the year ended December 31, 2020, the Company recognized a net monetary gain of \$132,383 (2019: \$158,181) in relation to the application of hyperinflationary accounting for the Company's Argentine subsidiary, which began in 2018. The monetary gains recognized are the results of changes in the Argentine price indices and changes to the Company's net monetary position during the respective periods. Further discussion regarding the application of hyperinflationary accounting has been provided in the notes to the consolidated financial statements.

In addition, during 2020, the Company began acquiring and transferring marketable securities as a mechanism to facilitate intragroup funding transfers between its Canadian parent and its Argentine operating subsidiary. Accordingly, for 2020, the Company recognized a gain of \$4.6 million (2019: \$nil) on the use of marketable securities for the purposes of facilitating intragroup funding transfers, which represents the net benefit of having used this funding mechanism over traditional methods.

During the year ended December 31, 2020, the Company recognized a foreign exchange gain of \$99,200 (2019: \$302,041). The foreign exchange gain in the current period was largely driven by a US\$900,000 liability held by the Company's Chilean operating subsidiary, which is related to committed payments for the Tamberias property earn-in. By comparison, in 2019, the larger foreign exchange gain was the result of larger amounts drawn and outstanding against the Company's US dollar denominated credit facilities. As mentioned above, during 2019, the Company used the credit facilities extensively to fund ongoing operations, and accordingly, the magnitude of the foreign exchange impact was greater.

During the year ended December 31, 2020, the Company also recognized \$567,551 in relation to wealth taxes levied in Argentina. Argentina wealth tax is charged in relation to the net assets of the Company's Argentine operating subsidiary. While this is not a newly enacted tax in Argentina, a moratorium that had temporarily suspended the levying of this tax recently expired.

No tax recovery is recognized as a result of the nature of the Company's activities and the lack of reasonably expected taxable profits in the near term.

In other comprehensive income, the Company reported a foreign exchange translation gain of \$162,891 for the year ended December 31, 2020 (2019: loss of \$514,478), on translation of subsidiary company accounts from their functional currency to the Canadian dollar presentation currency. For the year ended December 31, 2020, the foreign exchange translation gain is primarily the result of fluctuations of the Canadian dollar relative to the Chilean peso over the year. For the year ended December 31, 2020, the impacts of hyperinflation amounted to a loss of \$432,713 (2019: \$709,479) and consist of adjustments recognized on the continuing inflation of opening non-monetary balances during the year and the ongoing translation of the Company's Argentine subsidiary into the Canadian dollar presentation currency.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, the Company had cash of \$36.3 million and net working capital of \$33.0 million, compared to cash of \$13.8 million and net working capital of \$12.7 million as at December 31, 2019. The increase in the Company's cash and net working capital is due primarily to aggregate net proceeds totaling \$40.5 million received from the Financings, which closed on July 30, 2020. This significant cash inflow during 2020 has been partially offset by funds directed towards advancing the Filo del Sol Project, and to a lesser extent, \$0.2 million in relation to the annual option payment made for the Tamberias property in June 2020, and funds spent for general corporate purposes.

Moving forward, the Company expects that the majority of its treasury will be used to fund ongoing work programs to advance the Filo del Sol Project.

In addition, in June 2020, the Company entered into an agreement with Zebra, to obtain an unsecured US\$5.0 million credit facility, which became effective on July 12, 2020 (the "July 2020 Facility") and replaced an existing US\$5.0 million credit facility also extended by Zebra and maturing on the same date. The outstanding balance owed under the existing facility was transferred into the July 2020 Facility. As consideration for the July 2020 Facility, Zebra will receive 480 common shares each month, for every US\$50,000 in principal outstanding, prorated accordingly for the number of days outstanding. The July 2020 Facility matures on July 12, 2021, and no interest is payable in cash during its term. As at December 31, 2020, no amounts have been drawn and remained outstanding by the Company.

RELATED PARTY TRANSACTIONS

Under the normal course of operations, the Company may undertake transactions or hold balances with related parties. Other than those related party transactions identified elsewhere in this MD&A, the Company also engages with Josemaria Resources Inc. ("Josemaria", formerly NGEx Resources Inc.) and NGEx Minerals Ltd. ("NGEx Minerals"), related parties by way of directors, officers and shareholders in common. Bofill Mir & Alvarez Jana Abogados Ltda. ("BMJAL"), a Chilean legal firm, is also considered a related party of the Company until June 18, 2020, as a named partner of BMJAL was also concurrently a director of the Company until such date.

Related party services

The Company has a cost sharing arrangement with Josemaria and NGEx Minerals. Under the terms of this arrangement, the Company provides management, technical, administrative and/or financial services (collectively, "Management Services") to Josemaria and NGEx Minerals, and vice versa. In addition, the Company engages BMJAL, as its legal counsel in Chile. These transactions were incurred in the normal course of operations, and are summarized as follows:

	Year ended December 31, 2020		2019
Management Services to Josemaria	943,427	1,217,414	
Management Services to NGEx Minerals	433,148	238,003	
Management Services from Josemaria	(314,419)	(336,044)	
Management Services from NGEx Minerals	(500,101)	(363,373)	
Legal services from BMJAL	(43,866)	(93,659)	

Related party balances

The amounts due from (to) related parties, and the components of the consolidated statement of financial position in which they are included, are as follows:

	Related Party	December 31, 2020	December 31, 2019
Receivables and other assets	Josemaria	-	196,489
Receivables and other assets	NGEx Minerals	11,752	64,222
Accounts payable and accrued liabilities	Josemaria	-	(220,366)
Accounts payable and accrued liabilities	NGEx Minerals	(5,850)	(57,490)
Accounts payable and accrued liabilities	BMJAL	-	(22,617)

Key management compensation

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

	Year ended December 31,	
	2020	2019
Salaries	762,667	987,604
Short-term employee benefits	22,447	47,542
Directors fees	108,495	97,000
Stock-based compensation	1,368,514	1,784,488
Incentive bonuses	540,000	490,000
	2,802,123	3,406,634

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant account policies are described in Note 3 the consolidated financial statements for year ended December 31, 2020, as filed on SEDAR at www.sedar.com.

New Accounting Pronouncements

The IASB and/or the IFRS Interpretations Committee have issued new standards and amendments, or interpretations to existing standards, which were not yet effective and not applied by the Company as at December 31, 2020. The Company continues to evaluate these changes to determine their impact, if any.

IAS 16, Property, plant and equipment

IAS 16 has been amended to provide clarity with respect to the treatment of net proceeds generated from selling any items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Specifically, the amendments prohibit entities from deducting amounts resulting from the selling of items produced during this phase from the cost of property, plant and equipment. Instead, an entity shall recognize such sales proceeds and related costs in profit or loss.

The amendments to IAS 16 are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. Upon adoption, the amendments shall be applied retrospectively, but only to property, plant and equipment assets commissioned for their intended use by management on or after the beginning of the earliest period presented in the financial statements.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the consolidated financial statements in accordance with IFRS, such as the underlying consolidated financial statements for the year ended December 31, 2020, requires management to make estimates, assumptions and judgements that affect the reported amounts of assets, liabilities and expenditures. These estimates, assumptions and judgements are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ and such differences could be material. Estimates, assumptions and judgements are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates, assumptions and judgements, and the resulting effects on the carrying amounts of the Company's assets and liabilities, are accounted for prospectively. Information about estimates, assumptions, judgements and other sources of estimation uncertainty as at December 31, 2020 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are provided below:

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes periodic reviews of its mineral properties for indicators of impairment, which requires the Company to exercise key judgements, including but not limited to, the Company's right to explore the mineral property, whether the Company has further plans or budgets for substantive expenditures for the ongoing exploration and evaluation of the mineral property, the impact of exploration and evaluation results to date with respect to the mineral property, and the likelihood that the carrying value of the mineral property will be recovered in the future through development or sale of the asset. If indicators of impairment are identified, the Company would further review the carrying values of the applicable mineral properties to determine if their carrying values may exceed their fair value, which also requires the Company to make significant judgments and estimates. The judgments and estimates mentioned above are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties.

The Company has determined that no indicators of impairment exist for its mineral properties as of December 31, 2020.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables and other assets, and trade payables and accrued liabilities. The carrying values of the Company's financial instruments are considered to be reasonable approximations of fair value due to their anticipated short term nature.

As at December 31, 2020, the Company's financial instruments are exposed to the following financial risks, including credit, liquidity and currency risks:

- (i) Credit risks associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.
- (ii) Liquidity risks associated with the inability to meet obligations as they become due is minimized through the management of its capital structure and by maintaining good relationships with significant shareholders and creditors, such as Zebra. The Company also closely monitors and reviews its costs to date and actual cash flows on a monthly basis.

The maturities of the Company's financial liabilities as at December 31, 2020, are as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	4,097,835	4,097,835	-	-
Lease liabilities	13,013	13,013	-	-
Total	4,110,848	4,110,848	-	-

(iii) Foreign currency risk can arise when the Company or its subsidiaries transact or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

At December 31, 2020, the Company's largest foreign currency risk exposures existed at the level of its Canadian headquarters and at its Chilean operating subsidiary, Frontera Chile Limitada, where the Company held a net financial asset position denominated in US dollars having a Canadian dollar equivalent of approximately \$1.4 million, and a net financial liability position denominated in US dollars having a Canadian dollar equivalent of approximately \$1.1 million, respectively. A 10% change in the foreign exchange rate between the US dollar and the Canadian dollar, the functional currency of Filo Mining, or between the US dollar and the Chilean peso, the functional currency of Frontera Chile Limitada., would give rise to increases/decreases of approximately \$141,000 and \$115,000, respectively, in financial position/comprehensive loss.

OUTSTANDING SHARE DATA

As at March 18, 2021, the Company had 110,770,770 common shares outstanding and 9,455,834 share options outstanding under its share-based incentive plan.

FINANCIAL INFORMATION

The Company's next scheduled financial report will be for the three months ended March 31, 2021, which is expected to be published on or around May 6, 2021.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which includes the acquisition, financing, exploration, development and operation of mineral and mining properties. There are a number of factors that could negatively affect the Company's business and the value of its common shares, and these risk factors could materially affect the Company's future operations and financial position and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Significant risk factors have been identified by the Company and are listed below. Further discussion is also available in the Company's 2019 annual information form, as filed on SEDAR at www.sedar.com on July 10, 2020. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Other factors may arise that are not currently foreseen by management of the Company that may present additional risks in the future. Current and prospective security holders of the Company should carefully consider these risk factors, as they could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Exploration and Development Risk

Mining exploration, development and operations generally involve a high degree of risk that cannot be eliminated, and which can adversely impact the Company's success and financial performance. Exploration for and development of mineral deposits involves a high degree of risk and few properties that are explored are ultimately developed into producing mines.

Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is dependent upon a number of factors, some of which are discussed separately in the subsequent sections, and include the particular attributes of the deposit (such as size, grade, metallurgy and proximity to infrastructure and labour), the interpretation of geological data obtained from drilling and sampling; feasibility studies; the cost of water and power; anticipated climatic conditions; cyclical metal prices; fluctuations in inflation and currency exchange rates; higher input commodity and labour costs; commodity price fluctuations; government regulations, including regulations relating to prices, taxes, royalties, land tenure and use, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. Development projects will also be subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing, as major expenses are typically required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may adversely affect the Company's business.

The Company's operations are subject to all of the hazards and risks normally encountered in the exploration and development of copper, gold, and silver projects and properties, including unusual and unexpected geologic formations, seismic activity, rock slides, ground instabilities or failures, mechanical failures, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of facilities, damage to life or property, environmental damage and possible legal liability.

As appropriate, the Company may seek to mitigate its exploration risk by diversifying its portfolio, or through the establishment of joint ventures and option agreements with third parties.

Mineral Reserves and Mineral Resources Estimates

The Company's reported Mineral Reserves and Mineral Resources are estimations only. No assurance can be given that the estimated Mineral Reserves and Mineral Resources are accurate or that the indicated level of copper, gold, silver or any other mineral will be recovered or produced. Actual mineralization or formations may be different from those predicted. It may take many years from the initial phase of drilling before production is possible and during that time the economic feasibility of exploiting a discovery may change. Market price fluctuations of copper, gold and silver and certain other metals, as well as increased production and capital costs or reduced recovery rates, may render the Company's Mineral Reserves uneconomic to develop. Moreover, short-term operating factors relating to the Mineral Reserves, such as the need for the orderly development of ore bodies, the processing of new or different ore grades, the technical complexity of ore bodies, unusual or unexpected geological formations, ore dilution or varying metallurgical and other ore characteristics may cause Mineral Reserves to be reduced. Estimated Mineral Reserves may have to be recalculated based on fluctuations in the price of metals, or changes in other assumptions on which they are based. Any of these factors may

require the Company to reduce its Mineral Reserves and Mineral Resources, which could have a negative impact on the Company's business.

Failure to obtain or maintain necessary permits or government approvals or changes to applicable legislation could also cause the Company to reduce its reserves. In addition, changes to mine plans could cause the Company to reduce its Mineral Reserves. There is also no assurance that the Company will achieve indicated levels of copper, gold or silver recovery or obtain the prices assumed in determining such Mineral Reserves.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability and there is no assurance that they will ever be mined or processed profitably. Due to the uncertainty which may attach to Mineral Resources, there is no assurance that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves; and no assurance that all or any part of an Inferred Mineral Resources exists or is economically or legally mineable.

Permitting

The Company's development and exploration activities are subject to permitting requirements in both Argentina and Chile. In particular, comprehensive environmental assessments will be necessary for the Filo del Sol Project in Argentina in order to obtain the necessary approval for each of the Filo del Sol Project stages, which assessment will be conducted in compliance with Argentinian regulations. Project development will also require an environmental impact assessment study in Chile. Following the receipt of environmental approvals, additional permits, licences, authorizations, and certificates will be required to proceed to project construction, including, for example, mining water and fuel delivery, sewage water treatment, hazardous waste plans, drilling and closure plans. Failure to obtain required permits and/or to maintain compliance with permits once obtained could result in injunctions, fines, suspension or revocation of permits and other penalties.

There can be no assurance that the Company will obtain all such permits and/or achieve or maintain full compliance with such permits at all times. Activities required to obtain and/or achieve or maintain full compliance with such permits can be costly and involve extended timelines.

Previously issued permits may be suspended or revoked for a variety of reasons, including through government or court action. Failure to obtain and/or comply with required permits can have serious consequences, including: damage to the Company's reputation; stopping the Company from proceeding with the development of a project; negatively impacting further development of a mine; and increasing the costs of development and litigation or regulatory action against the Company, and may materially adversely affect the Company's business, results of operations or financial condition.

Economic and Political Instability in Argentina

The Filo del Sol Project is predominantly located in San Juan Province, Argentina. There are risks relating to an uncertain or unpredictable political and economic environment in Argentina, especially as there is social opposition to mining operations in certain parts of the country. During an economic crisis in 2001 to 2003 and again in 2014, Argentina defaulted on foreign debt repayments and on the repayment on a number of official loans to multinational organizations. In addition, the government has renegotiated or defaulted on contractual arrangements. The recently elected government, which took office in December 2019, has reinstated currency controls previously lifted by the opposition government, which, among other impacts, restricts the ability of companies and its citizens to obtain United States dollars, in each case requiring Central Bank approval (resulting in, at times, a limitation on the ability of multi-national companies to distribute dividends abroad in United States dollars). While the political environment in Argentina continues to develop, and the status of currency controls and restrictions remains fluid, past actions indicate that the Argentinean government may from time to time alter or impose additional

requirements or policies that may adversely affect the Company's activities in Argentina, or in its ability to attract joint venture partners or obtain financing for its projects in the future. In addition, economic instability in Argentina may negatively impact the timeliness or recoverability of amounts collectible from the government of Argentina.

Environmental and Socio-Political Risks

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company conducts activities. The Company also aims to conduct its activities in accordance with high corporate social responsibility principles. Present or future laws and regulations, however, may affect the Company's operations. Environmental legislation is evolving in a manner that requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company is currently engaged in exploration with limited environmental impact. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. The Company is subject to environmental regulation in the various jurisdictions in which it operates. Failure to comply with these laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may also be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Furthermore, environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Programs may also be delayed or prohibited in some areas due to technical factors, new legislative constraints, social opposition or local government capacity or willingness to issue permits to explore in a timely manner.

In parts of Argentina, there is environmental opposition to both mineral exploration and mining. Accordingly, there may be a certain degree of anti-mining sentiment that could potentially affect the risk of successfully exploring and developing the Company's assets in those provinces.

The Argentine Congress has passed legislation designed to protect the country's glaciers. This law would restrict development on and around glaciers. The detailed regulations that will govern implementation of the law have not yet been written but this legislation could affect the Company's ability to develop parts of the Company's properties in Argentina including the Filo del Sol Project. The Chilean Congress is also considering legislation designed to protect the country's glaciers. This legislation has not yet been approved but depending on its final language could affect the Company's ability to develop the Tamberias property.

Uncertainty of Funding and Dilution of Shareholders' Interests in the Company

The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of

property interest. If the Company needs to raise additional funds, such financing may substantially dilute the economic and voting rights of the Company's shareholders and reduce the value of their investment. Since the Company's capital needs depend on market conditions and other factors beyond its control, it cannot predict or estimate the amount, timing or nature of any such future offering of securities. Thus, holders of common shares of the Company bear the risk of any future offerings reducing the market price of the common shares and diluting their shareholdings in the Company.

Metal Price Risk

The Company's portfolio of properties and investments have exposure to predominantly copper, gold, and silver. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing and metals-consuming countries throughout the world. The prices of these metals greatly affect the value of the Company, the price of the common shares of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures, option agreements and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.

Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, those rights are in good standing. The results of the Company's investigations should not be construed as a guarantee of title. Other parties may dispute the title to a property, or the property may be subject to prior unregistered agreements or liens and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties, and the precise area and location of claims or the properties may be challenged and no assurances can be given that there are no title defects affecting such properties. The rules governing mining concessions in Chile and Argentina are complex and any failure by the Company to meet requirements would have a material adverse effect on the Company. Any defects in the title to the Company's properties could have a material and adverse effect on the Company.

No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. Although the Company has not had any problem renewing its licenses in the past there is no guarantee that it will always be able to do so. Inability to renew a license could result in the loss of any project located within that license.

The Company is earning an interest in the Tamberias property through an option agreement requiring property payments and acquisition of title to the properties is completed only when the option conditions have been met.

If the Company does not satisfactorily complete these option conditions in the period laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write down its previously capitalized costs related to that property.

COVID-19

The COVID-19 pandemic has negatively impacted and increased volatility of global financial markets and may continue to do so. The economic viability of the Company's long-term business plan is impacted by its ability to obtain financing, and global economic conditions impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

The health and safety of the Stakeholders remain the Company's priority, and pursuant to its COVID-19 operating protocol, the Company's camp facilities and offices have implemented travel restrictions, surveillance, monitoring and response plans to reduce the risk of COVID-19 exposure and outbreak, including health screening of personnel when appropriate. All non-critical business travel has also been curtailed.

As the Company continues to monitor developments with respect to COVID-19, both globally and within its operating jurisdictions, it will remain adaptive and will implement any such changes to its COVID-19 protocol, or its business in general, as may be deemed appropriate to mitigate any potential impacts to its business and its Stakeholders. Such changes, may include, but are not limited to, temporary closures of the Company's project site or offices, and deviations from the timing and nature of previous operating plans. Moreover, sustained COVID-19 outbreaks have resulted in operational and supply chain delays and disruption as a result of governmental regulation and preventative measures being implemented worldwide, including in Argentina. The Company could also be required to close, curtail or otherwise limit its operating activities as a result of the implementation of any such governmental regulation or preventative measures in the jurisdictions in which the Company operates, or as a result of sustained COVID-19 outbreaks at its project site or facilities. Any such closures or curtailments could have an adverse impact on the business of the Company.

Dependence on Single Project

The Filo del Sol Project is the Company's sole project and therefore, any adverse development with respect to the Filo del Sol Project will have a material adverse effect on the Company.

Negative Operating Cash Flow

The Company is an exploration stage company and has not generated cash flow from operations. The Company is devoting significant resources to the development and acquisition of its properties, however there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it achieves commercial production at a particular project. The Company currently has negative cash flow from operating activities.

Foreign Operations Risk

The Company conducts exploration activities in foreign countries, including Argentina and Chile. Each of these countries exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks vary from country to country and can include, but are not limited to, civil unrest or war, terrorism, illegal mining, changing political conditions, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties, as well as the revocation or suspension of previously issued mining permits. Changes in mining or investment policies or shifts in political attitudes may also adversely affect Company's existing assets and operations. Real and perceived political risk may also affect Company's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities. Chile is typically

viewed as a favourable mining jurisdiction; however, certain Canadian issuers have recently experienced regulatory action with regards to Chilean operations, specifically with respect to increased permitting timelines.

Numerous countries have introduced changes to mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of law affecting foreign ownership, mandatory government participation, taxation and royalties, exploration licensing, export duties, and repatriation of income or return of capital. There can be no assurance that industries, which are deemed of national or strategic importance in countries in which the Company has assets, including mineral exploration, will not be nationalized. There is a risk that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company.

Non-compliance with applicable laws, regulations and permitting requirements (including allegations of such) may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed or causing the withdrawal of permits or mining licenses, and the imposition of corrective measures requiring material capital expenditure or remedial action resulting in materially increased cost of compliance, reputational damage and potentially impaired ability to secure future approvals and permits. The Company may be required to compensate third parties for loss or damage and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Indigenous Peoples

The Company operates in some areas including parts of the Tamberias area presently or previously inhabited or used by indigenous peoples. Various international and national laws, codes, resolutions, conventions, guidelines, and other material relate to the rights of indigenous peoples. Many of these materials impose obligations on government to respect the rights of indigenous people. Some mandate that government consult with indigenous people regarding government actions, which may affect indigenous people, including actions to approve or grant mining rights or permits. ILO Convention 169, which has been ratified by Argentina and Chile, is an example of such an international convention. The obligations of government and private parties under the various international and national materials pertaining to indigenous people continue to evolve and be defined. Examples of recent developments in this area include the United Nations Declaration of the Rights of Indigenous People and the International Finance Corporation's revised Performance Standard 7, which requires governments to obtain the free, prior, and informed consent of indigenous peoples who may be affected by government action, such as the granting of mining concessions or approval of mine permits. The Company's current and future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development of the Company's projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities. Opposition by indigenous people to the Company's operations may require modification of, or preclude operation or development of, the Company's projects or may require the Company to enter into agreements with indigenous people with respect to the Company's projects.

Dependence on Key Personnel

The Company's success will largely depend on the efforts and abilities of certain senior officers and key employees. Certain of these individuals have significant experience in the mining industry and, in particular, the mining industry in South America. While the Company does not foresee any reason why such officers and key employees will not remain with the Company, if for any reason they do not, the Company could be adversely affected. In addition, certain of these individuals are also senior officers and key employees of Josemaria and/or NGEx Minerals and, pursuant to the terms of the Services Agreement, the employment costs associated with these individuals are shared between the Company, Josemaria and NGEx Minerals on a pro-rata basis. If such officers and key employees do not remain employed with Josemaria and/or NGEx Minerals for the purposes of the cost-sharing basis under the Services Agreement, the Company could be adversely affected. The Company has not purchased key man life insurance for any of these individuals.

No Operating History

Exploration projects have no operating history upon which to base estimates of future cash flows. Substantial expenditures are required to develop mineral projects. It is possible that actual costs and future economic returns may differ materially from Filo Mining's estimates. There can be no assurance that the underlying assumed levels of expenses for any project will prove to be accurate. Further, it is not unusual in the mining industry for new mining operations to experience unexpected problems during start-up, resulting in delays and requiring more capital than anticipated. There can be no assurance that Filo Mining's projects will move beyond the exploration stage and be put into production, achieve commercial production or that Filo Mining will produce revenue, operate profitably or provide a return on investment in the future. Mineral exploration involves considerable financial and technical risk. There can be no assurance that the funds required for exploration and future development can be obtained on a timely basis. There can be no assurance that Filo Mining will not suffer significant losses in the near future or that Filo Mining will ever be profitable.

Surface Access

The Company has surface access rights but does not own any surface rights at the Filo del Sol Project. The owners of the surface rights are in agreement with the Company's subsidiaries in conducting exploration activities on their ground.

From time to time, a land possessor may dispute the Company's surface access rights and, as a result, the Company may be barred from its legal temporary occupation rights. Surface access issues have the potential to result in the delay of planned exploration programs, and these delays may be significant. Such delays may have a material adverse effect on the Company.

The Company may require additional surface rights and property interests to further develop or exploit the resources on its properties, which will require negotiations with private landowners for the additional ownership and/or surface rights in order for the Company to fully operate. Surface rights may also be regulated and restricted by applicable law. There is no assurance that the Company will be able to obtain the required surface rights or negotiate successfully with private landowners to allow it to develop its properties and establish commercial mining operations on a timely basis. To the extent additional surface rights are available, they may only be acquired at significantly increased prices, potentially adversely impacting financial performance of the Company.

Conflicts of Interest

Some of the directors and employees/officers of the Company are also directors and employees/officers of other companies that are similarly engaged in the business of acquiring, exploring and developing

natural resource properties. In addition, certain individuals also serve as officers of Josemaria and/or NGEx Minerals and are subject to the Services Agreement. Such associations may give rise to conflicts of interest from time to time. In particular, one of the consequences will be that corporate opportunities presented to a director or employee/officer of the Company may be offered to another company or companies with which the director or employee/officer is associated and may not be presented or made available to the Company. The directors and employees/officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest that they may have in any project or opportunity of the Company, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by the procedures prescribed by the Company's Code of Business Conduct and Ethics and the CBCA.

Trading Price for the Common Shares is Volatile

The securities of publicly traded companies, particularly mineral exploration and development companies, can experience a high level of price and volume volatility and the value of the Company's securities can be expected to fluctuate depending on various factors, not all of which are directly related to the success of the Company and its operating performance, underlying asset values or prospects. These include the risks described elsewhere in this Prospectus. The trading price of the Company's common shares has been and may continue to be subject to large fluctuations, which may result in losses to investors. The trading price of the Company's common shares may increase or decrease in response to a number of events and factors, including:

- issuances of common shares or debt securities by the Company;
- the Company's operating performance and the performance of competitors and other similar companies;
- the addition or departure of key management and other personnel;
- the expiration of lock-up or other transfer restrictions on outstanding common shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;
- changes in recommendations by research analysts who track the Company's common shares or the shares of other companies in the resource sector;
- the number of common shares to be publicly traded after an offering; and
- the factors listed under the heading "Cautionary Note Regarding Forward-Looking Information and Statements".

In addition, the market price of the common shares is affected by many variables not directly related to the Company's success and therefore not within the Company's control. Factors which may influence the price of the Company's securities, include, but are not limited to: worldwide economic conditions; changes in government policies; local community opposition to mining projects generally; investor perceptions; movements in global interest rates and global stock markets; variations in operating costs; the cost of capital that the Company may require in the future; the market price of metals, including copper, gold and silver; the price of commodities necessary for the Company's operations; recommendations by securities research analysts; the share price performance of the Company's competitors; news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related industry and market issues affecting the mining sector; publicity about the Company, the Company's personnel or others operating in the industry; loss of a major funding source; and all market conditions that are specific to the mining industry, including other developments that affect the market for all resource sector shares, the breadth of the public market for the common shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of Shares on the exchanges on which the Company trades has historically made the

Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Control of Filo Mining

As at the date of this MD&A, Zebra and Lorito, who report their security holdings as joint actors, are control persons of Filo Mining (as defined by the Canadian securities regulations). As long as Zebra and Lorito maintain significant interests in Filo Mining, they will have the ability to exercise certain influence with respect to the affairs of Filo Mining and significantly affect the outcome of the votes of shareholders. There is a risk that the interests of Zebra and Lorito differ from those of other shareholders.

As a result of the significant holdings of Zebra and Lorito, there is a risk that the Company's securities are less liquid and trade at a relative discount compared to circumstances where these persons did not have the ability to influence or determine matters affecting Filo Mining. Additionally, there is a risk that their significant interests in Filo Mining discourages transactions involving a change of control of Filo Mining, including transactions in which an investor, as a holder of the Company's securities, would otherwise receive a premium for its Company's securities over the then-current market price.

Infrastructure

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power and water supplies are important determinants that affect costs. The Company's ability to obtain a secure supply of power and water at a reasonable cost depends on many factors, including: global and regional supply and demand; political and economic conditions; problems that can affect local supplies; delivery; and relevant regulatory regimes. Power and water are currently in short supply throughout Northern Chile and this may adversely affect the ability of the Company to explore and develop its Chilean projects. Unusual or infrequent weather phenomena, sabotage or government, and other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

Establishing such infrastructure will require significant resources, identification of adequate sources of raw materials and supplies and necessary cooperation from national and regional governments, none of which can be assured. There is no guarantee that the Company will secure these power, water and access rights going forward or on reasonable terms.

Global Financial Conditions Can Reduce Share Prices and Limit Access to Financing

The economic viability of the Company's business plan is impacted by the Company's ability to obtain financing. The economic conditions and outlook of the jurisdictions in which the Company's projects reside, and more generally global economic conditions, may impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

Significant political, market, economic, natural or manmade events may have wide-reaching effects and, to the extent they are not accurately anticipated or priced into markets, may result in sudden periods of market volatility and correction. Periods of market volatility and correction may have an adverse impact on economic growth and outlook, as well as lending and capital markets activity, all of which may impact the Company's ability to secure adequate financing on favourable terms, or at all.

Most recently, global financial markets experienced a period of correction and increased volatility during the COVID-19 pandemic, which began in March 2020. While financial markets have generally recovered, there is no guarantee that credit market conditions will not worsen, nor that favourable equity market conditions will persist. A general risk-adverse approach to investing, decreases in consumer spending and increases in the unemployment rate and consumer debt levels, which may become more predominant as a result of market turmoil, may limit the Company's ability to obtain future equity financing. Inability to obtain financing at all, or on acceptable terms, may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Other events may also result in volatility and disruption to global supply chains, operations, mobility of people, patterns of consumption and service, and financial markets, and therefore potentially have a negative impact on the Company's ability to secure financing on favourable terms, or at all, its access to the Filo del Sol Project, or its ability to execute its business initiatives, including its field programs. Such events may include catastrophic events, either on a global scale or in the specific jurisdictions where the Company has its projects, and include, but are not limited to, financial crises, such as that which occurred globally in 2008, earthquakes, tsunamis, floods, typhoons, fires, power disruptions, other natural or manmade disasters, terrorist attacks, wars, riots, civil unrest or other conflicts, outbreaks of a public health crises, including epidemics, pandemics or outbreaks of new infectious diseases or viruses, as well as related and attendant events.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the global mining industry, global supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price. Uncertainty or adverse changes relating to government regulation, economic and foreign policy matters, and other world events have the potential to adversely affect the performance of and outlook for the Canadian and global economies, which in turn may affect the ability of the Company to access financing on favourable terms or at all. The occurrence of negative sentiment or events in the Canadian and broader global economy could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Currency Risk

The Company will transact business in a number of currencies including but not limited to the US Dollar, the Argentine peso and the Chilean peso. The Argentine peso in particular has had significant fluctuations in value relative to the US and Canadian dollars. Ongoing economic uncertainty in Argentina as well as unpredictable changes to foreign exchange rules may result in fluctuations in the value of the Argentine peso that are greater than those experienced in the recent past. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or a negative direction. The Company does not currently engage in foreign currency hedging activities.

Information Systems and Cyber Security

The Company's operations depend on information technology ("IT") systems. These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyber-attacks, as well as disruptions resulting from incidents such as cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Application of Anti-Corruption and Anti-Bribery Laws

The Company is required to comply with anti-corruption and anti-bribery laws, including the *Extractive Sector Transparency Measures Act*, the *Canadian Corruption of Foreign Public Officials Act* and the U.S. *Foreign Corrupt Practices Act*, as well as similar laws in the countries in which the Company conducts its business. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential, as well as the necessary labour and supplies required to develop such properties. The Company competes with other exploration and mining companies, many of which have greater financial resources, operational experience and technical capabilities than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. The Company may not be able to maintain or acquire attractive mining properties on terms it considers acceptable, or at all. Consequently, its financial condition could be materially adversely affected.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. For this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

QUALIFIED PERSON

The scientific and technical disclosure for the Filo del Sol Project included in this MD&A have been reviewed and approved by Bob Carmichael, P. Eng. (BC) and/or Jamie Beck, B.A.Sc., P.Eng. Mr. Carmichael is Filo Mining's Vice-President of Exploration and a Qualified Person under National Instrument 43-101 Standards of Disclosure for Mineral Projects. ("NI 43-101"). Mr. Beck is Filo Mining's President and CEO and is also a Qualified Person under NI 43-101.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made and information contained herein in the MD&A constitutes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities legislation (collectively, "forward-looking information" or "forward-looking statements") concerning the business, operations, financial performance and condition of Filo Mining. The forward-looking information contained in this MD&A is based on information available to the Company as of the date of this MD&A. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance, (often, but not always, identified by words or phrases such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "projects", "estimates", "budgets", "scheduled", "forecasts", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events, conditions or results "will", "may", "could", "would", "should", "might" or "will be taken", "will occur" or "will be achieved" or the negative connotations thereof and similar expressions) are not statements of historical fact and may be forward-looking statements.

All statements other than statements of historical fact may be forward-looking statements. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, the inherent uncertainties regarding Mineral Resource estimates, cost estimates, changes in commodity prices, currency fluctuation, financings, unanticipated resource grades, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations as well as other risks, and uncertainties and other factors, including, without limitation, those referred to in the "Risks and Uncertainties" section of the MD&A and in the Company's most recent Annual Information Form, under the heading "Risks Factors", and elsewhere, which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

The Company believes that the expectations reflected in the forward-looking statements and information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and information should not be unduly relied upon. This statement and information is as of the date of the MD&A. In particular, this MD&A contains forward-looking statements or information pertaining to the assumptions used in the PFS for the Filo del Sol Project, the assumptions used in the Mineral Reserves and Resources estimates for the Filo del Sol Project, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological conditions, as applicable; ability to develop infrastructure; assumptions made in the interpretation of drill results, geology, grade and continuity of mineral deposits; expectations regarding access and demand for equipment, skilled labour and services needed for exploration and development of mineral properties; and that activities will not be adversely disrupted or impeded by exploration, development, operating, regulatory, political, community, economic and/or environmental risks. In addition, this MD&A may contain forward-looking statements or information pertaining to: potential exploration upside at the Filo del Sol Project, including the extent and significance of the sulphide mineralization underlying the current Mineral Resource and the prospectivity of exploration targets; exploration and development plans and expenditures;

the ability of the Company's COVID-19 operating protocol to continue to meet government mandated health and safety guidelines enabling it to conduct its field programs as planned; opportunities to improve project economics; the success of future exploration activities; potential for resource expansion; potential for the discovery of new mineral deposits; ability to build shareholder value; expectations with regard to adding to Mineral Reserves or Resources through exploration; expectations with respect to the conversion of inferred resources to an indicated resources classification; ability to execute the planned work programs; estimation of commodity prices, Mineral Reserves and Resources, estimations of costs, and permitting time lines; ability to obtain surface rights and property interests; currency exchange rate fluctuations; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

Forward-looking information is based on certain assumptions that the Company believes are reasonable, including that the current price of and demand for commodities will be sustained or will improve, the supply of commodities will remain stable, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material labour dispute, accident, or failure of plant or equipment. These factors are not, and should not be construed as being, exhaustive. Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate, as the Company's actual results and future events could differ materially from those anticipated in such statements, as a result of the factors discussed in the "Risk and Uncertainties" section of this MD&A, and elsewhere, and in the "Risk Factors" section of the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR at www.sedar.com. All of the forward-looking information contained in this document is qualified by these cautionary statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

Statements relating to "Mineral Resources" are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the Mineral Resources described can be profitably produced in the future.



Independent auditor's report

To the Shareholders of Filo Mining Corp.

Our opinion

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

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

PricewaterhouseCoopers LLP

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of



not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 18, 2021

Filo Mining Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	<i>Note</i>	December 31, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash		\$ 36,326,118	\$ 13,753,440
Receivables and other assets	5	810,243	2,595,966
		37,136,361	16,349,406
Non-current assets:			
Right-of-use asset		12,275	88,832
Taxes receivable	5	1,656,495	-
Mineral properties	6	8,857,401	7,312,220
		10,526,171	7,401,052
TOTAL ASSETS		47,662,532	23,750,458
LIABILITIES			
Current liabilities:			
Trade payables and accrued liabilities		4,097,835	3,553,545
Lease liabilities		13,013	60,658
		4,110,848	3,614,203
Non-current liabilities:			
Lease liabilities		-	12,145
		-	12,145
TOTAL LIABILITIES		4,110,848	3,626,348
SHAREHOLDERS' EQUITY			
Share capital	8	166,119,611	125,577,816
Contributed surplus		9,763,491	7,729,168
Deficit		(130,693,363)	(111,814,641)
Accumulated other comprehensive loss		(1,638,055)	(1,368,233)
TOTAL SHAREHOLDERS' EQUITY		43,551,684	20,124,110
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 47,662,532	\$ 23,750,458
Commitments (Note 6)			

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

On behalf of the Board:

/s/Alessandro Bitelli
 Director

/s/James Beck
 Director

Filo Mining Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	<i>Note</i>	Year ended December 31,	
		2020	2019
Expenses			
Exploration and project investigation	10	\$ 19,055,232	\$ 23,007,517
General and administration:			
Salaries and benefits		1,519,194	1,786,349
Share-based compensation	9c	1,605,500	1,906,469
Management fees		169,180	198,700
Professional fees		185,770	177,260
Travel		13,221	139,500
Promotion and public relations		377,608	261,611
Office and general		188,794	214,481
Operating loss		23,114,499	27,691,887
Other expenses			
Financing costs	7	31,005	1,338,936
Net monetary gain	4	(132,383)	(158,181)
Gain on use of marketable securities	14	(4,602,750)	-
Foreign exchange gain		(99,200)	(302,041)
Argentina wealth tax		567,551	-
Net loss		18,878,722	28,570,601
Other comprehensive loss (gain)			
Items that may be reclassified subsequently to net loss:			
Foreign currency translation adjustment		(162,891)	514,478
Impact of hyperinflation	4	432,713	709,479
Comprehensive loss		\$ 19,148,544	\$ 29,794,558
Basic and diluted loss per common share		\$ 0.19	\$ 0.37
Weighted average common shares outstanding		97,769,050	78,215,358

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

Filo Mining Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	<i>Note</i>	Year ended December 31, 2020		2019
Cash flows used in operating activities				
Net loss for the year		\$ (18,878,722)	\$ (28,570,601)	
Items not involving cash:				
Share-based compensation	9c	2,034,323	2,469,795	
Financing costs		31,005	1,338,936	
Net monetary loss		136,292	452,304	
Unrealized foreign exchange gain		(162,835)	-	
Net changes in working capital items:				
Receivables and other		(719,388)	(1,172,236)	
Trade payables and accrued liabilities		469,778	1,563,745	
		(17,089,547)	(23,918,057)	
Cash flows from (used in) financing activities				
Proceeds from equity financings, net	8	40,514,416	38,797,273	
Drawdown of credit facilities		1,350,960	16,603,165	
Repayment of credit facilities	7	(1,349,900)	(18,454,800)	
Proceeds from exercise of share options		-	790,558	
Repayment of lease liabilities		(60,665)	(102,130)	
		40,454,811	37,634,066	
Cash flows used in investing activities				
Mineral properties and related expenditures	6	(207,501)	(654,579)	
		(207,501)	(654,579)	
Effect of exchange rate change on cash				
		(585,085)	(1,713,099)	
Increase in cash during the year				
		22,572,678	11,348,331	
Cash, beginning of year				
		\$ 13,753,440	\$ 2,405,109	
Cash, end of year				
		\$ 36,326,118	\$ 13,753,440	

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

Filo Mining Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	<i>Note</i>	Number of Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, January 1, 2019		72,575,195	\$ 84,350,227	\$ 5,554,793	\$ (83,244,040)	\$ (144,276)	\$ 6,516,704
Share-based compensation		-	-	2,469,795	-	-	2,469,795
Shares issued pursuant to the equity financings		14,547,727	40,006,249	-	-	-	40,006,249
Share issuance costs		-	(1,208,976)	-	-	-	(1,208,976)
Shares issued pursuant to credit facilities		497,196	1,344,338	-	-	-	1,344,338
Exercise of options		598,333	1,085,978	(295,420)	-	-	790,558
Net loss and other comprehensive loss		-	-	-	(28,570,601)	(1,223,957)	(29,794,558)
Balance, December 31, 2019		88,218,451	\$ 125,577,816	\$ 7,729,168	\$ (111,814,641)	\$ (1,368,233)	\$ 20,124,110
Balance, January 1, 2020		88,218,451	\$ 125,577,816	\$ 7,729,168	\$ (111,814,641)	\$ (1,368,233)	\$ 20,124,110
Share-based compensation	9c	-	-	2,034,323	-	-	2,034,323
Shares issued pursuant to the equity financings	8	22,538,235	41,695,735	-	-	-	41,695,735
Share issuance costs	8	-	(1,181,319)	-	-	-	(1,181,319)
Shares issued pursuant to credit facilities	7	14,084	27,379	-	-	-	27,379
Net loss and other comprehensive loss		-	-	-	(18,878,722)	(269,822)	(19,148,544)
Balance, December 31, 2020		110,770,770	\$ 166,119,611	\$ 9,763,491	\$ (130,693,363)	\$ (1,638,055)	\$ 43,551,684

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

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

Filo Mining Corp. (the "Company" or "Filo Mining") was incorporated on May 12, 2016 under the Canada Business Corporations Act in connection with the plan of arrangement to reorganize Josemaria Resources Inc. ("Josemaria", formerly NGEx Resources Inc.), which was completed on August 16, 2016.

The Company's principal business activities are the exploration and development of the Filo del Sol and Tamberias Properties, which are comprised of adjacent mineral titles in the San Juan Province in Argentina and in Chile. Its registered office is located at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada. The Company's common shares trade on the TSX Venture Exchange and the NASDAQ First North Growth Market under the symbol "FIL", and on the OTCQX under the symbol "FLMMF".

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. These consolidated financial statements are prepared on a historical cost basis except for certain financial assets, which are measured at fair value.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 18, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements of the Company include the following subsidiaries:

Subsidiaries	Jurisdiction	Nature of operations
NGEx Filo del Sol Holdings Inc.	Canada	Holding company
NGEx Chile Holdings Inc.	Canada	Holding company
Filo del Sol Uruguay S.A.	Uruguay	Holding company
Frontera Holdings (Bermuda) IV Ltd.	Bermuda	Holding company
Frontera Holdings (Bermuda) V Ltd.	Bermuda	Holding company
Filo del Sol Exploracion S.A.	Argentina	Exploration company
Frontera Chile Limitada	Chile	Exploration company

The Company consolidates an entity when it has power over that entity, is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

All the Company's subsidiaries are wholly owned and all intercompany balances, transactions, including income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

b) Critical accounting estimates, assumptions and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates, assumptions and judgements are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ and such differences could be material. Estimates, assumptions and judgements are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates, assumptions and judgements, and the resulting effects on the carrying amounts of the Company's assets and liabilities, are accounted for prospectively. Information about estimates, assumptions, judgments and other sources of estimation uncertainty as at December 31, 2020 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are provided below:

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes periodic reviews of its mineral properties for indicators of impairment, which requires the Company to exercise key judgements, including but not limited to, the Company's right to explore the mineral property, whether the Company has further plans or budgets for substantive expenditures for the ongoing exploration and evaluation of the mineral property, the impact of exploration and evaluation results to date with respect to the mineral property, and the likelihood that the carrying value of the mineral property will be recovered in the future through development or sale of the asset. If indicators of impairment are identified, the Company would further review the carrying values of the applicable mineral properties to determine if their carrying values may exceed their fair value, which also requires the Company to make significant judgments and estimates. The judgments and estimates mentioned above are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties.

The Company has determined that no indicators of impairment exist for its mineral properties as of December 31, 2020.

c) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of its material subsidiaries, which have operations in Chile and Argentina, is the Chilean peso and the Argentine peso, respectively.

For the Company's Argentine subsidiary, which is affected by hyperinflationary accounting as described in Notes 3n and 4 below, and uses the Argentine peso as its functional currency, the results and financial position of this subsidiary are translated into the presentation currency using the exchange rate prevailing at the date of the statement of financial position.

The results and financial position of all other subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated using the exchange rate prevailing at the date of that statement of financial position.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

- Income, expenses, and other comprehensive income for each statement of comprehensive income are translated at average exchange rates (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).
- All resulting exchange differences are recognized as a separate component of equity and in other comprehensive income.

d) Mineral properties and exploration expenditure

The Company capitalizes acquisition costs for property rights, including payments for exploration rights and estimated fair value of exploration properties acquired as part of an acquisition.

Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves. When it has been established that a mineral property is considered to be sufficiently advanced to the development stage, with economic viability and technical feasibility demonstrated, all further expenditures for the current year and subsequent years are capitalized as incurred and subsequently amortized on a units of production based on proven and probable reserves of the assets to which they relate.

e) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units, or "CGU's"). Value in use is determined as the present value of future cash inflows expected to be derived from a CGU using a pre-tax discount rate that reflects the current time value of money and the risks specific to that CGU.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

f) Financial instruments

(i) Recognition

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

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

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

Investments in marketable securities, such as equity instruments of publicly listed entities, are required to be measured at fair value through profit or loss, unless the Company makes an irrevocable election to present subsequent changes in the fair value of such instruments through OCI. The Company has not elected to measure any of its marketable securities through OCI.

(ii) Derecognition

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risk and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition of financial assets and liabilities are generally recognized in the consolidated statements of comprehensive losses.

(iii) Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized costs based on a probability-weighted estimate of credit losses over the expected life of the financial asset.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

g) Cash

Cash includes cash on hand, and deposits held with financial institutions with a fixed deposit term of three months or less, net of bank overdrafts.

h) Current and deferred income tax

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

i) Share capital

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

j) Share-based compensation

The Company has a share-based compensation plan, whereby it is authorized to grant share options to officers, employees, directors, and other eligible persons. The fair value of the options is measured at the date the options are granted, using the Black-Scholes option-pricing model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the common shares and an expected life of the options. The fair value less estimated forfeitures is charged over the vesting period of the related options as an expense on its financial statements.

k) Provisions

Provisions for restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

l) Leases

The Company recognizes a right-of-use asset, and corresponding lease liability, for almost all leases, unless the lease term is 12 months or less or the underlying asset has a low value, in which case, lease payments are recognized as an expense on a straight-line basis over the lease term or another systematic basis, if deemed more representative.

m) Segment reporting

As the Company primarily focuses its activity on the exploration and development of mineral properties, its operating and reportable segments are the Filo del Sol Project, comprised of the Filo del Sol Property and the Tamberias Property, other general exploration and project generation initiatives, and the Company's corporate administration function. Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer, the chief operating decision-maker for the Company, obtains and reviews operating results of each operating segment on a monthly basis.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

n) Hyperinflation

On July 1, 2018, the Company adopted IAS 29, Financial Reporting in Hyperinflationary Economies, which outlines the use of the hyperinflationary accounting to consolidate and report its Argentine operating subsidiary.

The application of hyperinflationary accounting requires restatement of the Argentine subsidiary's non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Wholesale Price Index (Indice de Precios Mayoristas or "IPIM") for periods up to December 31, 2016, and the Retail Price Index (Indice de Precios al Consumidor or "IPC") thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE").

As the consolidated financial statements of the Company have been previously presented in Canadian dollars, a stable currency, the comparative period amounts do not require restatement.

o) New accounting pronouncements

The IASB and/or the IFRS Interpretations Committee have issued new standards and amendments, or interpretations to existing standards, which were not yet effective and not applied by the Company as at December 31, 2020. The Company continues to evaluate these changes to determine their impact, if any.

IAS 16, Property, plant and equipment

IAS 16 has been amended to provide clarity with respect to the treatment of net proceeds generated from selling any items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Specifically, the amendments prohibit entities from deducting amounts resulting from the selling of items produced during this phase from the cost of property, plant and equipment. Instead, an entity shall recognize such sales proceeds and related costs in profit or loss.

The amendments to IAS 16 are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. Upon adoption, the amendments shall be applied retrospectively, but only to property, plant and equipment assets commissioned for their intended use by management on or after the beginning of the earliest period presented in the financial statements.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

4. HYPERINFLATION

Argentina was designated a hyperinflationary economy as of July 1, 2018 for accounting purposes.

The Company recognized a loss of \$432,713 for the year ended December 31, 2020 (2019: \$709,479) in relation to the impact of hyperinflation within other comprehensive income, which is primarily the result of devaluation of the Argentine peso relative to the Canadian dollar during the respective periods.

As a result of changes in the IPC and changes to the Company's net monetary position during the year ended December 31, 2020, the Company recognized a net monetary gain \$132,383 (2019: \$158,181) to adjust transactions recorded during the year into a measuring unit current as of December 31, 2020.

The level of the IPC at December 31, 2020 was 385.9 (December 31, 2019: 283.4), which represents an increase of approximately 36% over the IPC at December 31, 2019, and an approximate 17% increase over the average level of the IPC during the year ended December 31, 2020.

5. RECEIVABLES AND OTHER ASSETS

	December 31, 2020	December 31, 2019
Current		
Taxes receivable	165,043	1,060,702
Other receivables	347,870	968,536
Prepaid expenses and deposits	297,330	566,728
	810,243	2,595,966
Non-current		
Taxes receivable	1,656,495	-
	1,656,495	-

Pursuant to regulations, the Company is entitled to a refund of certain value added taxes ("VAT") paid in Argentina. While the Company continues to expect full payment of the amounts claimed, the timing of receipt of the refunds has become increasingly uncertain. Accordingly, the corresponding taxes receivable balance has been reclassified as non-current.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

6. MINERAL PROPERTIES

	Filo del Sol	Tamberias	Total
January 1, 2019	\$ 3,450,982	\$ 3,667,251	\$ 7,118,233
Additions	-	654,579	654,579
Adjustment for the impacts of hyperinflation	(40,255)	-	(40,255)
Effect of foreign currency translation	-	(420,337)	(420,337)
December 31, 2019	\$ 3,410,727	\$ 3,901,493	\$ 7,312,220
Additions	-	1,465,136	1,465,136
Adjustment for the impacts of hyperinflation	(25,196)	-	(25,196)
Effect of foreign currency translation	-	105,241	105,241
December 31, 2020	\$ 3,385,531	\$ 5,471,870	\$ 8,857,401

The Company's primary mineral property assets are the Filo del Sol and Tamberias Properties (together, the "Filo del Sol Project"), which are comprised of adjacent mineral titles in the San Juan Province in Argentina and in Chile, and are 100% controlled by Filo Mining either through direct ownership or option agreements.

Filo del Sol Property (San Juan Province, Argentina)

Sole ownership of the Filo del Sol Property was acquired by Filo del Sol Exploracion S.A., a wholly owned subsidiary of the Company, in October 2014, through the acquisition of its then joint exploration partner's 40% interest in the property.

Tamberias Property (Region III, Chile)

Through its wholly owned subsidiary, Frontera Chile Limitada, the Company is party to an option agreement with Compania Minera Tamberias SCM ("Tamberias SCM") whereby the Company can earn a 100% interest in the Tamberias Property by making certain scheduled option payments. In addition, Tamberias SCM will retain a 1.5% net smelter royalty, which will be paid only after the Company has recovered all its exploration and development costs.

Pursuant to a series of amendments to the terms of the remaining option payments payable under the option agreement with Tamberias SCM, the last of which was executed on May 13, 2020 (the "Option Amendments"), the remaining option payments were rescheduled and extended through to June 30, 2026.

As at December 31, 2020, following a payment of US\$150,000 in June 2020 pursuant to the Option Amendments, the Company's total remaining payments were as follows:

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

Payment by:	Amount (US\$)
January 18, 2021 ^{1,2}	150,000
June 30, 2021 ¹	750,000
June 30, 2022	500,000
June 30, 2023	750,000
June 30, 2024	950,000
June 30, 2025	1,050,000
June 30, 2026	12,000,000
	16,150,000

¹ Pursuant to the Option Amendments, the Company has irrevocably committed to make the two indicated payments. Accordingly, as at December 31, 2020, a corresponding amount has been recognized as an addition to mineral properties, with a corresponding amount recorded within trade payables and accrued liabilities, until such amounts are settled. Payment of all subsequent amounts remain at the Company's sole option and discretion.

² Payment was made as scheduled in January 2021.

7. CREDIT FACILITIES

On January 12, 2019, the Company obtained an unsecured US\$5.0 million credit facility (the "January 2019 Facility") from Zebra Holdings and Investments S.à.r.l ("Zebra"), a related party of the Company by virtue of its shareholding in the Company in excess of 20%, to provide additional financial flexibility to fund ongoing exploration at the Filo del Sol Project and for general corporate purposes. Zebra reports its security holdings in the Company as a joint actor, as the term is defined by Canadian securities regulations, with Lorito Holdings S.à.r.l. ("Lorito"), and at the time of entering into the January 2019 Facility they collectively held more than 20% of the Company's issued and outstanding common shares. The January 2019 Facility matured on July 12, 2020, and no interest was payable in cash during its term. As consideration for the January 2019 Facility, Zebra received 300 common shares each month, for every US\$50,000 in principal outstanding, prorated accordingly for the number of days outstanding.

In June 2020, the Company entered into an agreement with Zebra, to obtain an additional unsecured US\$5.0 million credit facility, which became accessible by the Company on July 12, 2020 (the "July 2020 Facility") and replaced the January 2019 Facility. The outstanding balance owed under the January 2019 Facility was transferred into the July 12, 2020 Facility. As consideration for the July 2020 Facility, Zebra will receive 480 common shares each month, for every US\$50,000 in principal outstanding, prorated accordingly for the number of days outstanding. The July 2020 Facility matures on July 12, 2021, and no interest is payable in cash during its term.

During the year ended December 31, 2020, the Company drew a total of US\$1,000,000 against the facilities, and the amounts were fully repaid in August 2020 following the completion of equity financings (Note 8). The repayment had a Canadian dollar equivalent of approximately \$1.3 million.

As a result of the amounts previously drawn, the Company issued 14,084 common shares during the year ended December 31, 2020, resulting in \$27,379 in financing costs recognized through the consolidated statement of loss (2019: \$1,322,599).

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

All common shares issued in conjunction with the facilities are subject to a four-month hold period under applicable securities laws.

8. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value.

On July 30, 2020, the Company closed a bought deal offering of common shares and a concurrent non-brokered private placement of common shares (the "Financings"). In aggregate, 22,538,235 common shares of the Company were sold at a price of \$1.85 per common share, generating aggregate gross proceeds of \$41.7 million. Share issuance costs related to the Financings totaled \$1.2 million, and included commissions, professional fees and regulatory fees.

Zebra and Lorito acquired an aggregate of 7,030,008 common shares of the Company through the Financings, for gross proceeds of \$13.0 million, each subscribing to 3,515,004 common shares pursuant to the concurrent non-brokered private placement of common shares. On July 30, 2020, following the close of the Financings, Zebra and Lorito held 25.05% and 9.96%, respectively, of the then issued and outstanding common shares of the Company.

9. SHARE OPTIONS

a) Share option plan

The Company has a share option plan adopted by the Board of Directors on July 8, 2016 and amended May 12, 2017, which reserves an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. The granting, vesting and terms of the share options are at the discretion of the Board of Directors.

b) Share option outstanding

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of shares issuable pursuant to share options	Weighted average exercise price per share
Balance at January 1, 2019	6,647,500	\$ 2.13
Options granted	2,395,000	2.75
Exercised	(598,333)	1.32
Expired or forfeited	(176,666)	2.19
Balance at December 31, 2019	8,267,501	\$ 2.37
Options granted	1,450,000	1.91
Expired or forfeited	(261,667)	2.53
Balance at December 31, 2020	9,455,834	\$ 2.29

On August 17, 2020, the Company granted a total of 1,450,000 share options to officers, employees, directors and other eligible persons at an exercise price of \$1.91 per share.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

The Company uses the Black-Scholes option pricing model to estimate the fair value for all options granted and the resulting stock-based compensation. The weighted average assumptions used in this pricing model, and the resulting fair values per option, for the 1,450,000 share options granted during the year ended December 31, 2020, were as follows:

(i)	Risk-free interest rate:	0.27%
(ii)	Expected life:	5 years
(iii)	Expected volatility:	58.06%
(iv)	Expected dividends:	nil
(v)	Fair value per option:	\$0.93

The following table details the share options outstanding and exercisable as at December 31, 2020:

Exercise prices	Outstanding options			Exercisable options		
	Options outstanding	Weighted average remaining contractual	Weighted average exercise price	Options exercisable	Weighted average remaining contractual	Weighted average exercise
		life (Years)	price		life (Years)	price
\$1.91	1,450,000	4.63	\$1.91	483,334	4.63	\$1.91
\$2.00	1,950,000	0.93	\$2.00	1,950,000	0.93	\$2.00
\$2.20	2,286,667	2.62	\$2.20	2,286,667	2.62	\$2.20
\$2.50	1,522,500	1.70	\$2.50	1,522,500	1.70	\$2.50
\$2.75	2,246,667	3.78	\$2.75	1,510,001	3.78	\$2.75
	<u>9,455,834</u>	2.71	\$2.29	<u>7,752,502</u>	2.37	\$2.30

c) Share-based compensation

	Year ended December 31, 2020		2019
Exploration and project investigation	428,823	563,326	
General and administration	1,605,500	1,906,469	
	2,034,323		2,469,795

10. EXPLORATION AND PROJECT INVESTIGATION

Due to the geographic location of the Filo del Sol Project, the Company's business activities fluctuate with the seasons, through increased drilling and other exploration activities during the summer months in South America. As a result, a general recurring trend is the increase in exploration expenditures, and therefore net losses, for the fourth quarter and first quarter of a fiscal year, relative to the second and third quarters.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

The Company expensed the following exploration and project investigation costs, all incurred in South America, for the years ended December 31, 2020 and 2019:

Year ended December 31,		Filo del Sol Project	Other	Total
2020	Land holding and access costs	515,701	-	515,701
	Drilling, fuel, camp costs and field supplies	9,310,843	-	9,310,843
	Roadwork, travel and transport	2,478,956	-	2,478,956
	Consultants, geochemistry and geophysics	964,632	-	964,632
	Environmental and community relations	489,547	-	489,547
	VAT and other taxes	1,869,125	-	1,869,125
	Office, field and administrative salaries, overhead and other administrative costs	2,447,112		2,447,112
	COVID-19-related health and safety	550,493	-	550,493
	Share-based compensation	428,823	-	428,823
	Total	19,055,232	-	19,055,232
2019	Land holding and access costs	857,254	58,534	915,788
	Drilling, fuel, camp costs and field supplies	8,991,119	-	8,991,119
	Roadwork, travel and transport	3,215,580	159	3,215,739
	Engineering and conceptual studies	309,794	-	309,794
	Consultants, geochemistry and geophysics	1,066,062	-	1,066,062
	Environmental and community relations	2,742,382	-	2,742,382
	VAT and other taxes	2,604,952	70,053	2,675,005
	Office, field and administrative salaries, overhead and other administrative costs	2,517,945	10,357	2,528,302
	Share-based compensation	561,568	1,758	563,326
	Total	22,866,656	140,861	23,007,517

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

11. RELATED PARTY TRANSACTIONS

Under the normal course of operations, the Company may undertake transactions or hold balances with related parties. Other than those related party transactions identified elsewhere in these consolidated financial statements, the Company also engages with Josemaria and NGEx Minerals Ltd. ("NGEx Minerals"), related parties by way of directors, officers and shareholders in common. Bofill Mir & Alvarez Jana Abogados Ltda. ("BMJAL"), a Chilean legal firm, is also considered a related party of the Company until June 18, 2020, as a named partner of BMJAL was also concurrently a director of the Company until such date.

a) Related party services

The Company has a cost sharing arrangement with Josemaria and NGEx Minerals. Under the terms of this arrangement, the Company provides management, technical, administrative and/or financial services (collectively, "Management Services") to Josemaria and NGEx Minerals, and vice versa. In addition, the Company engages BMJAL, as its legal counsel in Chile. These transactions were incurred in the normal course of operations, and are summarized as follows:

	Year ended December 31, 2020		2019
Management Services to Josemaria	943,427	1,217,414	
Management Services to NGEx Minerals	433,148	238,003	
Management Services from Josemaria	(314,419)	(336,044)	
Management Services from NGEx Minerals	(500,101)	(363,373)	
Legal services from BMJAL	(43,866)	(93,659)	

b) Related party balances

The amounts due from (to) related parties, and the components of the consolidated statements of financial position in which they are included, are as follows:

	Related Party	December 31, 2020	December 31, 2019
Receivables and other assets	Josemaria	-	196,489
Receivables and other assets	NGEx Minerals	11,752	64,222
Accounts payable and accrued liabilities	Josemaria	-	(220,366)
Accounts payable and accrued liabilities	NGEx Minerals	(5,850)	(57,490)
Accounts payable and accrued liabilities	BMJAL	-	(22,617)

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

c) Key management compensation

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

	Year ended December 31, 2020	2019
Salaries	762,667	987,604
Short-term employee benefits	22,447	47,542
Directors fees	108,495	97,000
Stock-based compensation	1,368,514	1,784,488
Incentive bonuses	540,000	490,000
	2,802,123	3,406,634

12. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to the loss for the year. These differences result from the following items:

	Year ended December 31, 2020	Year ended December 31, 2019
Loss before taxes	18,878,722	28,570,601
Combined Canadian federal and provincial statutory income tax rates	<u>27.00%</u>	<u>27.00%</u>
Income tax recovery based on the above rate	5,097,255	7,714,062
Income tax benefits that have not been recognized and other items	(3,256,439)	(3,331,520)
Other permanent differences	1,878,319	-
Impacts of changes in foreign tax and currency rates	(3,090,555)	(3,610,455)
Differences between Canadian and foreign tax rates	271,809	412,203
Non-deductible expenses	(900,389)	(1,184,290)
Total income tax recovery	-	-

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

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

	December 31, 2020	December 31, 2019
Non-capital losses carried forward	3,968,318	2,903,562
Mineral properties and related expenditures	10,620,277	8,885,625
Other	996,792	477,010
	15,585,387	12,266,197

As at December 31, 2020, the non-capital loss carry-forwards and their respective expiration dates are as follows:

Year	Canada	Argentina	Other	Total
2021	-	98,012	5,101	103,113
2022	-	94,374	26,903	121,277
2023	-	5,415	11,943	17,358
2024	-	151,567	-	151,567
2025 and onwards	13,744,341	396,982	239,088	14,380,411
	13,744,341	746,350	283,035	14,773,726

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

13. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The information regarding mineral properties and exploration and project investigation costs presented in Notes 6 and 10, respectively, represent the manner in which management reviews its business performance. Materially all of the Company's mineral properties and exploration and project investigation costs relate to the Filo del Sol Project, which straddles the border between the San Juan Province, Argentina and Region III, Chile and is comprised of the Filo del Sol Property and the Tamberias Property. The net gains on the use of marketable securities are allocated to the Filo del Sol Project, as they are the result of funding provided to the Company's Argentine subsidiary in support of the project. Materially all the Company's administrative costs are incurred by the Canadian parent, where materially all of the Company's cash is held in the normal course of business until it is required to be deployed to the Company's South American subsidiaries in support of ongoing and planned work programs.

The following are summaries of the Company's current and non-current assets, current liabilities, and net losses by segment:

	As at December 31,	Filo del Sol Project	Other	Corporate	Total
2020	Current assets	3,397,742	-	33,738,619	37,136,361
	Right-of-use asset	12,275	-	-	12,275
	Tax receivable	1,656,495	-	-	1,656,495
	Mineral properties	8,857,401	-	-	8,857,401
	Total assets	13,923,913	-	33,738,619	47,662,532
2019	Current liabilities	3,854,243	-	256,605	4,110,848
	Current assets	6,509,343	-	9,840,063	16,349,406
	Right-of-use asset	88,832	-	-	88,832
	Mineral properties	7,312,220	-	-	7,312,220
	Total assets	13,910,395	-	9,840,063	23,750,458
	Current liabilities	3,233,542	-	380,661	3,614,203
	Lease liabilities	12,145	-	-	12,145
	Total liabilities	3,245,687	-	380,661	3,626,348

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

Year ended December 31,		Filo del Sol Project	Other	Corporate	Total
2020	Exploration and project investigation	19,055,232	-	-	19,055,232
	Gain on use of marketable securities	(4,602,750)	-	-	(4,602,750)
	General and administration and other items	(291,593)	-	4,717,833	4,426,240
	Net loss	14,160,889	-	4,717,833	18,878,722
2019	Exploration and project investigation	22,866,656	140,861	-	23,007,517
	General and administration and other items	(141,845)	-	5,704,929	5,563,084
	Net loss	22,724,811	140,861	5,704,929	28,570,601

14. USE OF MARKETABLE SECURITIES

From time to time, the Company may acquire and transfer marketable securities to facilitate intragroup funding transfers between the Canadian parent and its Argentine operating subsidiary.

The Company does not acquire marketable securities or engage in these transactions for speculative purposes. In this regard, under this strategy, the Company generally uses marketable securities of large and well established companies, with high trading volumes and low volatility. Nonetheless, as the process to acquire, transfer and ultimately sell the marketable securities occurs over approximately several days, some fluctuations are unavoidable.

As the marketable securities are acquired with the intention of a near term sale, they are considered financial instruments that are held for trading, all changes in the fair value of the instruments, between acquisition and disposition, are recognized through profit or loss.

As a result of having utilized this mechanism for intragroup funding for the year ended December 31, 2020, the Company realized a net gain of \$4,602,750 (2019: \$nil), comprised of a favorable foreign currency impact of \$5,514,960 (2019: \$nil) and a trading loss of \$912,211 (2019: \$nil).

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management and definition of capital, the Company considers the items included in shareholders' equity to be capital.

The Company manages the capital structure and makes adjustments, as necessary, in light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including, but not limited to, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

16. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

The Company has estimated the fair values of its financial instruments based on appropriate valuation methodologies. These values are not materially different from their carrying value.

The Company classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets 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).

The Company's financial instruments consist of cash, receivables and other assets, and trade payables and accrued liabilities. The carrying values of the Company's financial instruments are considered to be reasonable approximations of fair value due to their anticipated short-term nature.

As at December 31, 2020, the Company's financial instruments are exposed to the following financial risks, including credit, liquidity and currency risks:

- (i) Credit risks associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.
- (ii) Liquidity risks associated with the inability to meet obligations as they become due is minimized through the management of its capital structure as explained on Note 15 and by maintaining good relationships with significant shareholders and creditors, such as Zebra. The Company also closely monitors and reviews its costs to date and actual cash flows on a monthly basis.

The maturities of the Company's financial liabilities as at December 31, 2020 are as follows:

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars, unless otherwise stated)

	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	4,097,835	4,097,835	-	-
Lease liabilities	13,013	13,013	-	-
Total	4,110,848	4,110,848	-	-

(iii) Foreign currency risk can arise when the Company or its subsidiaries transact or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

At December 31, 2020, the Company's largest foreign currency risk exposures existed at the level of its Canadian headquarters and at its Chilean operating subsidiary, Frontera Chile Limitada, where the Company held a net financial asset position denominated in US dollars having a Canadian dollar equivalent of approximately \$1.4 million, and a net financial liability position denominated in US dollars having a Canadian dollar equivalent of approximately \$1.1 million, respectively. A 10% change in the foreign exchange rate between the US dollar and the Canadian dollar, the functional currency of Filo Mining, or between the US dollar and the Chilean peso, the functional currency of Frontera Chile Limitada., would give rise to increases/decreases of approximately \$141,000 and \$115,000, respectively, in financial position/comprehensive loss.

17. COVID-19 IMPACT AND RESPONSE

On March 11, 2020, the World Health Organization officially declared the global outbreak of the novel coronavirus, COVID-19, a pandemic. The impacts of COVID-19 on global commerce and financial markets to date have been broad and significant.

The Company continues to respond to the COVID-19 pandemic within the framework of internal protocols, and local and national health authority requirements and recommendations. The health and safety of the Company's employees, contractors, visitors, and stakeholders remain Filo Mining's top priority. Since March 2020, the Company has implemented travel restrictions, surveillance, monitoring and response plans to reduce the risk of COVID-19 exposure and outbreak, including health screening of personnel when appropriate.

The Company's current COVID-19 operating protocol has enabled it to undertake and substantially complete its 2020/2021 field program, which is currently scheduled to conclude in April 2021. However, any tightening/retightening of COVID-19-related travel restrictions or new developments in local or national health protocols, particularly in Chile and Argentina, would likely impact future activities and result in a reduction to the Company's cash expenditures and exploration costs. As of the date of these consolidated financial statements, the Company cannot be certain of the impact of the COVID-19 pandemic on its financial position, results of operations and cash flows.

The Company's longer term business plans remain dependent on its ability to obtain additional financing through global financial markets. Should the COVID-19 pandemic and/or the general depression of financial markets persist in the longer term, the Company's ability to access financing on favorable terms may be negatively impacted.