Pima Zinc Corp.

Consolidated Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in U.S. Dollars)

FRUCI & ASSOCIATES II
A Professional Limited Liability Company
802 N Washington
Spokane, WA 99201

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Pima Zinc Corp.

Opinion
We have audited the financial statements of Pima Zinc Corp., which comprise the statements of financial position as of December 31, 2019 and 2018, and statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the financial statements). In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pima Zinc Corp. as of December 31, 2019 and 2018, and its financial performance and its cash flows for each of the years in the two-year period ended December 31, 2019, in accordance with International Financial Reporting Standards (IFRS).

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the financial statements, which indicates that the Company had not generated profitable operations, had substantial accumulated losses, and expects further losses in the future. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that casts substantial doubt on Pima Zinc Corp.'s ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Fruci & Associates II, PLLC

Fruci & Associates ll, PLLC

We have served as the Company's auditor since 2012.

Spokane, WA
June 18, 2020

PIMA ZINC CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in U.S. Dollars)

		December 31, 2019		December 31, 2018
ASSETS				
Current assets				
Cash	**$**	**26,860**	$	108,923
Deposits (note 4)		**-**		125,812
Total assets	**$**	**26,860**	$	234,735
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (notes 5 and 10)	**$**	**140,701**	$	50,121
Notes payable - related parties (note 10)		**5,612**		5,612
		146,313		55,733
Shareholders' equity				
Capital stock (note 6)		**3,867,771**		3,343,161
Shares to be issued (note 6)		**-**		613,818
Reserve for share-based payments (note 8)		**332,000**		332,000
Reserve for warrants (note 9)		**1,205,647**		888,000
Accumulated deficit		**(5,524,871)**		(4,997,977)
Total shareholders' equity		**(119,453)**		179,002
Total liabilities and shareholders' equity	**$**	**26,860**	$	234,735

Nature of operations and going concern (note 1)
Subsequent event (note 14)

Approved on behalf of the Board:

(Signed) "Daniel Nauth", Director

(Signed) "David MacMillan", Director

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

PIMA ZINC CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in U.S. Dollars)

		Year ended		
		December 31, 2019		December 31, 2018
OPERATING EXPENSES:				
Consulting fees (note 10)	$	**62,932**	$	55,286
Directors fees		**16,000**		-
Exploration and evaluation expenditures (note 4)		**325,132**		21,526
Professional fees		**38,608**		64,460
General and administrative expenses		**7,571**		13,675
Transfer agent and filing fees		**9,581**		-
		(459,824)		(154,947)
Loss on settlement of debt		**(68,448)**		(133,447)
Foreign exchange gain		**1,378**		2,479
NET LOSS	$	**(526,894)**	$	(285,915)
NET LOSS PER SHARE				
- BASIC AND DILUTED	$	**(0.04)**	$	(0.06)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED		**13,615,126**		4,617,374

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

PIMA ZINC CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS

(Expressed in U.S. Dollars)

	Common Stock Shares	Common Stock Amount	Shares to be Issued	Reserve for Warrants	Reserve for Share based payments	Accumulated Deficit	Total Shareholders' Equity
Balance, December 31, 2017	4,617,374	$ 3,343,161	$ -	$ 888,000	$ 332,000	$ (4,712,062)	$ (148,901)
Proceeds received for shares to be issued (Note 5)	-	-	282,584	-	-	-	282,584
Debt settlements - shares to be issued (Note 5)	-	-	331,234	-	-	-	331,234
Net loss for the period	-	-	-	-	-	(285,915)	(285,915)
Balance, December 31, 2018	4,617,374	$ 3,343,161	$ 613,818	$ 888,000	$ 332,000	$ (4,997,977)	$ 179,002
Shares issued for cash (note 6)	7,400,000	282,584	(282,584)	-	-	-	-
Shares issued for debt settlement (note 6)	8,126,122	385,053	(331,234)	-	-	-	53,819
Shares issued for directors' fees (note 6)	200,000	6,000	-	-	-	-	6,000
Shares issued for exploration assets (note 6)	5,000,000	168,620	-	-	-	-	168,620
Valuation of warrants issued upon private placement (note 6)	-	(191,885)	-	191,885	-	-	-
Valuation of warrants issued upon debt settlement (note 6)	-	(125,762)	-	125,762	-	-	-
Net loss for the period	-	-	-	-	-	(526,894)	(526,894)
Balance, December 31, 2019	**25,343,496**	**$ 3,867,771**	**$ -**	**$ 1,205,647**	**$ 332,000**	**$ (5,524,871)**	**$ (119,453)**

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

PIMA ZINC CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. Dollars)

	Year ended December 31, 2019	December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ **(526,894)**	$ (285,915)
Adjustment to reconcile net loss to net cash used by operating activities:		
Exploration and evaluation expenditures	**168,620**	-
Loss on settlement of debt	**68,448**	133,447
Changes in assets and liabilities:		
Deposits	**125,812**	(125,812)
Accounts payable and accrued liabilities	**81,951**	99,864
Net cash used by operating activities	**(82,063)**	(178,416)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds received for shares issued (note 6)	-	282,584
Net cash used by financing activities	-	282,584
Net decrease in cash and cash equivalents	**(82,063)**	104,168
CASH, BEGINNING OF YEAR	**108,923**	4,755
CASH, END OF YEAR	$ **26,860**	$ 108,923
Supplementary Information		
Shares issued for settlement of debt	-	331,234
Shares issued for exploration asset	**168,620**	-

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

General

Pima Zinc Corp (hereinafter "Pima" or "the Company") was incorporated under the laws of the State of Idaho in 1916. After several decades of dormancy, the Company reorganized in 1997 as an exploration stage company focused on evaluating, acquiring and exploring mineral prospects with potential for economic deposits. In 2011, the Company was re-domiciled to the Cayman Islands. The Company's head office is located at 401 – 217 Queen Street West, Toronto, ON M5V 0R2.

1. NATURE OF OPERATIONS AND GOING CONCERN

At December 31, 2019 the Company had working capital deficiency of $119,453 (December 31, 2018 – working capital of $179,002) and had not yet achieved profitable operations, had accumulated losses of $5,524,871 (December 31, 2018 - $4,997,977) and expects to incur further losses in the development of its business, all of which raises substantial doubt upon the Company's ability to continue as a going concern. Pima will require additional financing in order to operate and meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These consolidated financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these unaudited interim condensed consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption were not used then the adjustments required to report Pima's assets and liabilities on a liquidation basis could be material to these unaudited interim condensed consolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Company's financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2019.

These audited consolidated financial statements were authorized by the Board of Directors of the Company on June 18, 2020.

2.2 Basis of presentation

The audited financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

2. BASIS OF PREPARATION (continued)

2.3 Basis of Consolidation

These audited consolidated financial statements include the accounts of the Company and its wholly-owned and controlled operating subsidiaries, 1139432 B.C. Ltd and 1139432 Nevada Ltd. The financial statements of its subsidiaries are included in the audited consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions and balances have been eliminated on consolidation. All references to the Company should be treated as references to the Company and its subsidiaries.

2.4 Recent accounting pronouncement

Adoption of New Standards

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 – Leases was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The adoption of this new standard did not have material impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Exploration and evaluation expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mining interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Property, plant and equipment (continued)

Depreciation is provided at rates calculated to write-off the cost of PPE, less their estimated residual value, using the declining balance method or unit-of-production method over the useful life.

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3.3 Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

3.4 Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Share-based payments (continued)

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional dilution in the computation of earnings per share.

3.5 Taxation

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Taxation (continued)

Deferred income tax (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Income (loss) per share

The basic income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. The diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the year ended December 31, 2019, all the outstanding stock options and warrants were antidilutive.

3.7 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company does not have any assets classified as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3.8 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables and promissory notes payable are classified as other-financial-liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At December 31, 2019, the Company has not classified any financial liabilities as FVTPL.

3.9 Impairment of financial liabilities

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale
If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3.11 Cash

Cash in the statement of financial position comprises cash at banks and on hand.

3.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

3.14 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities.

3.15 Foreign currency transactions

Functional and presentation currency
Items included in the financial statements of each of the entity are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company is the Canadian dollar (“CDN”). The financial statements are presented in U.S. Dollars which is the Company’s presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(Expressed in US dollars)

4. EXPLORATION AND EVALUATION EXPENDITURES

Pima Zinc Property

On August 9, 2018, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of 1139432 B.C. Ltd., who controls a 100% interest in the Pima Zinc property located in southern Arizona, USA.

The Pima Zinc Property consists of 133 BLM unpatented lode mining claims with a total area of 2,506 acres and, subject to approval, 7 Arizona State Land Department Mineral Exploration permit applications for an additional 2,080 acres.

Pursuant to the terms of the Purchase Agreement, the Company acquired all of the issued and outstanding shares of 1139432 B.C. Ltd., a private company, which controls a 100% interest in the Pima Zinc Property, in consideration of a cash payment of CAD $165,000 (USD $125,813) and the issuance of 5,000,000 common shares of the Company to the existing shareholders of 1139432 B.C. Ltd., on a pro-rata basis. The fair market value of the issued shares was $168,620 and were reported on the Statement of Comprehensive Loss. The transaction closed on July 24, 2019.

During the year ended December 31, 2019, the Company incurred claim costs in the amount of $25,670 (December 31, 2018 - $21,526) related to the project and total acquisition costs of $299,462 (2018 - $nil).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration and acquisition costs and general operating activities.

The following is an aged analysis of the trade and other payables:

	December 31, 2019	December 31, 2018
Trade payables	**$ 103,701**	$ 37,421
Accrued liabilities	**37,000**	12,700
Total Trade and Other Payables	**$ 140,701**	$ 50,121

(Expressed in US dollars)

6. CAPITAL STOCK

Share Capital

Pima is authorized to issue an unlimited number of common shares. The issued and outstanding common shares at December 31, 2019 consist of the following:

	Number	Amount ($)
Balance at December 31, 2018	**4,617,374**	**3,343,161**
Shares issued on Private Placement	**7,400,000**	**282,584**
Shares issued on purchase of 1139432 B.C. Ltd.	**5,000,000**	**168,620**
Shares issued on debt settlement	**8,126,122**	**385,053**
Shares issued for directors' fees	**200,000**	**6,000**
Fair market value of warrants issued	**-**	**(317,647)**
Balance at December 31, 2019	**25,343,496**	**3,867,771**

Shares issued

- During the year ended December 31, 2019, the Company recognized a loss on settlement of debt on the transaction as the value of the 8,126,122 units valued at $391,053 exceeded the value of the debt settled of $322,605 resulting in a loss on settlement of debt of $68,448.

- During the year ended December 31, 2018, consideration of $282,584 ($369,955 CAD) been received pertaining to share subscriptions for 7,400,000 units. Each unit is comprised of one common share in the capital of the Company, and one common share purchase warrant, each warrant entitles the holder thereof to acquire one common share at an exercise price of $0.10 (CAD) per common share for a period of two years from the date of the issuance. These common shares were issued on July 24, 2019.

- On July 24, 2019, the Company issued 5,000,000 common shares pursuant to the Purchase Agreement with 1139432 B.C. Ltd. Please see note 4.

- On July 24, 2019, 200,000 common shares were issued directors' fees.

(Expressed in US dollars)

6. CAPITAL STOCK (continued)

Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the year ended December 31, 2019:

	Number	**Weighted-Average Exercise Price**	**Expiry Date**
Balance at December 31, 2018	**-**	**-**	
Granted – Private Placement	**7,400,000**	**$0.10**	July 24, 2021
Granted – Debt Settlement	**4,063,060**	**$0.05**	July 24, 2022
Balance at December 31, 2019	**11,463,060**	**$0.08**	

Date of Grant	**Warrants Granted**	**Exercise Price**	**Expiry Date**
July 24, 2019	**7,400,000**	**$0.10**	July 24, 2021
July 24, 2019	**4,063,060**	**$0.05**	July 24, 2022
	11,463,060		

The fair value of the warrants issued is determined using the Black-Scholes model for pricing options under the following assumptions:

	December 31, 2019
Expected dividend yield	Nil
Risk free interest rate	1.80% to 1.83%
Expected volatility	198.81% - 202.96%
Expected life	2-3 years
Share price (CDN)	$0.05 -$0.10

Expected volatility is based on historical data.

7. SHARE BASED PAYMENTS

Pima established a stock option plan (“Plan”) to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. The Plan authorizes the granting of stock options to employees, directors and consultants and may not exceed 10% of the Company's issued and outstanding common shares. Options vest immediately and expire on the fifth anniversary from the date of issue unless otherwise specified.

As at December 31, 2019 and 2018, there are no stock options outstanding.

(Expressed in US dollars)

8. RESERVE FOR SHARE-BASED PAYMENTS

	December 31, 2019	December 31, 2018
Balance at beginning of year	**$ 332,000**	$ 332,000
Balance at end of year	**$ 332,000**	$ 332,000

9. RESERVE FOR WARRANTS

	December 31, 2019	December 31, 2018
Balance at beginning of year	**$ 888,000**	$ 888,000
Valuation of warrants issued – private placement	**191,885**	-
Valuation of warrants issued – debt settlement	**125,762**	-
Balance at end of year	**$ 1,205,647**	$ 888,000

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

During the year ended December 31, 2019, CAD $10,000 (2018 – CAD $nil) was charged for services by the Chief Financial Officer.

During the year ended December 31, 2019, CAD $3,000 (2018 – CAD $12,000) was charged for services by the former Chief Financial Officer.

During the year ended December 31, 2019, CAD $10,000 (2018 – CAD $nil) was charged for services by the former Chief Financial Officer.

During the year ended December 31, 2019, the Company was charged a total of CAD $18,915 (2018 – CAD $65,612) in legal fees by a law firm in which the former President and former Director of the Company is a partner. During the fiscal year 2018, the Company entered into debt forgiveness and conversion agreements to convert $151,105 (CAD) of indebtedness through the issuance of 4,546,262 units of the Company. Each unit is comprised of one common share in the capital of the Company, and one-half of a common share purchase warrant, each warrant entitles the holder thereof to acquire one common share at an exercise price of $0.05 (CAD) per common share for a period of three years form the date of the issuance. The shares were issued on July 24, 2019 (note 6).

These expenses have been measured at their exchange amount, being the amounts negotiated and agreed to by the parties to the transactions. As at December 31, 2019, $15,975 (2018 - $26,000) of amounts due to related parties is included in accounts payable and accrued liabilities.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As of December 31, 2019, $5,612 (2018 - $5,612) in interest accrued on promissory notes previously issued by directors and officers is still outstanding to be paid.

11. MANAGEMENT OF CAPITAL

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year December 31, 2019. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserves, and accumulated deficit, which as at December 31, 2019 totaled $126,425 (December 31, 2018 - $179,002).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

12. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Company designed its cash as Fair Value Through Profit and Loss ("FVTPL") instruments, which is measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of the Company's cash, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject in and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

12. FINANCIAL INSTRUMENTS (continued)

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit Risk
The Company is not exposed to major credit risk attributable to customers. Additionally, the majority of the Company's cash is held with a high rated Canadian financial institution in Canada.

Interest Rate Risk
The Company invests cash surplus to its operational needs in investment-grade short term deposits certificates issued by the bank where it keeps its Canadian and U.S. Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposits certificates. A change in the interest rate of 1% would cause interest income to change by less than $300 (December 31, 2018 - $1,000).

Foreign Currency Risk
The Company's funds are predominantly kept in Canadian dollars, with a major Canadian financial institution. As at December 31, 2019 and 2018, the Company believes that it is not exposed to major foreign currency risks.

Liquidity Risk
The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had current assets of $26,860 (December 31, 2018 - $234,735) and current liabilities of $146,313 (December 31, 2018 - $55,733). All of the Company’s financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. The Company currently has a working capital deficiency of $119,453 (December 31, 2018 – working capital of $179,002).

13. INCOME TAXES

The following table reconciles the income tax provision from the expected amount based on statutory rates to the amount reported:

	2019	2018
Components of the income tax provision:		
Income taxes at statutory tax rates	**$ (140,000)**	$ (76,000)
Non-deductible expenses and other	**9,000**	21,000
Change in valuation allowance	**131,000**	55,000
Income tax expense	**$ -**	$ -

The Canadian statutory income tax rate of 26.5% (2018 – 26.5%) is comprised of the federal income tax rate at approximately 15.0% (2017 – 15.0%) and the provincial income tax rate of approximately 11.5% (2018 – 11%).

(Expressed in US dollars)

13. INCOME TAXES (continued)

The primary differences which give rise to deferred income tax assets at December 31, 2018 and 2017 are as follows:

	2019	2018
Deferred income tax assets		
Non-capital losses carried forward	**$ 1,058,000**	$ 935,000
	1,058,000	935,000
Less: deferred tax asset not recognized	**(1,058,000)**	(935,000)
Net deferred income tax assets	**$ -**	$ -

As at December 31, 2019, the Company has available for carry forward non-capital losses of $3,613,000 (December 31, 2018 - $3,120,000) expiring through to 2039.

14. SUBSEQUENT EVENT

Subsequent to year end, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.