CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021

COLLECTIVE MINING LTD.
Consolidated Statement of Financial Position (unaudited)
(All amounts expressed in U.S. Dollars, unless otherwise indicated)

As at	Note	**June 30, 2021**	**December 31, 2020**
		$	$
ASSETS			
Current assets:			
Cash and cash equivalents		**12,026,246**	1,717,385
Receivables and prepaid expenses	8	**186,558**	446,806
Inventories		**3,576**	–
		12,216,380	2,164,191
Non-current assets:			
Equipment and other fixed assets	9	**334,918**	165,849
Intangible assets		**3,014**	7,536
Other assets		**57,559**	–
		395,491	173,385
Total assets		**12,611,871**	2,337,576
LIABILITIES AND EQUITY			
Current liabilities:			
Account payables and accrued liabilities		**909,962**	218,244
Warrants liability	11	**10,822,222**	–
Other current liabilities	12	**828,184**	127,970
		12,560,368	346,214
Non-current liabilities:			
Lease liability	13	**100,413**	98,321
		100,413	98,321
		12,660,781	444,535
Equity:			
Share capital	17	**14,371,982**	3,050,813
Contributed surplus		**1,091,875**	542,698
Deficit		**(15,512,767)**	(1,700,470)
		(48,910)	1,893,041
Total liabilities and equity		**12,611,871**	2,337,576

Commitments and contingencies	21
Subsequent events	11(a), 19

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

ON BEHALF OF THE BOARD:

Ari Sussman
Executive Chairman

Paul Begin
CFO

COLLECTIVE MINING LTD.
Consolidated Statement of Operations and Comprehensive Loss (unaudited)
(All amounts expressed in U.S. Dollars, unless otherwise indicated)

		For the three months ended June 30		For the six months and period ended June 30	
	Note	**2021**	2020	**2021**	2020 [1]
		$	$	**$**	$
Expenses					
Exploration and evaluation	20(a)	**(1,330,616)**	(404,806)	**(2,754,622)**	(404,806)
General and administration	20(b)	**(673,238)**	(14,978)	**(1,339,645)**	(14,978)
RTO Transaction and public listing costs	6	**(1,512,215)**	–	**(1,512,215)**	–
		(3,516,069)	(419,784)	**(5,606,482)**	(419,784)
Other income (expense)					
Revaluation of warrants liability	11(c)	**(7,941,964)**	(132,119)	**(7,941,964)**	(132,119)
Foreign exchange gain (loss)		**(139,927)**	4,466	**(133,458)**	4,466
Other (expense) income		**10,326**	–	**8,210**	–
Net loss before finance items and income tax		**(11,587,634)**	(547,437)	**(13,673,694)**	(547,437)
Finance income(expense)					
Finance costs	20(c)	**(132,172)**	–	**(138,603)**	–
Net loss before income tax		**(11,719,806)**	(547,437)	**(13,812,297)**	(547,437)
Income tax		**–**	–	**–**	–
Net loss and comprehensive loss		**(11,719,806)**	(547,437)	**(13,812,297)**	(547,437)
Basic and diluted loss per common share		**(0.38)**	(0.05)	**(0.52)**	(0.07)
Weighted average common shares outstanding, basic and diluted	17(b)vi	**30,480,715**	11,236,958	**26,357,349**	8,395,745

1 – For the period from February 11, 2020

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

COLLECTIVE MINING LTD.
Consolidated Statement of Cash Flows (unaudited)
(All amounts expressed in U.S. Dollars, unless otherwise indicated)

		For the three months ended June 30		For the six months and period ended June 30	
	Note	**2021**	2020	**2021**	2020 [1]
		$	$	**$**	$
Cash flows used in operating activities					
Net loss		**(11,719,806)**	(547,437)	**(13,812,297)**	(547,437)
Items not involving cash and cash equivalents:					
Public listing cost	6	**1,309,047**	–	**1,309,047**	–
Revaluation of warrants liability	11	**7,941,964**	132,119	**7,941,964**	132,119
Finance costs	20(c)	**132,172**	–	**138,603**	–
Foreign exchange (gain) loss		**139,927**	(4,466)	**133,458**	(4,466)
Share-based compensation	20(b)	**320,901**	–	**446,544**	–
Depreciation and amortization	20(a),(b)	**27,010**	–	**47,027**	–
Net changes in working capital items:					
Receivables and prepaid expenses		**(112,554)**	(443,480)	**179,914**	(515,045)
Inventories		**1,042**	–	**(3,576)**	–
Net assets acquired from RTO Transaction	6	**463,559**	–	**463,559**	–
Trade payables and accrued liabilities		**(23,622)**	364,977	**682,988**	364,977
		(1,520,360)	(498,287)	**(2,472,769)**	(569,852)
Cash flows from financing activities					
Cash proceeds from issuance of shares or subscription units	17	**12,427,506**	171,625	**12,427,506**	243,189
Financing costs incurred	20(d)	**(107,078)**	–	**(113,509)**	–
Cash proceeds/advances from warrant exercises	12, 17	**774,173**	353,105	**774,173**	353,105
Cash proceeds from option exercises	17,18	**–**	–	**78,854**	–
Repayment of loan and related party payables	12, 14(a)	**(40,761)**	–	**(83,452)**	–
Principal portion of lease payments	13, 20(d)	**(12,348)**	–	**(24,432)**	–
		13,041,492	524,730	**13,059,140**	596,294
Cash flows used in investing activities					
Acquisition of fixed assets	9	**(98,492)**	–	**(160,182)**	–
		(98,492)	–	**(160,182)**	–
Net change in cash and cash equivalents during the period		**11,422,640**	26,443	**10,426,189**	26,442
Cash and cash equivalents, beginning of period		**704,161**	–	**1,717,385**	–
Foreign exchange effect on cash balances		**(100,555)**	2,791	**(117,328)**	2,792
Cash and cash equivalents, end of period		**12,026,246**	29,234	**12,026,246**	29,234

1 – For the period from February 11, 2020

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

COLLECTIVE MINING LTD.
Consolidated Statement of Changes in Equity (unaudited)
(All amounts expressed in U.S. Dollars, unless otherwise indicated)

	Note	Number of shares issued and outstanding	Share capital	Contributed surplus	Deficit	Total
			$	$	$	$
Balance January 1, 2021		**21,617,465**	**3,050,813**	**542,698**	**(1,700,470)**	**1,893,041**
Issuance of shares – RTO	**6, 17**	**2,785,000**	**1,772,606**	**–**	**–**	**1,772,606**
Issuance of shares – Offering	**11(a), 17**	**15,000,000**	**12,427,506**	**–**	**–**	**12,427,506**
Fair value of warrants issued	**11(a)**	**–**	**(2,880,258)**	**–**	**–**	**(2,880,258)**
Finders' Units	**17, 19**	**534,500**	**340,200**	**102,633**	**–**	**442,833**
Exercise of options	**17, 18**	**500,000**	**78,854**	**–**	**–**	**78,854**
Share-based compensation	**18**	**–**	**–**	**446,544**	**–**	**446,544**
Share issue costs	**11(c), 17**	**–**	**(417,739)**	**–**	**–**	**(417,739)**
Net loss for the period		**–**	**–**	**–**	**(13,812,297)**	**(13,812,297)**
Balance June 30, 2021		**40,436,965**	**14,371,982**	**1,091,875**	**(15,512,767)**	**(48,910)**
Balance February 11, 2020		–	–	–	–	–
Subscription of shares	17	12,400,000	243,189	–	–	243,189
Fair value of warrants issued	11(c)	–	(35,909)	–	–	(35,909)
Exercise of warrants	11(c), 17	2,400,000	353,105	168,028	–	521,133
Net loss for the period		–	–	–	(547,437)	(547,437)
Balance June 30, 2020		14,800,000	560,385	168,028	(547,437)	180,976

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

Tabular dollar amounts represent United States ("U.S.") dollars, unless otherwise shown. References to C$/CAD and COP are to Canadian dollars and Colombian pesos, respectively.

1. NATURE OF OPERATIONS

Collective Mining Inc. ("CMI" or "Old Collective") was incorporated under the Business Corporations Act (Ontario) on February 11, 2020 and is the holding company of the wholly-owned subsidiary Collective Mining Limited (formerly known as Collective Mining (Bermuda) Ltd.), a Bermuda company incorporated under the Bermuda Companies Act 1981. In addition, wholly owned subsidiaries, incorporated in Colombia, hold certain exploration properties. CMI is controlled by a founding shareholder, who is also the Executive Chairman of the Board of Directors.

On May 20, 2021, CMI and POCML 5 Inc. ("POCML"), a company listed on the Toronto Stock Venture Exchange (the "TSXV"), completed a three-cornered amalgamation resulting in a reverse take-over of POCML by CMI (the "RTO" or the "RTO Transaction") with the resulting issuer now operating as Collective Mining Ltd. ("CML") (See Note 6).

On May 20, 2021, pursuant to the closing of the RTO, CML's common shares were accepted for listing and began trading on the TSXV under the symbol "CNL".

The registered office for CML is located at 82 Richmond St E 4th Floor Toronto, Ontario, Canada.

CML and its subsidiaries (collectively referred to as the "Company") are principally engaged in the acquisition, exploration and development of mineral properties located in South America. The Company principally carries on business through an Ontario corporation and a foreign company branch office in Colombia.

To date, the Company has not generated any revenue from mining or other operations as it is considered to be in the exploration stage.

2. BASIS OF PREPARATION

Statement of Compliance

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with IFRS.

These unaudited interim consolidated financial statements were approved and authorized by the Board of Directors of the Company on August 24th, 2021.

Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities, which are measured at fair value.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. Any remaining interest in the entity is re-measured to fair value on the date when control is lost, with the change in carrying amount recognized in profit or loss.

The principal subsidiaries of the Company, their activities, and their geographic locations as at June 30, 2021 were as follows:

Name	Country of incorporation	Principal place of business	Nature of business
Collective Mining Inc.	Canada	Canada	Holding company
Collective Mining Limited[1]	Bermuda	Colombia	Exploration
Minerales Provenza SAS	Colombia	Colombia	Exploration
Minera Campana SAS	Colombia	Colombia	Exploration

1 Formerly known as Collective Mining (Bermuda) Ltd.

Intercompany transactions, balances and unrealized gains and losses on transactions between group entities are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Company.

Functional and Reporting Currency

The functional currency of the Company and its subsidiaries is the U.S. dollar. Functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21"). All financial information in these consolidated financial statements has been presented in U.S. dollars, except when otherwise indicated.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the chief executive officer of the Company that makes strategic decisions.

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, taking into account previous experience. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about estimates, assumptions and other sources of estimation uncertainty as at June 30, 2021 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are as follows:

(a) ***Functional currency:***

Management is required to assess the functional currency of each entity of the Company. In concluding the functional currencies of the parent and its subsidiary companies, management considered the currency that both mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates and in which a significant portion of costs are denominated or contracted. While the local currency generally influences the goods and services received in each jurisdiction in which the Company operates, a significant portion of the Company's costs are denominated, negotiated and/or contracted in U.S. dollars, the majority of which relate to exploration activities. As a result, the Company also considered secondary indicators including the currency in which funds from financing activities are retained by the parent to fund subsidiary operations.

(b) ***Warrants and share-based compensation:***

The Company issues common share purchase warrants as part of unit placements in equity financing raises and also provides compensation benefits to employees, directors and officers through a stock option plan. The fair value of each warrant or option award is estimated using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of comparable companies. The risk-free rate for the expected term of the warrant or option is based on the Government of Canada yield curve in effect at the time of issue or grant. Management judgement is utilized to estimate option exercises and forfeiture behavior with the valuation model in respect of options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the period-end exchange rate. Non-monetary items which are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the initial recognition of the transaction. Revenue, expense items and capitalized exploration expenditures are translated using the rate at the date of the transaction, except for depreciation and amortization, which are translated at historic rates.

(b) Financial instruments

Measurement – Initial Recognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and liabilities are recorded at fair value, adjusted for attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss ("FVTPL"). Transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities. Management determines the classification on initial recognition.

Financial Assets

Financial assets are classified and measured at FVTPL, fair value through other comprehensive income ("FVOCI"), or amortized cost, as appropriate. The classification depends on the purpose for which the financial assets were acquired.

Financial assets are classified as FVTPL when the financial asset is either held for trading or is designated as FVTPL. Realized and unrealized gains and losses arising from changes in fair value are recognized in profit or loss. The Company currently has no financial assets classified as FVTPL.

Financial assets classified as FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election on initial recognition to measure the assets at FVOCI. The Company currently has no financial assets classified as FVOCI.

Financial assets at amortized cost are non-derivative financial assets that are held for collection of contractual cash flows, where those cash flows represent repayments of principal and interest. The Company's cash and cash equivalents and receivables are classified as financial assets at amortized cost.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements.

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

Company's accounts payable and accrued liabilities, loan payable and related party payable are classified as financial liabilities at amortized cost.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as proceeds received, net of direct issue costs.

Derivatives

Derivative assets and liabilities that do not qualify as hedges or are not designated as hedges and are classified as FVTPL.

Warrants Liability

From time to time, the Company has common share purchase warrants denominated in Canadian dollars, which are classified as derivative financial liabilities, presented as warrants liability and measured at fair value until the instruments are exercised or extinguished ("Warrants"). Proceeds from unit placements are allocated between shares and Warrants issued on a pro-rata basis of their fair value within the unit. Fair value for the Warrants is determined using the Black-Scholes option pricing model. Incremental costs directly attributable to unit placements, including the value of any additional units issued to eligible finders of the unit placements ("Finders' Units"), are allocated on a pro-rata basis between shares and Warrants, with the portion allocated to Warrants recognized as an expense in the statement of operations and comprehensive loss. Any gain or loss arising from the revaluation of a Warrant is recognized in profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or are transferred or when the Company no longer retains substantially all the risks and rewards of ownership. On derecognition, the difference between the carrying amount measured at the date of derecognition and consideration received is recognized in profit or loss, except for financial assets at FVOCI, for which the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand or on deposit with banks, short-term investments which are readily convertible into cash, or which have maturities of 90 days or less.

(d) Properties, plant and equipment

Properties, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location 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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of each asset is calculated using the straight-line method or units of production, as appropriate, to allocate its cost less its residual value over its estimated useful life, as follows:

Computer equipment	3 years
Exploration equipment and structures	5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of operations and comprehensive loss.

(e) Exploration and evaluation expenditures, mineral interests and mineral development costs

Exploration and evaluation expenditures relate to those activities involving the search for mineral deposits with economic potential, the process of obtaining more information about existing mineral deposits, the determination of technical feasibility and the assessment of commercial viability of a mineral interest.

The Company expenses all exploration and evaluation expenditures, including all expenditures incurred under option agreements, within an area of interest until management determines the mineral interest to be technically feasible and commercially viable.

Technical feasibility and commercial viability of a mineral interest generally coincide with the establishment of proven and probable reserves; however, this determination may be impacted by management's assessment of certain modifying factors, including, but not limited to the status of environmental permit applications and the status of mining leases or permits. Upon demonstrating technical feasibility and commercial viability, all subsequent costs directly relating to the development and advancement of the related mineral interest are capitalized as mineral development costs within properties, plant and equipment.

(f) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets

The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are classified as other fixed assets in the consolidated statement of financial position.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. Interest recognized on the consolidated statement of operations and comprehensive loss is classified as a financing cost.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero upon remeasurement of the liability.

(g) Intangible assets

Intangible assets are comprised of computer software acquired separately and are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight-line basis over their useful lives and any accumulated impairment losses.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of operations and comprehensive loss when the asset is de-recognized.

(h) Provisions

Provisions are recognized when a present legal or constructive obligation exists as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate credit-adjusted risk- free rate.

(i) Share capital and contributed surplus

Share capital

Amounts received for the issuance of shares are recognized as an increase in share capital, including amounts received upon exercise of options or warrants. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from share capital.

Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their fair value within the unit using the Black-Scholes option pricing model to determine fair value for the warrants. Incremental costs directly attributable to unit placements, including the value of any Finders' Units issued, are allocated on a pro-rata basis between shares and warrants, with the portion allocated to shares recognized as a deduction from share capital.

Contributed surplus

Additional capital contributions received with no corresponding issuance of shares are recognized as contributed surplus. Upon exercise of Warrants, the fair value of the Warrants on the date of exercise are recognized in contributed surplus.

Contributed surplus – warrants reserve

Any warrants issued as part of Finders' Units ("Finders' Warrants") are valued on the date on which service was received, included in incremental costs attributable to unit placements, allocated between shares and warrants accordingly and classified as warrants reserve, a component of contributed surplus. Subsequent to issue Finders' Warrants are not revalued.

Contributed surplus – share-based payments

The Company has a stock option plan for its employees, directors and other eligible participants ("Participants").

Stock options are granted to Participants to purchase common shares at a price determined at the time of grant. Fair value for stock options granted is determined on grant date using the Black-Scholes option-pricing model. Share-based compensation expense is recorded over the period the options vest, with a corresponding increase to contributed surplus. The Company issues new common shares to satisfy stock option exercises, with the proceeds received, net of any directly attributable transaction costs, credited to share capital.

(j) Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and warrants and their equivalents are reflected in diluted earnings per share by application of the treasury stock method. The treasury stock method calculates the dilutive effect of share options and warrants assuming that the proceeds to be received on the exercise of share options or warrants are applied to repurchase common shares at the average market price of the period.

(k) Income taxes

Current income taxes are recognized for the estimated income taxes payable or recoverable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities. Deferred income tax assets and liabilities are measured using substantially enacted tax rates that apply for the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets are recognized to the extent that it is probable that the asset will be realized.

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following revised standards and amendments, unless otherwise stated, are effective on or after January 1, 2022, with early adoption permitted, and have not been applied in preparing these consolidated financial statements:

(a) IAS 1, Presentation of Financial Statements ("IAS 1") was amended to clarify the classification of liabilities between current and noncurrent to be based on the rights that exist at the end of the reporting period and that such classification is unaffected by the expectations of the entity or events after the reporting date. The changes must be applied retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") and are effective on or after January 1, 2023 with early adoption permitted.

The Company does not expect an impact to its consolidated financial statements on adoption and is considering whether to adopt the change early.

(b) IAS 1 was also amended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective on or after January 1, 2023.

The Company does not expect an impact to its consolidated financial statements on adoption and is considering whether to adopt the change early.

(c) IAS 16, Property, Plant and Equipment ("IAS 16") was amended to prohibit the deduction of proceeds from the sale of items produced from an item of property, plant and equipment while the entity is preparing the asset for its intended use. IAS 16 further clarifies that the financial performance of the asset is not relevant in the assessment of the technical and physical performance of the asset. The changes are effective on or after January 1, 2022. The Company does not plan to adopt this change before it becomes effective.

The Company does not expect an impact to its consolidated financial statements on adoption.

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

6. REVERSE TAKE-OVER

On May 20, 2021, Old Collective and POCML completed a business combination agreement whereby POCML acquired all the issued and outstanding shares of Old Collective and which resulted in a reverse take-over of POCML by Old Collective (the "RTO" or the "RTO Transaction") and constituted POCML's qualifying transaction pursuant to TSXV Policy 2.4.

Upon closing of the RTO Transaction, the issued and outstanding common shares of Old Collective prior to the RTO were exchanged on a one for one basis of the resulting issuer company (the "Resulting Issuer") while every four issued and outstanding shares of POCML prior to the RTO Transaction were exchanged for one common share of the Resulting Issuer. Management and directors of the Resulting Issuer were appointed by Old Collective. Immediately after closing of the RTO Transaction, the Resulting Issuer was renamed to Collective Mining Ltd. ("CML" or the "Company").

The substance of the transaction is a reverse acquisition of a non-operating company with Old Collective being identified as the acquirer. The transaction does not constitute a business combination as POCML did not meet the definition of a business under IFRS 3 – Business Combinations ("IFRS 3"). As a result, the RTO Transaction is accounted for as a share-based payment in accordance with IFRS 2 – Share-Based Payments ("IFRS 2") where the consideration for the RTO Transaction is determined as the fair value of CML shares issued to original POCML shareholders.

On closing of the RTO, the Company issued 2,785,000 common shares to original POCML shareholders. The fair value of CML per share on closing of the RTO Transaction has been determined as C$0.77 per share (See Note 11), resulting in a total fair value of $1,772,606 determined as the purchase consideration for the RTO Transaction. In accordance with IFRS 2, any excess of the fair value of the shares issued by the Company over the fair value of the net monetary assets of POCML acquired is recognized as an expense of listing Old Collective on the TSXV.

	$
Fair value of POCML net assets acquired, May 20, 2021	463,559
Public listing costs expensed	1,309,047
Fair value of 2,785,000 CML shares issued to original POCML shareholders, May 20, 2021	1,772,606

The resulting consolidated financial statements of the combined entity represents the continuation of Old Collective Mining and its subsidiaries ("OldCo") with comparative figures presented in the consolidated financial statements after the RTO are those of OldCo.

Upon the closing of the RTO, assets and liabilities of OldCo were recognized by the Resulting Issuer at carrying values whereas POCML assets and liabilities were accounted for at their fair value. POCML's share capital, contributed surplus and deficit at the time of the RTO Transaction were eliminated and costs totaling $203,168 incurred in respect of the RTO Transaction were expensed. As a result, total RTO Transaction costs including the public listing costs was $1,512,215.

7. OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company's operations comprise a single reporting operating segment engaged in mineral development and exploration in Colombia.

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

8. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses are made up of the following:

As at	June 30, 2021	December 31, 2020
	$	$
Exploration deposit (a)	–	396,961
Prepaid expenses	86,295	41,061
Other receivables (b)	62,609	8,784
Advance to suppliers	37,654	–
	186,558	446,806

(a) Exploration deposit

The exploration deposit was paid on December 23, 2020 to third parties. On January 4, 2021, upon closing of an option agreement in relation to property within the Guayabales Project (the "Second Guayabales Option") (see Note 10(c)), the deposit was applied to the option payments required within the agreement.

(b) Other receivables

Included in other receivables is $55,951 (December 31, 2020 – $8,769) of Harmonized Sales Tax ("HST") refund receivable in Canada.

9. EQUIPMENT AND OTHER FIXED ASSETS

Equipment and other fixed assets consist of the following:

	Exploration Equipment and structures	Computer Equipment	Leasehold Improvement	Right of use assets (a)	Total
	$	$	$	$	$
Opening net book value, January 1, 2021	20,315	20,971	–	124,563	165,849
Additions	51,038	37,406	71,738	51,391	211,573
Disposals and write-downs	–	–	–	–	–
Depreciation (b)	(4,759)	(6,220)	(2,988)	(28,537)	(42,504)
Net book value, June 30, 2021	66,594	52,157	68,750	147,417	334,918
Balance, June 30, 2021					
Cost	73,105	59,220	71,738	187,278	391,341
Accumulated depreciation	(6,511)	(7,063)	(2,988)	(39,861)	(56,423)
Net book value	66,594	52,157	68,750	147,417	334,918

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

	Exploration Equipment and structures	**Computer Equipment**	**Leasehold Improvement**	**Right of use assets (a)**	**Total**
	$	**$**	**$**	**$**	**$**
Opening net book value, February 11, 2020	–	–	–	–	–
Additions	22,067	21,813	–	135,887	179,767
Disposals and write-downs	–	–	–	–	–
Depreciation (b)	(1,752)	(842)	–	(11,324)	(13,918)
Net book value, December 31, 2020	20,315	20,971	–	124,563	165,849
Balance, December 31, 2020					
Cost	22,067	21,813	–	135,887	179,767
Accumulated depreciation	(1,752)	(842)	–	(11,324)	(13,918)
Net book value	20,315	20,971	–	124,563	165,849

(a) Right of use assets

Right of use assets are comprised of vehicle leases with terms of 3 years and a warehouse lease with an initial term of 2 years plus an extension for an additional term of 2 years. The value of additions is determined as the present value of lease payments at the inception of the lease (see Note 13).

(b) Depreciation

Depreciation expense for the three and six months ended June 30, 2021 of $24,749 and $42,504, respectively (three months ended and period from February 11, 2020 to June 30, 2020 – $nil), was recognized within exploration and evaluation expenses and general and administration expenses in the consolidated statement of operations and comprehensive loss.

10. MINERAL INTERESTS

(a) San Antonio Project

On July 9, 2020, the Company entered into an option agreement with a third party to acquire the San Antonio Project. The San Antonio project is located approximately 80km south of Medellín. It is situated in the Middle Cauca belt in the Department of Caldas, Colombia.

The option agreement provides the Company the right to explore, develop and acquire the property over a seven-year term, expiring on July 9, 2027, for total payments over the term of the agreement of $2,500,000 and a 1.5% NSR upon reaching commercial production. The Company has the option to pay an additional $2,500,000 to the optionor in lieu of the 1.5% NSR.

The exploration and development program, including the amount of expenditures, is at the sole discretion of the Company during the term of the agreement.

For the three and six months ended June 30, 2021, the Company has recognized $1,150,000 and $1,598,000, respectively (three months ended and period from February 11, 2020 to June 30, 2020 – $nil) as exploration and evaluation expense in the consolidated statement of operations.

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

Summary:

Option payments under the agreement are as follows:

	$
August 8, 2020	30,000
July 9, 2021	50,000
July 9, 2022	100,000
July 9, 2023	150,000
July 9, 2024	250,000
July 9, 2025	420,000
July 9, 2026	750,000
July 9, 2027	750,000
	2,500,000
Upon reaching commercial production[1]	2,500,000
	5,000,000

1 Based on the assumption that the Company elect to pay the 7.5% NSR.

As the Company has the option to terminate the agreement at any time, upon notification to the optionor, the Company has not recognized any option payments payable in the future under the agreement in its consolidated statement of financial position.

(b) The Guayabales Project

i. First Guayabales Option

On June 24, 2020, the Company entered into an option agreement with a third party to explore, develop and acquire property within the Guayabales Project (the “First Guayabales Option”). The Guayabales Project is located in the Middle Cauca belt in the Department of Caldas, Colombia.

The terms of the agreement are as follows:

Phase 1:

The Company must incur a minimum of $3,000,000 of exploration and evaluation expenditures in respect of property within the First Guayabales Option and make total option payments of $2,000,000 over a maximum four-year term ending on or before June 24, 2024, to proceed to Phase 2 of the agreement.

For the three and six months ended June 30, 2021, the Company has recognized $175,000 and $451,000, respectively (three months ended and period from February 11, 2020 to June 30, 2020 – $404,806), including option payments of $nil and $200,000, respectively (three months ended and period from February 11, 2020 to June 30, 2020 – $350,000), as exploration and evaluation expense in the consolidated statement of operations in respect of Phase I of the First Guayabales Option.

Phase 2:

To acquire a 90% interest in the property within the First Guayabales Option, the Company must incur a minimum of $10,000,000 of exploration and evaluation expenditures in respect of such property and make total option payments of $2,000,000, payable in equal instalments of $166,666 semi-annually over a maximum six-year term, commencing at the end of Phase 1.

Phase 3:

To acquire the remaining 10% interest in the property within the First Guayabales Option, the Company has the following options:

- acquire 0.625% each year to a total of 10% by paying $250,000 semi-annually, commencing at the end of Phase 2, to a total of $8,000,000 in lieu of the NSR;

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

- pay a one-time payment of $8,000,000 in lieu of the NSR; or
- provide notice that the Company has elected to pay a 1% NSR commencing on the first calendar day of each month after 85% of the processing plant capacity has been achieved in exchange for the remaining 10% interest.

In addition, the Company is required to fund and complete all development and construction activities to bring the project to commercial production.

Summary:

The following is a summary of the option payments and exploration expenditures required to acquire 100% of the property under the First Guayabales Option:

		Option Payments	Exploration Expenditures	Total
		$	$	$
Total Phase 1	June 24, 2020 – June 24, 2024	2,000,000	3,000,000	5,000,000
Total Phase 2	June 24, 2024 – June 24, 2030	2,000,000	10,000,000	12,000,000
Total Phase 3	To commercial production	8,000,000[1]	–	8,000,000
		12,000,000	13,000,000	25,000,000

1 Based on the assumption that the Company does not elect to pay the NSR.

The Company has the option to terminate the agreement at any time, upon notification to the optionor. As a result, the Company has not recognized any option payments payable in the future under the agreement in the consolidated statement of financial position.

ii. Second Guayabales Option

On January 4, 2021, the Company entered into the Second Guayabales Option with another third party to explore, develop and acquire additional property within the Guayabales Project.

The terms of the agreement are as follows:

Phase 1:

The option agreement provides the Company the right to explore the property within the Second Guayabales Option over a four-year term, expiring on January 2, 2025, for total payments over the term of the agreement of $1,750,000, with minimum payments of $1,000,000 if the agreement is terminated on or before January 3, 2022.

For the three and six months ended June 30, 2021, the Company has recognized option payments of $nil and $700,000, respectively (three months ended and period from February 11, 2020 to June 30, 2020 – $nil), as exploration and evaluation expense in the consolidated statement of operations in respect of Phase I of the Second Guayabales Option and representing the required minimum option payments prior to July 3, 2021. As at June 30, 2021, $300,000 was included in accounts payable and accrued liabilities, representing the unpaid portion of the required minimum option payments prior to July 3, 2021.

Phase 2:

The option agreement provides the Company the right to explore the property within the Second Guayabales Option over a second four-year term between January 2, 2025 to January 2, 2029 for total payments over the term of $1,000,000.

Phase 3:

Upon completion of Phase 2, the Company is required to pay a total of $4,300,000 over a two-year period ending on January 2, 2030 to acquire 100 percent of the property within the Second Guayabales Option.

Summary:

The following is a summary of the option payments to acquire the property under the Second Guayabales Option:

	$
Total Phase 1	1,750,000
Total Phase 2	1,000,000
Total Phase 3	4,300,000
	7,050,000

The Company has the option to terminate the agreement at any time, upon notification to the optionor. Other than the required minimum option payments under the agreement, the Company has not recognized any option payments payable in the future in the consolidated statement of financial position.

11. WARRANTS LIABILITY

The following represents warrants denominated in Canadian dollars and classified as derivative financial liabilities:

	2021		2020	
	Number of warrants	**Black-Scholes Value**	Number of warrants	Black-Scholes Value
		$		$
Opening balance	**–**	**–**	–	–
Subscription Warrants issued (a)	**7,500,000**	**2,880,258**	–	–
2020 warrants issued (c)	**–**	**–**	4,800,000	35,909
Warrants exercised (c)	**–**	**–**	(4,800,000)	(168,028)
Fair value revaluation of warrants liability (a), (c)	**–**	**7,941,964**	–	132,119
Balance June 30	**7,500,000**	**10,822,222**	–	–

(a) Subscription Warrants

In conjunction with the Transaction (See Note 6), the Company closed a total of C$15,000,000 non-brokered private placement in the form of subscription receipts (“Subscription Receipts”) at a price of C$1.00 per Subscription Receipt (the “Offering”). Proceeds from the Offering were held in escrow until May 20, 2021, upon closing of the Transaction.

Upon closing of the Transaction, the holder of each Subscription Receipt (on a post-consolidation basis) received one unit in the capital of the Company at a price of C$1.00 per unit (a “Subscription Unit). Each Subscription Unit consisted of one common share of CML (a “Subscription Share”) and one-half share purchase warrant of CML (each whole warrant, a “Subscription Warrant”). Each Subscription Warrant has an exercise price of C$2.00 per share with an expiry date of May 20, 2024, subject to the Company’s right to accelerate the expiry of the Subscription Warrants in the event that the Company’s closing price on the TSXV remains equal to or higher than $2.60 for 20 consecutive trading days. On June 25, 2021, the Company issued a notice exercising its right to accelerate the expiry date. All outstanding Subscription Warrants as at June 30, 2021 must be exercised by August 9, 2021.

The Subscription Warrants are classified as derivative financial liabilities as a result of their being denominated in Canadian dollars. Proceeds from the Offering are allocated between Subscription Shares and Subscription Warrants on a pro-rata basis of their fair value within the unit.

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

The issue date fair value of the Subscription Warrants was determined to be C$0.46 per warrant with the resulting allocation of the total proceeds for the Offering being:

	C$	**$**
Warrants liability – Subscription Warrants	3,476,472	2,880,258
Share capital – Subscription Shares	11,523,528	9,547,248
Total gross proceeds	15,000,000	12,427,506

As at June 30, 2021, the warrants liability relating to the outstanding Subscription Warrants were revalued to $10,822,222 with a corresponding derivative loss of $7,941,964 recognized in the consolidated statement of operations and comprehensive loss for the three and six months ended June 30, 2021.

Fair value for the Subscription Warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions for the period from May 20, 2021 (date of issue) to June 30, 2021:

Weighted average share price	C$2.23
Weighted average risk-free interest rate	0.59%
Weighted average dividend yield	Nil
Weighted average stock price volatility, based on historical volatility for comparable companies	130%
Weighted average period to expiry (years)	1.6

As at June 30, 2021, a change in the share price of +/-10% would have resulted in a +/- change in the fair value of the warrants liability as at June 30, 2021 of approximately $2,100,000.

As at June 30, 2021, a change in the volatility rate of +/-10% would have resulted in a +/- change in the fair value of the warrants liability as at June 30, 2021 of approximately $100,000.

As at August 9, 2021, 6,495,000 Subscription Warrants were exercised with total proceeds of $10,338,000 (C$12,990,000), including the C$960,000 received as at June 30, 2021, in respect of the Subscription Warrants received and all remaining unexercised warrants expired.

(b) Financing Costs

Costs directly attributable to the Offering are made of:

	$
Finders' Units (see Note 19)	442,833
Additional financing costs	100,931
Total financing costs	543,764

Financing costs are allocated on a pro-rata basis between Subscription Shares and Subscription Warrants, with the portion allocated to Subscription Warrants recognized as an expense and the portion allocated to Subscription Shares recognized as a reduction in share capital as follows:

	$
Subscription Warrants – financing expense	126,025
Subscription Shares – share issue costs	417,739
	543,764

(c) 2020 Warrants

On May 25, 2020, the Company issued 4,800,000 Warrants (see Note 17(b)v). Each Warrant had an exercise price of C$0.10 per share and an expiry date of June 5, 2021. The issue date fair value of the Warrants was $35,909. In June 2020, all such Warrants were exercised. The

Company recognized a derivative loss of $132,119 in the consolidated statement of operations and comprehensive loss upon revaluation of the Warrants immediately prior to their exercise.

12. OTHER CURRENT LIABILITIES

Other current liabilities are made up of the following:

As at	Note	June 30, 2021	December 31, 2020
		$	$
Loan payable (a)		**–**	76,477
Other (b)		**774,173**	–
Related party loan payable	**14(a), 16(a)**	**–**	6,973
Current portion of lease liabilities	**13**	**54,011**	44,520
		828,184	127,970

(a) In 2020, the Company received a loan of $154,504. The loan was subject to interest payable to September 2020 at an annualized rate of 10.03%. Effective September 2020, the loan became payable on demand with no interest recognized subsequent to that date. As at June 30, 2021, the loan was settled in full.

(b) As at June 30, 2021, the Company received C$959,510 in respect of exercise proceeds for Subscription Warrants in advance of the exercise.

13. LEASE LIABILITIES

As at (in thousands of U.S. dollars)	June 30, 2021	December 31, 2020
	$	$
Opening balance	**142,841**	–
New leases during the period	**51,391**	135,887
Lease payments	**(37,010)**	(13,838)
Interest accretion expense	**12,578**	4,951
Foreign exchange	**(15,376)**	15,841
Balance, end of period	**154,424**	142,841
Current portion	**54,011**	(44,520)
Long-term portion	**100,413**	98,321

The lease liabilities were measured on inception of the lease at the present value of the lease payments over the lease term, discounted using a weighted average discount rate of 15.70%, based on the Company's incremental borrowing rate.

Interest accretion expense or amortization of the discount on the lease liability is charged to the consolidated statement of operations and comprehensive loss using the effective interest method.

For the three and six months ended June 30, 2021, the Company made lease payments of $11,772, and $23,129, respectively (three months ended and period from February 11, 2020 to June 30, 2020 – $nil) for contracts with terms of 12 months or less and which were recognized as lease expense within exploration and evaluation expenses.

14. RELATED PARTY TRANSACTIONS

Related parties include management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The following are related party transactions of the Company:

(a) During the period from February 11, 2020 to December 31, 2020, an officer and employee of the Company incurred expenditures totaling $165,816, included within exploration and evaluation expenses (see Note 20(a)), on behalf of the Company at an interest rate of 27%, which was reimbursed. The amounts advanced were considered as a loan to the Company with interest payable at an annualized rate of 13.48% and was payable on demand. For the period ended December 31, 2020, the Company incurred interest of $6,884 in respect of the loan from the employee. As at June 30, 2021, the loan was settled in full.

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

(b) Compensation of key management personnel

Key management includes independent directors, the executive chairman of the board of directors (the “Chairman”), the president and chief executive officer (“CEO”) and the chief financial officer (“CFO”). The remuneration of members of key management personnel were as follows:

	Three months ended June 30		Six months and period ended June 30	
	2021	2020	**2021**	2020 [1]
	$	$	**$**	$
Management salaries and benefits	**216,736**	–	**360,260**	–
Share-based payments	**33,604**	–	**83,653**	–
	250,340	–	**443,913**	–

1 – For the period from February 11, 2020

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company.

15. FINANCIAL INSTRUMENTS

Financial Instrument Disclosures

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 4.

Fair value measurement

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

Fair value measurement is determined based on the fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

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

The carrying values for financial assets and liabilities for cash and cash equivalents, receivables, accounts payable and accrued liabilities, loan payable and related party payable approximate their fair values as at June 30, 2021 and December 31, 2020.

Other financial liabilities as at June 30, 2021 (December 31, 2020 – $nil) were as follows:

As at June 30, 2021	**FVTPL**	**FVOCI**	**Amortized Cost**	**Total**
	$	**$**	**$**	**$**
Financial liabilities				
Warrants liability (level 2)	**10,822,222**	**–**	**–**	**10,822,222**

There were no transfers between the fair value hierarchy during the six months ended June 30, 2021.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Financial Risk Management

The Company's activities expose it to a variety of financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

Risk management is carried out by the Company's management with guidance from and policies approved by the Board of Directors.

Financial risk factors

Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities denominated in currency that is not the entity's functional currency. The Company's functional currency is the U.S. dollar. The Company conducts some of its operating, financing and investing activities in currencies other than the U.S. dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the U.S. dollar. The Company does not use derivative instruments to hedge exposure to foreign exchange risk.

The Company had the following foreign currency balances:

As at June 30, 2021	**Foreign Currency**	**Foreign Balance**	**$**
Cash and cash equivalents	COP (000's)	**631,867**	**168,199**
Cash and cash equivalents	CAD	**7,794,163**	**6,288,658**
Receivables	COP (000's)	**568,090**	**151,222**
Receivables	CAD	**70,439**	**55,957**
Accounts payable and accrued liabilities	COP (000's)	**(2,700,775)**	**(718,928)**
Accounts payable and accrued liabilities	CAD	**(1,082,865)**	**(873,701)**
Lease liability	COP (000's)	**(580,118)**	**(154,424)**
As at December 31, 2020	**Foreign Currency**	**Foreign Balance**	**$**
Cash and cash equivalents	COP (000's)	852,871	248,469
Cash and cash equivalents	CAD	1,801,983	1,415,540
Receivables	COP (000's)	50,000	15
Receivables	CAD	9,302	7,307
Accounts payable and accrued liabilities	COP (000's)	(300,032)	(87,409)
Accounts payable and accrued liabilities	CAD	(17,543)	(13,766)
Loan payable	COP (000's)	(262,507)	(76,477)
Related party payable	COP (000's)	(23,934)	(6,973)
Lease liability	COP (000's)	(490,302)	(142,841)

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from its properties. The majority of the Company's cash and cash equivalents are held with banks in Canada. Funds held in banks in Colombia are limited to forecasted 90-day cash requirements. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least "A" or equivalent, or those which have been otherwise approved. Receivables mainly consist of receivables for refundable commodity taxes in Canada. Management believes that the credit risk concentration with respect to remaining amounts receivable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company manages its liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated investing and financing activities.

As at June 30, 2021, the cash balance of $12 million will be sufficient to meet its obligations in respect of its current liabilities, excluding warrants liability, of $1.7 million, and anticipated exploration, evaluation and administrative expenditures over the next twelve months. However, the cash balance is not sufficient to meet all of its future obligations in respect of the option contracts in note 10 if the Company elects to exercise all its options in respect of all the contracts. Thus, continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from existing shareholders and/or new shareholders or through other arrangements, complete sufficient public equity financing, or generate profitable operations in the future.

Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company's cash balances are not subject to significant interest rate risk as balances are current.

(b) Capital Management

The Company manages its capital to maintain its ability to continue as a going concern in order to pursue the exploration and evaluation of its mineral interests. The Company mainly relies on equity issuances to raise new capital. The capital structure of the Company includes the components of equity as well as cash and cash equivalents.

The Company prepares annual estimates of exploration and administrative expenditures and monitors actual expenditures compared to estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company maintains its cash in highly liquid short-term deposits which can be liquidated immediately without interest or penalty.

The Company's overall strategy with respect to capital risk management has remained consistent for the six months ended June 30, 2021.

17. SHARE CAPITAL

(a) Authorized

Authorized share capital consists of an unlimited number of common shares without par value. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

(b) Issued

During the three and six months ended June 30, 2021 and 2020, the Company issued shares resulting from the following transactions:

2021 Transactions

i. On January 5, 2021, the Company issued 500,000 common shares resulting from the exercise of stock options (See Note 18(a)).

ii. On May 20, 2021, the Company issued 2,785,000 common shares to original POCML shareholders on closing of the RTO. The fair value of shares was determined to be $1,772,606 (See Note 6).

iii. On May 20, 2021, the Company issued 15,000,000 common shares upon closing of the Offering. Proceeds from the Offering of C$15,000,000 ($12,427,506) were allocated between Subscription Shares and Subscription Warrants on a pro-rata basis of their fair value within the unit of which $9,547,248 was allocated to Subscription Shares (See Note 11(a)). Share issue costs of $417,739 (See Note 11(b)) were recognized as a reduction in share capital.

iv. On May 20, 2021, the Company issued 534,500 common shares as part of the Subscription Units issued to eligible finders (the "Finders' Shares") (See Note 19). The value allocated to the Finders' Shares was $340,200.

2020 Transactions

v. On March 16, 2020, the Company issued 20,000,000 common shares at a price of C$0.005 per share for total proceeds of C$100,000 ($71,565). On August 4, 2020, the Company received capital contributions totaling $300,000 ($225,706) from the shareholders, effectively increasing the price per share to C$0.02 on a pre-consolidation basis. The additional capital contribution was recognized in contributed surplus in the consolidated statement of financial position at the time of receipt.

vi. On May 25, 2020, the Company issued 4,800,000 units at a price of C$0.05 per unit for total proceeds of C$240,000 ($171,625). Each unit is comprised of one common share and one Warrant with an exercise price of C$0.10. The increase in share capital was $135,715, being the total proceeds less the fair value of the Warrants on the date of issue (See Note 11(c)).

In June 2020, the Company issued 4,800,000 common shares and received total proceeds of C$480,000 ($353,105) as a result of the exercise of the related Warrants (See Note 11(c)).

vii. On August 5, 2020, the Company completed a share consolidation of the common shares on the basis of 2 pre-consolidation shares for 1 post-consolidated common share. All share amounts for 17(b)(iv) and (v) are presented on the consolidated statement of changes in equity as post-consolidated shares.

18. SHARE BASED PAYMENTS

The Company adopted a stock option plan (the "Plan") pursuant to the Securities Act of Ontario (the "Act"). The aggregate maximum number of shares reserved for issuance under the Plan and all other security-based compensation arrangements (together "Share Compensation Arrangements") at any given time is 10% of the Company's issued and outstanding shares as at the date of the grant of the Share Compensation Arrangement. Any shares subject to a stock option under the Plan which have been exercised, cancelled, repurchased, expired or terminated in accordance with the Plan will again be available under the Plan.

Under the Plan, the Company may grant to directors, officers, employees, and consultants stock options to purchase common shares of the Company. Stock options granted under the Plan will be for a term not to exceed 10 years.

The continuity of stock options during the period were as follows:

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

	2021		2020	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
		C$		C$
Outstanding, beginning of period	**2,120,000**	**0.37**	–	–
Granted	**590,000**	**1.00**	–	–
Exercised (a)	**(500,000)**	**(0.20)**	–	–
Expired/cancelled	**(122,500)**	**(0.48)**	–	–
Outstanding, June 30, 2021	**2,087,500**	**0.59**	–	–

(a) On January 5, 2021, 500,000 options were modified whereby vesting of such options were accelerated and immediately exercised, resulting in the recognition of $19,237 in the consolidated statement of operations and comprehensive loss on the date of modification.

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2021:

Exercise price (C$)	**Expiry Date**	**Number of options outstanding**	**Number of options exercisable**
0.20	August 19, 2022	587,500	312,500
0.20	August 27, 2022	75,000	37,500
0.60	December 16, 2023	835,000	–
1.00	May 19, 2024	590,000	–
0.59		2,087,500	350,000

Options granted for the three and six months ended June 30, 2021 have vesting terms of every eight months over a two-year period and a term of three years. Options outstanding as at December 31, 2020 have vesting terms of every six or eight months from the date of grant over a two-year period and terms of two to three years.

The following is a summary of the stock options granted, the fair values and the assumptions used in the Black-Scholes option pricing formula:

For the six months or period ended June 30	**2021**	2020[1]
Number of options granted	**590,000**	–
Weighted average share price on grant date	**C$0.77**	–
Weighted average risk-free interest rate	**0.5%**	–
Weighted average dividend yield	**Nil**	–
Weighted average stock price volatility, based on historical volatility for comparable companies	**130%**	–
Weighted average period to expiry (years)	**2.2**	–

1 – For the period from February 11, 2020

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

19. WARRANTS RESERVE

The following represents warrants issued and recognized within warrants reserve, a component of contributed surplus:

	Number of warrants	$
Balance January 1, 2021	–	–
Finders' Warrants issued, May 20, 2021	**267,250**	**102,633**
Exercised	–	–
Balance June 30, 2021	**267,250**	**102,633**

In connection with the Offering, eligible finders were issued a total of 534,500 Finders' Units, upon closing of the Transaction and representing 5% of the number of Subscription Receipts placed by such eligible finders. Each Finders' Unit consisted of one Finders' Share and one-half of a Finders' Warrant, with the same terms and conditions as the Subscription Warrants (See Note 10(a)).

The Finders' Warrants are accounted for under IFRS 2, as they were issued in exchange for services and therefore, the value allocated to the Finders' Warrants are classified in warrants reserve, a component of contributed surplus, and are not subsequently revalued. The value of services received is determined to be the issue price of the Finders' Units on the date of issue, May 20, 2021, and are allocated between Finders' Shares and Finders' Warrants on a pro-rata basis of their fair value within the unit. Fair value for the Finders' Warrants was determined using the Black-Scholes option pricing model. The allocation of values between Finders' Shares and Finders' Warrants is as follows:

	C$	$
Contributed surplus – Finders' Warrants	123,878	102,633
Share capital – Finders' Shares	410,622	340,200
Total value of Finders' Units issued	534,500	442,833

On June 25, 2021, the Company issued a notice exercising its right to accelerate the expiry date. All outstanding Finders' Warrants as at June 30, 2021 must be exercised by August 9, 2021.

As at August 9, 2021, all Finders' Warrants were exercised and total proceeds of $425,400 (C$534,500) in respect of the Finders' Warrants were received.

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

20. EXPENSES BY NATURE

(a) Exploration and evaluation

Exploration and evaluation expense for the period is made up of the following:

	Three months ended June 30		Six months and period ended June 30	
	2021	2020	**2021**	2020 [1]
	$	$	**$**	$
Option payments and fees (i)	**42,433**	404,806	**954,353**	404,806
Drilling services	**604,670**	–	**720,576**	–
Salaries and benefits	**196,287**	–	**338,257**	–
Consulting and professional fees	**161,145**	–	**239,032**	–
Field costs, surveys and other	**137,330**	–	**220,433**	–
Transportation and meals	**75,685**	–	**110,678**	–
Assaying	**37,478**	–	**54,238**	–
Depreciation and amortization	**26,058**	–	**45,312**	–
Community expenses	**28,532**	–	**38,897**	–
Security	**20,998**	–	**32,846**	–
	1,330,616	404,806	**2,754,622**	404,806

1 – For the period from February 11, 2020

i. Includes total option payments in respect of option agreements for the three and six months ended June 30, 2021 of $nil and $900,000, respectively (three months ended and period from February 11, 2020 to June 30, 2020 – $350,000) and including $300,000 of required minimum option payments recognized in accounts payable and accrued liabilities as at June 30, 2021 (2020 – $nil) (See Note 10).

(b) General and administration

General and administration expense for the period is made up of the following:

	Three months ended June 30		Six months and period ended June 30	
	2021	2020	**2021**	2020 [1]
	$	$	**$**	$
Salaries and benefits	**321,733**	–	**556,748**	–
Share-based compensation	**320,901**	–	**446,544**	–
Consulting and professional fees	**(70,330)**	11,777	**201,933**	11,777
Travel and entertainment	**82,994**	–	**90,131**	–
Office administration	**17,746**	201	**28,639**	201
Regulatory and compliance fees	**(758)**	–	**13,541**	–
Depreciation	**952**	–	**1,715**	–
Investor relations	**–**	–	**394**	–
Directors' fees and expenses	**–**	3,000	**–**	3,000
	673,238	14,978	**1,339,645**	14,978

1 – For the period from February 11, 2020

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

(c) Finance costs

Finance costs for the period is made up of the following:

	Three months ended June 30		Six months and period ended June 30	
	2021	2020	**2021**	2020 [1]
	$	$	**$**	$
Finance issue expense (i)	**126,025**	–	**126,025**	–
Interest accretion expense (ii)	**6,147**	–	**12,578**	–
	132,172	–	**138,603**	–

1 – For the period from February 11, 2020

i. Represents the portion of the Offering financing costs allocated to the Subscription Warrants (See Note 11(b)).

ii. Interest accretion expense or amortization of the discount is in respect of the lease liability, representing also the interest portion of lease payments (See Note 13).

(d) Financing costs incurred

Financing costs incurred for the period is made up of the following:

	Three months ended June 30		Six months and period ended June 30	
	2021	2020	**2021**	2020 [1]
	$	$	**$**	$
Offering financing costs (i)	**100,931**	–	**100,931**	–
Interest portion of lease payments (Note 13, (20(c)(ii))	**6,147**	–	**12,578**	–
	107,078	–	**113,509**	–

1 – For the period from February 11, 2020

i. Represents financing costs incurred in respect of the Offering (See Note 11(b)).

21. COMMITMENTS, OPTION AGREEMENTS AND CONTINGENCIES

Commitments

As at June 30, 2021, the Company had the following contractual commitments and obligations:

	Total	**Less than 1 Year**	**Years 2 – 5**	**After 5 Years**
	$	**$**	**$**	**$**
Other lease commitments (a)	98,633	94,238	4,395	–
Social and governance commitments	68,158	68,158	–	–
Service contracts (b)	500,968	500,968	–	–
	667,759	**663,364**	**4,395**	–

(a) Other lease commitments represent lease contracts for a warehouse and housing for exploration employees for terms of 12 months or less.

(b) Service contracts represent commitments in respect of drilling.

Option Agreements

The Company has the option to terminate its option agreements at any time. Future expenditures are therefore dependent on the success of exploration and development programs and a decision by management to continue or exercise its option(s) for the relevant project and agreement.

(All amounts expressed in U.S. Dollars, unless otherwise indicated)

As at June 30, 2021, the expected timing of payments, in respect of the Company's option agreements under the assumption that the Company continues to exercise its option(s) for the relevant project and agreement are as follows:

	Total	**Less than 1 Year**	**Years 2 – 5**	**After 5 Years**
	$	**$**	**$**	**$**
San Antonio Option (c)	2,420,000	–	920,000	1,500,000
First Guayabales Option (d)	3,450,000	450,000	1,666,664	1,333,336
Second Guayabales Option (e)	6,350,000	300,000	1,000,000	5,050,000
	12,220,000	750,000	3,586,664	7,883,336

(c) Excludes additional option payment or NSR upon reaching commercial production.

(d) Amounts disclosed relate only to option payments of the agreement. In addition, the Company must incur a minimum of $3,000,000 of exploration and evaluation expenditures under Phase 1 and $10,000,000 under Phase 2. As at June 30, 2021, the Company has recognized $451,000, including option payments of $200,000, as exploration and evaluation expenses in respect of the First Guayabales Option.

(e) Excludes required minimum option payments under Phase I of the agreement and recognized in accounts payable and accrued liabilities (See Note 10(b)(ii)).

Environmental Contingencies

The Company's exploration activities are subject to Colombian laws and regulations governing the protection of the environment. These laws are subject to change and may generally become more restrictive. The Company may be required to make future expenditures to comply with such laws and regulations, the amounts for which are not determinable and have not been recognized in the consolidated financial statements.