2020 SECOND QUARTER REPORT

Management's Discussion and Analysis
and
Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2020
(UNAUDITED)

This management's discussion and analysis ("MD&A") of the results of operations and financial condition for Josemaria Resources Inc. ("the Company", "Josemaria Resources", "we" or "us" or "our") has been prepared as of August 12, 2020 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and the related notes therein (the "2020 Financial Statements"); the Company's annual audited consolidated financial statements for the year ended December 31, 2019 and the related notes therein ("2019 Financial Statements"); and the MD&A for the fiscal year ended December 31, 2019 ("2019 MD&A"). The 2020 Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Report. This MD&A focuses on significant factors that have affected the Company and its subsidiaries and such factors that may affect its future performance. All dollar amounts expressed throughout this report are in Canadian dollars, unless otherwise indicated.

This MD&A contains forward-looking statements that are subject to risk factors as set out in the "Cautionary Note Regarding Forward Looking Information and Statements" on Page 11. Additional information about the Company and its business activities is described in the Company's annual information form (the "2019 AIF"). The 2019 AIF is available on SEDAR at www.sedar.com and on the Company's website at www.josemariaresources.com.

CORE BUSINESS

Josemaria Resources is a Canadian natural resources company focused on advancing the development of its wholly-owned Josemaría copper-gold project located in San Juan Province, Argentina (the "Josemaría Project"). The Company is a reporting issuer in all provinces and territories of Canada and its corporate head office is in Vancouver, B.C. The Company trades under the ticker symbol of "JOSE" on the TSX and on the NASDAQ Stockholm Stock Exchange ("OMX").

The Josemaría Project is a large copper-gold porphyry deposit located in San Juan Province, Argentina. The Company completed a Pre-Feasibility Study ("PFS") on the Josemaría Project in December, 2018 and is actively engaged in completing a Feasibility Study ("FS").

The Company is committed to responsible and sustainable mining development in the jurisdictions within which it works and operates, and to create meaningful value for our shareholders and stakeholders, alike. All aspects of the Company's operations and engagements are founded on a core set of environmental, social and governance ("ESG") commitments.

COVID-19

During the first half of 2020 and as of the date of this MD&A, the Company continues to be affected by the novel coronavirus ("COVID-19") pandemic that has evolved into a global crisis. During March 2020, the Company successfully completed all essential components of the 2019/2020 field season, prior to safely demobilizing the majority of the workforce from the Josemaria Project in San Juan, Argentina. The accelerated demobilization of personnel from the Josemaria Project only affected optional work programs that had been planned for the end of the field season. While slight modifications to the scope of fieldwork were required as a result of the Company's COVID-19 response, health and safety is the Company's top priority. Prior to and since demobilizing the team from site, the Company has been actively monitoring COVID-19, and although no cases had or have been identified within any of our operations, Josemaria proactively implemented travel restrictions, remote working arrangements, monitoring and response plans to reduce the risk of COVID-19 exposure and outbreak. COVID-19 related restrictions issued by the government of Argentina, the province of San Juan and local authorities have resulted in the temporary suspension of certain work programs which will be recommenced at an appropriate time after the lifting of government imposed restrictions.

The pandemic and the resultant response to combat it has resulted in the implementation by numerous governments of non-routine measures such as quarantines, travel restrictions and business closures, which are designed to contain the spread of the outbreak. These measures have negatively impacted the global economy and have led to volatile market conditions and commodity prices, and despite some indications of recovery, the Company cannot yet determine the impact of the COVID-19 pandemic on its financial position, results of operations, cash flows for the year ending December 31, 2020 and beyond, and the advancement of the Josemaria Project. While the Company's recent announcement of a $30.0 million financing has provided a strong indication that the Company's access to funding for future operations has not been adversely impacted by the COVID-19 pandemic, there is no certainty that future financing will be obtainable under similar terms, or at all, which may impact the Company's ability to fund future operations.

2020 HIGHLIGHTS

Operational Update

- On July 28, 2020, the Company announced a private placement, subsequently increased on July 29, 2020, of common shares of the Company at a price (the "Offering Price") of $0.67 per common share for gross proceeds of $19.7 million. Concurrently, the Company announced a public offering (the "Offering") pursuant to which a syndicate of underwriters agreed to buy, on a bought deal basis, 15,000,000 common shares at the Offering Price for gross proceeds of approximately $10.0 million. The Company has also granted the underwriters an over-allotment option, exercisable at the Offering Price for a period of 30 days following the closing of the Offering, to purchase up to an additional 15% of the Offering to cover over-allotments, if any, and for market stabilization purposes. Should the over-allotment be filled, the Company expects to receive gross proceeds of $31.2 million, less estimated share issuance costs of $1.2 million, for net proceeds of $30.0 million.
- The Company's primary focus is the advancement of its wholly-owned Josemaría Project by completing a Feasibility Study during the second half of 2020. The Company has assembled an integrated engineering team led by Fluor Canada Ltd., who is responsible for overall project management, infrastructure and mineral process design and project cost estimation. Other consultants are also engaged to support the program with a focus on environment and permitting, social and community relations, mineral resource and reserve estimates, mine design and tailings and water management.
- Work also continued on the Environmental and Social Impact Assessment (the "ESIA") with Ausenco (Vector Argentina S.A.) based in Mendoza, Argentina, who is continuing to compile the baseline data and advance the ESIA in support of future project permitting. The Company anticipates filing the ESIA during Q1 2021.
- To provide the material for feasibility-level metallurgical testwork and to increase confidence in the mineral reserve, particularly the portion scheduled for the first five years of production, the Company completed a comprehensive reserve definition drill program during 2019 and Q1 2020. Data from the drill program is being used to update the resource and reserve models and metallurgical information, which will form the basis for detailed mine planning as part of the Feasibility Study. Drilling to collect geotechnical data for the open-pit mine design and to determine site geotechnical conditions at planned locations for mine infrastructure, and to locate and characterize source locations for water to support the planned operation, has been completed and the results integrated into the feasibility-level designs.

OUTLOOK

The Company is targeting completion of the Feasibility Study on the Josemaría Project during the second half of 2020. Management also plans to continue environmental and social baseline studies that will provide information required to prepare an ESIA report in support of project permitting.

In light of the COVID-19 pandemic's impact on global financial markets, the Company has conducted an extensive internal review of costs. As of the date of this MD&A, cost reduction measures implemented include the cessation of certain non-essential services including promotional activities and travel. The Company continues to evaluate its internal cost structure in order to preserve capital while delivering the Feasibility Study on the Josemaria Project.

JOSEMARÍA PROJECT PFS

For complete details of the Josemaría Project PFS, please refer to the Technical Report titled "NI 43-101 Technical Report, Pre-Feasibility Study for the Josemaría Copper-Gold Project, San Juan Province, Argentina" dated December 19, 2018, with an effective date of November 20, 2018 (the "Josemaría PFS"). The Josemaría PFS was prepared by SRK Consulting (Canada) Inc. ("SRK") and is available for review under the Company's profile on SEDAR (www.sedar.com) and on the Company's website (www.josemariaresources.com).

SUMMARY OF QUARTERLY RESULTS

Financial Data for 8 Quarters								
Three Months Ended	**Jun-20** *(2nd qtr)*	**Mar-20** *(1st qtr)*	**Dec-19** *(4th qtr)*	**Sept-19** *(3rd qtr)*	**Jun-19** *(2nd qtr)*	**Mar-19** *(1st qtr)*	**Dec-18** *(4th qtr)*	**Sept-18** *(3rd qtr)*
(In thousands $ except for per share amounts)								
Exploration and project evaluation	4,447	19,355	10,510	3,926	7,035	14,070	5,350	1,433
Unrealized foreign exchange (gain) / loss	(1,811)	2,968	(413)	165	(29)	(47)	199	18
Foreign exchange and trading gains realized on equity investments	(2,296)	(2,037)	-	-	-	-	-	-
(Gain) / loss on net monetary position	195	114	(88)	365	(73)	(371)	1,022	(33)
Net (income)/loss	2,318	22,959	11,097	(23,522)(ii)	8,073	15,302	6,328	1,823
Total basic and diluted (income)/loss per share(i)	0.01	0.09	0.04	(0.09)	0.03	0.06	0.03	0.01

(i) As a result of rounding the sum of the quarterly amounts may differ from the year to date.

(ii) A $30 million gain on spin off transaction and $1.3 million loss arising from the recycling of cumulative other comprehensive income were recognized during fiscal 2019. The Company has revised in the table above its previously reported September 30, 2019 unaudited condensed consolidated interim financial statements to reflect the amount of the gain recognized from reclassification of accumulated exchange differences upon spin-out of the spinout exploration business. In the quarter ended September 30, 2019, the Company recorded a gain on re-classification of accumulated exchange differences upon spin-off of $9.5 million. However, in connection with the preparation of its consolidated financial statements for the year ended December 31, 2019, the Company revised the amount recycled to be a loss of $1.3 million.

Changes in net losses and cash flow used in operating activities for the quarter are primarily affected by the level of exploration activity during that period. As camp activities, including drilling, are generally not carried out during the winter season in South America, exploration expenditures and cash flow used in operations are typically lower during the second and third quarter of each year compared to other quarters. The amount of cash resources available and timing of financing also affect the extent of exploration programs and the costs incurred in a given period.

QUARTERLY RESULTS

The Company’s net loss for the three and six months ended June 30, 2020 was $2.3 million and $25.3 million, respectively, compared to $8.1 million and $23.4 million, respectively, for the same periods in 2019. The decrease in the net loss for the three months ended June 30, 2020 is primarily related to the winding down of certain exploration activities as the Company progresses towards completing its Feasibility Study. Exploration expenditures for the three months ended June 30, 2020, all of which relate to the Josemaria Project, decreased to $4.4 million as compared to $7.0 million incurred in the prior period (including $6.1 million incurred on the Josemaria Project). The Company’s primary exploration expenditures during the three months ended June 30, 2020 consist of final costs related to the cessation of the field season and engineering and consultant costs related to the completion of the Feasibility Study.

Overall general and administrative (“G&A”) costs for the three months ended June 30, 2020 totaled $0.9 million compared to $1.1 million over the same period in 2019. Costs remain largely comparable period to period, but the 2020 period included decreases in professional fees, travel and promotional expenditures offset partially by an increase in share-based compensation. Share-based compensation is a non-cash charge reflecting the expense associated with the vesting of outstanding stock options during the period.

During the three months ended June 30, 2020, the Company recognized a net monetary loss of $0.2 million (2019 – gain of $0.1 million) in relation to the application of hyper-inflationary accounting for the Company’s Argentine subsidiary, which began July 1, 2018. In other comprehensive loss, the Company recognized a gain of $2,767 resulting from the impact of hyper-inflation which consists of adjustments recognized on the continuing inflation of opening non-monetary balances during the three months ended June 30, 2020 (2019 – gain of $1.7 million), and the ongoing translation of the Company’s Argentine subsidiary into the Canadian dollar presentation currency following July 1, 2018, as mentioned above. A detailed discussion regarding the application of hyper-inflationary accounting has been provided in the notes to the condensed interim consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

(In thousands $)	June 30, 2020	December 31, 2019
Cash	$ 1,279	$ 4,043
Working capital	(49,144)	(20,872)

On May 25, 2020, the Company secured two credit facilities, evidenced by debentures, totaling US$7,000,000 (collectively the "2020 Facility"), one with Lorito for US$3,500,000 (the "Lorito 2020 Facility") and one with Zebra for US$3,500,000 (the "Zebra 2020 Facility"), each of which has a term of 18 months ending November 25, 2021. No interest is payable during the term of the 2020 Facility, however, any amount of the Lorito 2020 Facility or the Zebra 2020 Facility remaining unpaid and outstanding on or after November 25, 2021 shall bear interest at a rate of 5.00% per annum until repaid in full. During the six months ended June 30, 2020, the Company issued 2,121,464 (2019 – 78,271) shares as consideration for the funds drawn on the facilities, with an additional 484,720 common shares issuable as at June 30, 2020, resulting in $1.6 million in finance costs recognized for the six months ended June 30, 2020 (2019 – $0.1 million). Lorito reports its security holdings in the Company as a joint actor with Zebra, and they collectively held more than 36% of the Company's issued and outstanding common shares as at June 30, 2020. US$4.0 million remains undrawn on the Company's facilities as of the date of this MD&A.

The Company does not currently generate income from operations. As at June 30, 2020, the Company's working capital deficit is $49.1 million, and while the $30.0 million financing provides sufficient capital for the Company to fund operations for the near term, the Company will need further funding to support the advancement of the Josemaria Project towards development and to meet general corporate and working capital requirements. Historically, capital requirements have been funded through equity financing, joint ventures, disposition of mineral properties and investments, and the use of credit facilities with related parties. While management is confident that additional sources of funding will be secured to fund planned expenditures, factors that could affect the availability of financing include the progress and results of ongoing project evaluation activities at the Company's Josemaria Project, the state of international debt and equity markets, investor perceptions and expectations of the global copper, gold, and/or silver markets, and the ongoing COVID-19 pandemic. If necessary, the Company may explore opportunities to revise the due dates of its liabilities, and/or settle its liabilities through the issuance of common shares and other equity instruments. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

During the six months ended June 30, 2020, the Company used $22.9 million (2019 – $17.5 million) in operating activities. The increase from the prior period is the result of the Company having increased its focus on the Josemaria Project in order to complete the Feasibility Study. During the six months ended June 30, 2020, the Company obtained $20.4 million from financing activities (2019 – $15.5 million), which consists primarily of funds drawn on the Company's outstanding debentures. The prior period included $19.7 million raised via private placement and $1.0 million of inflows related to the exercise of Company stock options, offset by a net $5.1 million outflow related to the repayment of outstanding debentures. During the three months ended June 30, 2020, the Company used $4,493 to acquire fixed assets, whereas during the prior period the Company used $1.5 million to acquire mineral properties and fixed assets. The Company's cash position was also negatively affected by changes in foreign exchange rates by $0.3 million (2019 – $0.8 million).

From December 31, 2019 to March 31, 2020, the Company's trade payables and accrued liabilities increased from $6.9 million to $13.8 million as a result of the field season completion and demobilization activities that took place during the three months ended March 31, 2020. During the three months ended June 30, 2020, these activities had ceased and the related liabilities were settled, resulting in a trade payables and accrued liabilities balance as at June 30, 2020 of $3.9 million.

RELATED PARTY TRANSACTIONS

a) Related party services and balances

NGEx Minerals Ltd. ("NGEx Minerals") was incorporated on February 21, 2019 under the laws of CBCA as a wholly-owned subsidiary of the Company prior to the spin out of NGEx Minerals which was completed on July 17, 2019. The Company formalized a cost sharing arrangement with NGEx Minerals and Filo Mining Corp. ("Filo Mining"; collectively "Related Parties"), whereby the Related Parties provide executive management and personnel services to the Company ("Related Party Services"), while the Company provides financial management and administrative services to Filo Mining and NGEx Minerals ("Josemaria Services"). These transactions are in the normal course of operations.

On June 30, 2019, the Company finalized an arrangement with Filo Mining to extend the minimum period of use of the Company's Batidero Camp facility up to March 31, 2021 which right is automatically renewed unless terminated upon one year's prior notice in exchange for cash consideration of $382,670.

Other than those related party transactions identified elsewhere in these condensed interim consolidated financial statements, the related party transactions are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Income from Josemaria Services provided:				
Filo Mining	$ 71,740	$ 111,660	$ 200,925	$ 212,667
NGEx Minerals	51,438	-	93,597	-
Total	$ 123,178	$ 111,660	$ 294,522	$ 212,667
Costs of Related Party Services received:				
Filo Mining	$ (271,442)	$ (374,535)	$ (591,890)	$ (669,372)
NGEx Minerals	(47,183)	-	(88,287)	-
Total	$ (318,625)	$ (374,535)	$ (680,177)	$ (669,372)

The amounts due from/to Related Parties by the Company, and the components of the consolidated statement of financial position in which they are included, are as follows:

		June 30, 2020		December 31, 2019
Due from Filo Mining	$	93,503	$	220,366
Due from NGEx Minerals		40,266		102,676
	$	133,769	$	323,042

		June 30, 2020		December 31, 2019
Due to Filo Mining	$	(334,995)	$	(196,489)
Due to NGEx Minerals		(13,390)		(16,849)
	$	(348,385)	$	(213,338)

b) Key management compensation

Key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel inclusive of costs of key management personnel services received from its Related Parties, and the composition thereof, is as follows:

	Three months ended June 30,				Three months ended March 31,			
		2020		2019		2020		2019
Salaries and other payments	$	174,833	$	151,500	$	651,083	$	942,000
Employee benefits		7,665		7,921		11,941		21,995
Director fees		-		47,750		-		95,500
Share-based compensation		211,417		112,362		657,216		457,279
	$	393,915	$	319,533	$	1,320,240	$	1,516,774

CRITICAL ACCOUNTING ESTIMATES

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. Please refer to the Critical Accounting Estimates section in Note 6 of the 2019 Financial Statements or the 2019 MD&A for a detailed description of the Company's critical accounting estimates.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments at amortized costs or fair value through profit and loss ("FVTPL"). The Company's financial instruments consist of cash and cash equivalents, receivables and other assets, investments, share consideration receivable, trades payable and accrued liabilities, debentures, and other liabilities. The carrying value of these financial instruments approximates their fair value due to the short-term nature of these instruments. The fair value of investments is determined directly by reference to quoted market prices in active markets. The Company's financial instruments are exposed to certain financial risks, including credit, liquidity and market risks.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risks associated with cash and cash equivalents is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency. Credit risks associated with receivables and other assets and share consideration receivable are minimal as the Company manages these amounts so as not to have material balances outstanding for long periods of time. Credit risks associated with investments are minimal as the Company does not hold its investments for long periods of time.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which is minimized through the management of its capital structure. The Company closely monitors and reviews its costs incurred and actual cash flows against the approved budget on a monthly basis to ensure the Company's access to funds is adequate to support the Company's operations on an ongoing basis. The maturities of the Company's financial liabilities as at June 30, 2020 are as follows:

	Total	Less than 1 year	1 to 5 years	More than 5 years
Trade payables and accrued liabilities	$ 3,914,252	$ 3,914,252	$ -	$ -
Other liabilities	159,403	159,403	-	-
Debentures	49,648,579	47,608,226	2,040,353	-
Total	$ 53,722,234	$ 51,681,881	$ 2,040,353	$ -

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices comprise two types of risk: currency risk and price risk. Financial instruments affected by market risk include cash and cash equivalents, receivables and other assets, investments, share consideration receivable, trades payable and accrued liabilities, debentures, and other liabilities.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities may change due to changes in the value of two different currencies. The Company is exposed to currency risks as its parent is headquartered in Canada and its day-to-day transactions take place in Canadian dollars, while its foreign operations are conducted in Argentina, and the Company also holds significant debentures denominated in the United States dollar. While the Company has not used any hedging strategies to manage its exposure to currency fluctuations, management strives to minimize currency risk by sending its cash to its foreign operation as required.

Based on the Company's net exposures at June 30, 2020, a 10% depreciation or appreciation in the Argentina peso or United States dollar relative to the Canadian dollar would have resulted in an approximate $0.1 million and $4.9 million, respectively, increase or decrease in the Company's net loss.

The impact of the Company's exposure to currency risk is apparent in five sections of the Company's Consolidated Statements of Comprehensive Loss:

Statement of Loss

- Unrealized foreign exchange (gain) / loss – where changes in United States dollar-denominated monetary items are translated prior to realization;
- Foreign exchange and trading gains realized on equity investments – contains a component of foreign-exchange impacts realized on equity instruments when traded;
- (Gain) / loss on net monetary position – where hyperinflationary changes recorded with respect to the Company's net-monetary position in Argentina are recognized;

Statement of Comprehensive (Income) Loss

- Foreign currency translation adjustment – where changes in Argentina peso-denominated monetary items are translated prior to realization; and
- Impact of hyperinflation – where changes recorded with respect to the impact of the hyperinflationary environment of Argentina on non-monetary items are recognized.

Price risk

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. From time to time, as part of the funding process to its subsidiary, the Company holds equity instruments for periods of three to five business days with the intention of trading. During these holding periods, the Company is exposed to changes in share prices which result in gains or losses being recognized in profit and loss. The Company does not hold significant numbers of equity instruments at period end and therefore has no significant exposure to price risk as at June 30, 2020.

RECENT ACCOUNTING PRONOUNCEMENTS

The IASB and IFRIC have issued standards and amendments or interpretations to existing standards that were not yet effective and not applied as at June 30, 2020. There are currently no new standards or interpretations that are expected to be applicable for the Company for the annual period beginning on or after January 1, 2021

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 252,942,375, common shares outstanding and 11,537,000 share options outstanding under its stock-based incentive plans.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. They include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS; that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and that provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of assets that could have a material effect on the financial statements.

Any system, no matter how well conceived or operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation and will not prevent all, or detect all, misstatements and frauds. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management has used the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO) in order to assess the effectiveness of the Company's internal control over financial reporting.

There has not been any material changes in the Company's disclosure controls and procedures and the internal control over financial reporting that occurred during the six months ended June 30, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

The Company and its business are subject to a number of risks and other uncertainties, which should be taken into account in assessing the Company's activities, and include, but are not necessarily limited to, those discussed in the "Risk Factors" section of the 2019 AIF. There have been no material changes in the risks and uncertainties affecting the Company since the filing of the Company's most recent 2019 AIF, except as discussed at the start of this document with respect to COVID-19.

QUALIFIED PERSON

The technical information in this MD&A has been reviewed and approved by Mr. Bob Carmichael, P. Eng. (BC). Mr. Carmichael is the Company's Vice President of Exploration and a Qualified Person under National Instrument 43-101 Standards of Disclosure for Mineral Projects.

FINANCIAL INFORMATION

The report for the nine months ended September 30, 2020 is expected to be published on or about November 13, 2020.

OFF BALANCE SHEET AGREEMENTS

During the first six months of 2020 and the fiscal 2019 year, there were no material off-balance sheet transactions which have not been recorded in the Company's financial statements. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION AND STATEMENTS

Certain statements made and information contained herein in the MD&A constitutes "forward-looking information" and forward-looking statements" within the meaning of applicable securities legislation (collectively, "forward-looking information"). The forward-looking statements and information contained in this MD&A are based on information available to the Company as of the date of this MD&A. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information. Generally, this forward-looking information can frequently, but not always, be identified by use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events, conditions or results "will", "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotations thereof. All such forward-looking information is based on the opinions and estimates of the relevant management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond the Company's ability to control or predict.

All statements other than statements of historical fact may be forward-looking information. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, the impact of COVID-19 on the Company's operations, the inherent uncertainties regarding mineral resource and reserve estimates and cost estimates, changes in commodity and metal prices, currency fluctuation, financing, unanticipated resource and reserve grades and recoveries, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, granting of permits, anticipated use of proceeds from financings including the financing announced on July 29, 2020, the ability of the Company to satisfy the conditions of the terms and conditions of the debentures issued pursuant to the 2018, 2019, 2020 and Lorito Facilities, including repayment thereof upon their respective maturity dates and the issuance of Common Shares thereunder and the timing and success in obtaining requisite regulatory (including TSX) approvals, taxation, anticipated synergies not being realized, political risk and related economic risk and unanticipated environmental impact on operations as well as other risks and uncertainties and other factors, including, without limitation, those more fully described under "Risks Factors", and elsewhere, in the Company's 2019 Annual Information Form, which is available under the Company's profile at www.sedar.com. These risks and uncertainties, as well as other factors, may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

The Company believes that the expectations reflected in the forward-looking information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon. This statement and information speaks as of the date of the MD&A. In particular, this MD&A contains forward-looking statements or information with respect to the availability of working capital for Josemaria Resources; ability to obtain financing; the expected timing for, completion of a Feasibility Study and advancement of the Josemaría Project; work programs and studies; the potential development of the Josemaría Project; the results of the Josemaría PFS and after-tax net present value; terms and conditions of the debenture credit facilities; the Company's expectations and estimates with respect to mineral reserves, resources and cost estimates and other assumptions used in the Josemaría PFS; the assumptions used in the updated mineral resources estimates for the Josemaría deposits; exploration and development expenditures; the timing and nature of any potential development scenarios; opportunities to improve project economics; estimations for copper and other commodity prices, mineral resources, costs, success of exploration activities; adding to mineral resources through exploration; permitting time lines; exploring opportunities to revise the due dates of its liabilities, and/or settling its liabilities through the issuance of common shares and other equity instruments; ability to obtain surface and water rights and property interests; currency exchange rate fluctuations; operations in a hyperinflationary economy; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

The forward-looking information contained in this MD&A are made as at the date of this MD&A and Josemaria does not undertake any obligations to publicly update and/or revise any of the included forward-looking information, whether as a result of additional information, future events and/or otherwise, except as may be required by applicable securities laws. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. Forward-looking information is based on certain assumptions that the Company believes are reasonable, including that the current price of and demand for commodities will be sustained or will improve, the supply of commodities will remain stable, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material labour dispute, accident, or failure of plant or equipment. These factors are not, and should not be construed as being, exhaustive. Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking information contained in this MD&A is qualified by these cautionary statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

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

Josemaria Resources Inc.
Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Note		June 30, 2020		December 31, 2019
ASSETS					
Current assets:					
Cash and cash equivalents		$	1,279,276	$	4,043,451
Investments			97,946		97,076
Share consideration receivable			690,216		625,531
Receivables and other assets			470,229		974,864
			2,537,667		5,740,922
Receivables and other assets			240,302		164,035
Equipment and other fixed assets	*5*		2,201,592		2,218,399
Mineral properties	*6*		10,744,789		10,608,482
TOTAL ASSETS		$	15,724,350	$	18,731,838
LIABILITIES					
Current liabilities:					
Trade payables and accrued liabilities		$	3,914,252	$	6,865,519
Debentures	*11*		47,608,226		19,519,311
Other liabilities	*7*		159,403		228,686
			51,681,881		26,613,516
Non-current liabilities					
Other liabilities			-		74,473
Debentures	*11*		2,040,353		8,398,623
TOTAL LIABILITIES			53,722,234		35,086,612
EQUITY					
Share capital	*8*		226,068,086		224,619,229
Contributed surplus			13,063,837		12,241,319
Deficit			(275,847,735)		(250,570,275)
Accumulated other comprehensive loss (“AOCI”)			(1,282,072)		(2,645,047)
TOTAL EQUITY			(37,997,884)		(16,354,774)
TOTAL LIABILITIES AND EQUITY		$	15,724,350	$	18,731,838

Nature of operations and liquidity risk (Note 1)

Subsequent events (Notes 1, 8, 11)

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

ON BEHALF OF THE BOARD:

/s/Ashley Heppenstal
Director

/s/Adam I. Lundin
Director

Josemaria Resources Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Note	Three months ended June 30, 2020	2019	Six months ended June 31, 2020	2019
Expenses					
Exploration and project investigation	*10*	4,447,031	7,035,183	23,801,779	21,104,788
General and Administration ("G&A"):					
Salaries and benefits	*12*	361,328	385,734	1,355,817	1,361,350
Share-based compensation	*9*	237,650	128,071	716,402	521,875
Management fees		106,537	62,100	213,725	124,200
Professional fees		66,752	344,897	130,183	496,984
Travel		-	59,187	22,783	85,131
Promotion and public relations		23,970	64,989	302,677	128,110
Regulatory, transfer agent and administration		82,838	77,734	203,614	184,175
Operating loss		5,326,106	8,157,895	26,746,980	24,006,613
Other items					
Financing costs	*11*	976,568	36,542	1,569,638	121,395
Interest (income) expense, net		(2,107)	12,895	(12,220)	(43,947)
Unrealized foreign exchange (gain)/loss		(1,811,254)	(28,816)	1,156,605	(76,106)
Accretion of share consideration receivable		(32,342)	(23,291)	(64,685)	(46,582)
Foreign exchange and trading (gains) losses realized on equity investments	*4*	(2,295,742)	33,478	(4,332,770)	(62,803)
Other income		(37,475)	(43,252)	(95,231)	(79,710)
(Gain)/loss on net monetary position	*3*	195,087	(72,595)	309,143	(443,840)
Net Loss		2,318,841	8,072,856	25,277,460	23,375,020
Other Comprehensive (income) loss					
Items that may be reclassified subsequently to net loss:					
Foreign currency translation adjustment		435,852	99,994	325,279	117,980
Impact of hyperinflation	*3*	(2,767)	(1,577,801)	(1,688,254)	(631,930)
Comprehensive loss		$ 2,751,926	$ 6,595,049	$ 23,914,485	$ 22,861,070
Basic and diluted loss per common share		$ 0.01	$ 0.03	$ 0.10	$ 0.10
Weighted average common shares outstanding		251,906,132	249,560,895	251,354,951	245,628,922

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

Josemaria Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Note	Six months ended June 30, 2020	2019
Cash flows used in operating activities			
Net loss for the period		$ (25,277,460)	$ (23,375,020)
Items not involving cash and cash equivalents:			
Net monetary position	*3*	821,539	392,141
Depreciation	*5*	49,326	68,757
Share-based compensation	*9*	822,518	696,740
Debenture financing consideration	*11*	1,569,638	121,395
Unrealized foreign exchange (gain)/loss		1,933,997	(74,192)
Accretion of share consideration receivable		(64,685)	(46,582)
Other income		(107,451)	(79,712)
Fair value (gain)/loss on equity investments		(870)	(62,803)
Net changes in working capital items:			
Receivables and other		440,588	(900,603)
Trade payables and other liabilities		(3,112,679)	5,799,315
		(22,925,539)	(17,460,564)
Cash flows from financing activities			
Repayment of debentures	*11*	-	(5,829,720)
Funds received from debentures	*11*	20,442,336	720,792
Share issuance from option exercise		-	957,450
Repayment of lease liabilities	*7*	(7,894)	(14,814)
Private placement, net	*8*	-	19,655,380
		20,434,442	15,489,088
Cash flows used in investing activities			
Mineral properties and related expenditures		-	(735,664)
Acquisition of fixed assets	*5*	(4,493)	(737,078)
		(4,493)	(1,472,742)
Effect of exchange rate change on cash and cash equivalents		(268,585)	(748,792)
Increase (decrease) in cash and cash equivalents during the period		(2,764,175)	(4,193,010)
Cash and cash equivalents, beginning of period		4,043,451	5,029,451
Subtotal		1,279,276	836,441
Less: cash included within Assets Held for Sale		-	(34,086)
Cash and cash equivalents, end of period		$ 1,279,276	$ 802,355

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

Josemaria Resources Inc.
Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Number of shares issued and outstanding	Share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated Deficit	Total
Balance, January 1, 2019	227,916,086	$ 246,137,481	$ 10,894,615	$ (3,208,950)	$ (239,619,811)	$ 14,203,335
Private placement, net (Note 8)	20,000,000	19,655,380	-	-	-	19,655,380
Exercise of options	1,565,000	1,307,432	(349,982)	-	-	957,450
Debenture financing consideration (Note 11)	106,271	108,231	-	-	-	108,231
Share-based compensation (Note 9)	-	-	696,740	-	-	696,740
Foreign currency translation adjustment	-	-	-	(117,980)	-	(117,980)
Impact of hyperinflation (Note 3)	-	-	-	631,930	-	631,930
Net loss for the period	-	-	-	-	(23,375,020)	(23,375,020)
Balance, June 30, 2019	249,587,357	$ 267,208,524	$ 11,241,373	$ (2,695,000)	$ (262,994,831)	$ 12,760,066
Balance, January 1, 2020	250,336,191	$ 224,619,229	$ 12,241,319	$ (2,645,047)	$ (250,570,275)	$ (16,354,774)
Exercise of options	-	-	-	-	-	-
Debenture financing consideration (Note 11)	2,121,464	1,448,857	-	-	-	1,448,857
Share-based compensation (Note 9)	-	-	822,518	-	-	822,518
Foreign currency translation adjustment	-	-	-	(325,279)	-	(325,279)
Impact of hyperinflation (Note 3)	-	-	-	1,688,254	-	1,688,254
Net loss for the period	-	-	-	-	(25,277,460)	(25,277,460)
Balance, June 30, 2020	252,457,655	$ 226,068,086	$ 13,063,837	$ (1,282,072)	$ (275,847,735)	$ (37,997,884)

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

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Josemaria Resources Inc. and its subsidiaries (collectively referred to as the “Company”) are principally engaged in the acquisition, exploration and development of mineral properties located in Argentina.

The Company is governed by the Canada Business Corporations Act (“CBCA”) and its registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada. On July 17, 2019, the Company completed the spin out of the Los Helados property and certain other exploration properties into NGEx Minerals Ltd. (“NGEx Minerals”) by a plan of arrangement under the Canada Business Corporations Act (“the Arrangement”). The Company changed its name to Josemaria Resources Inc. and began trading under the new name and ticker symbol of “JOSE” as of July 23, 2019 on the TSX and as of July 25, 2019 on the NASDAQ OMX Stockholm Stock Exchange (“OMX”).

During the first half of 2020 and as of the date of these financial statements, the Company continues to be affected by the novel coronavirus (“COVID-19”) pandemic that has evolved into a global crisis. The pandemic and the resultant response to combat it has resulted in the implementation by numerous governments of non-routine measures such as quarantines, travel restrictions and business closures, which are designed to contain the spread of the outbreak. These measures have negatively impacted the global economy and have led to volatile market conditions and commodity prices, and despite some indications of recovery, the Company cannot yet determine the impact of the COVID-19 pandemic on its financial position, results of operations, cash flows for the year ending December 31, 2020 and beyond, and the advancement of the Josemaria Project. While the Company’s recent announcement of a $30.0 million financing (Note 8) has provided a strong indication that the Company’s access to funding for future operations has not been adversely impacted by the COVID-19 pandemic, there is no certainty that future financing will be obtainable under similar terms, or at all, which may impact the Company’s ability to fund future operations.

The condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its existing obligations and commitments and fund ongoing operations in the normal course of business for at least twelve months from June 30, 2020. As at June 30, 2020, the Company’s working capital deficit is $49.1 million, and while the $30.0 million financing (Note 8) provides sufficient capital for the Company to fund operations for the near term, the Company will need further funding to support the advancement of the Josemaria Project towards development and to meet general corporate and working capital requirements.

Historically, capital requirements have been funded through equity financing, joint ventures, disposition of mineral properties and investments, and the use of credit facilities with related parties. While management is confident that additional sources of funding will be secured to fund planned expenditures, factors that could affect the availability of financing include the progress and results of ongoing exploration and project evaluation activities at the Company’s Josemaria Project, the state of international debt and equity markets, investor perceptions and expectations of the global copper, gold, and/or silver markets, and the ongoing COVID-19 pandemic. If necessary, the Company may explore opportunities to revise the due dates of its liabilities, and/or settle its liabilities through the issuance of common shares and other equity instruments. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

2. BASIS OF PRESENTATION AND USE OF JUDGEMENT

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2019. The accounting policies and judgements applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2019, except as noted in "*Use of Judgement*" below.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Company on August 12, 2020.

Use of Judgement – Going Concern

In preparation of these condensed interim consolidated financial statements, management has made certain judgements and estimates with respect to evaluating the Company's ability to continue as a going concern, including budgeted expenditures, foreign exchange rates, the timing of certain work activities, and the ability to raise additional funds and extend the maturity dates of the debt facilities. While management is confident in the reasonableness of these underlying assumptions, they are subject to change which could impact the Company's ability to continue as a going concern.

3. ACCOUNTING FOR HYPERINFLATION

Argentina was designated a hyper-inflationary economy as of July 1, 2018 for accounting purposes. Accordingly, IAS 29, *Financial Reporting in Hyper-Inflationary Economies*, has been applied to these condensed interim consolidated financial statements as the Company's Argentine operating subsidiaries (the "Argentine Subsidiaries") use the Argentine Peso as its functional currency. The financial statements are based on the historical cost approach in IAS 29.

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

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

For the six months ended June 30, 2020, the Company recognized a gain of approximately $1,688,254 (six months ended June 30, 2019: gain of $631,930) in relation to the impact of hyperinflation within other comprehensive income during the period.

As a result of the change in the IPC from January 1, 2020 to June 30, 2020, the Company recognized a net monetary loss within the Argentine Subsidiaries of approximately $309,143 for the six months ended June 30, 2020 (six months ended June 30, 2019: gain of $443,840), to adjust transactions for the period into a measuring unit current as of June 30, 2020. The level of the IPC at June 30, 2020 was 322.0, which represents an increase of 14% over the IPC of 283.4 at December 31, 2019.

4. ACCOUNTING FOR EQUITY INVESTMENTS

From time to time, as part of the capital funding process from the Canadian parent to the Argentinian subsidiary, the Company will purchase equity instruments via a third-party investment broker. The equity instruments are transferred from the parent to the subsidiary and held for a pre-determined period, typically five business days, and then sold. The Company will only purchase equity instruments of highly reputable companies with high trading volumes and low volatilities. The Company conducts such transactions on an intra-period basis and does not hold the equity instruments at period end. The equity instruments are designated as held-for-trading, and as such all changes in the fair value of the underlying equity instruments are recognized through profit and loss.

Upon receipt of the transferred equity instruments by the local investment broker, the Company realizes an immediate foreign exchange impact. This foreign exchange impact is incurred directly as a result of holding equity instruments with the intention of trading, and as such the foreign exchange impact is also recognized through profit and loss.

For the six months ended June 30, 2020, the Company realized a trading loss of $960,807 (2019 – $nil) and a foreign exchange gain of $5,292,707 (2019 – $nil) as a result of holding the equity instruments for a net realized gain of $4,331,900 (2019 – $nil). For the six months ended June 20, 2020, the Company also incurred an unrealized gain on available for sale equity investments of $870 (2019 – $62,803).

5. EQUIPMENT AND OTHER FIXED ASSETS

	Equipment	Leasehold improvement	Leased Assets	Other assets	Total
January 1, 2019	$ 1,710,604	$ 48,800	$ -	$ 8,000	$ 1,767,404
Additions	741,081	-	37,274	-	778,355
Hyperinflation adjustment (Note 3)	(185,039)	-	(3,315)	-	(188,354)
Depreciation	(93,352)	(18,300)	(27,354)	-	(139,006)
December 31, 2019	$ 2,173,294	$ 30,500	$ 6,605	$ 8,000	$ 2,218,399
Additions	4,493	-	-	-	4,493
Hyperinflation adjustment (Note 3)	28,142	-	(116)	-	28,026
Depreciation	(33,687)	(9,150)	(6,489)	-	(49,326)
June 30, 2020	$ 2,172,242	$ 21,350	$ -	$ 8,000	$ 2,201,592

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

6. MINERAL PROPERTIES

	Josemaria (Note a)	Projects transferred to NGEx Minerals		Total
		Los Helados (Note b)	Naciemientos & others (Note c)	
January 1, 2019	$ 11,477,570	$ 4,040,164	$ 494,826	$ 16,012,560
Additions	-	328,774	406,890	735,664
Currency translation effect	-	(106,262)	63,338	(42,924)
Transferred to NGEx Minerals	-	(4,262,676)	(965,054)	(5,227,730)
Hyperinflation adjustment (Note 3)	(869,088)	-	-	(869,088)
December 31, 2019	$ 10,608,482	$ -	$ -	$ 10,608,482
Hyperinflation adjustment (Note 3)	136,307	-	-	136,307
June 30, 2020	$ 10,744,789	$ -	$ -	$ 10,744,789

a) The Josemaria Project

<u>Acquisition of mineral property interests from JOGMEC</u>

The Company holds a 100% interest in the Josemaria project in San Juan Province, Argentina following its acquisition of all remaining interests in the project from Japan Oil, Gas and Metals National Corporation ("JOGMEC") on November 13, 2017 for total cash consideration of US$21 million. US$3 million was paid on November 2017, with the remainder of the cash consideration to be paid upon completion of the following milestones:

- US$5 million payable upon a development and construction decision being made; and
- US$13 million upon commencement of commercial production from the property.

In accordance with its accounting policy, the future contingent consideration to be paid upon completion of the applicable milestones will be recorded and added to the mineral property when incurred. JOGMEC retains an option to purchase up to 40% of the material produced from the mine at a price not to exceed the prevailing market price at the time the notice of exercise is given.

<u>Acquisition of mining concessions from Filo Mining Corp. ("Filo Mining")</u>

On February 21, 2018, the Company completed the acquisition of a 100% interest in certain mining concessions (the "Primary Properties") with an option to acquire a 100% interest in additional mining concessions (the "Additional Properties") located in San Juan Province, Argentina from Filo Mining, a related party, to expand its Josemaria project in exchange for the following consideration:

- Providing Filo Mining with the right to use its Batidero Camp facility in Argentina for a minimum period of two years, which right is automatically renewed unless terminated upon one year's prior notice;
- a 3% net smelter return ("NSR") royalty on a portion of the mining concessions on properties auxiliary to the Josemaria project, 2% of which can be re-purchased by the Company at any time for $2,000,000; and
- Cash consideration of $64,000 which was paid upon execution of the agreement with Filo Mining.

The mining concessions acquired from Filo Mining, including all transaction costs, have been capitalized as mineral properties. The costs of the mineral properties acquired were measured based on the fair value of the consideration given up, which includes cash and the use of the Batidero camp. Using an expected time frame of two years, management estimated the fair value of the camp use provision to be approximately $354,000 (Note 7). On June 30, 2019, the Company finalized an arrangement with Filo Mining to extend the minimum period of use of the Company's Batidero Camp facility up to March 31, 2021, in exchange for cash consideration of $382,670. The agreement is automatically renewed on an annual basis unless terminated with one year's prior notice. This amount has been deferred on the Statement of Financial Position and recognized as income over the expected period of camp use.

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

b) The Los Helados Project

On July 17, 2019, the Company transferred the Los Helados Project to NGEx Minerals.

c) Naciemientos and other projects

On July 17, 2019, the Company transferred the Naciemientos Project to NGEx Minerals.

7. OTHER LIABILITIES

	Camp use provision	Lease liability	Other liabilities
Balance, January 1, 2019	$ 191,084	$ -	$ 191,084
Additions	417,850	37,292	455,142
Lease payment	-	(33,378)	(33,378)
Hyperinflation adjustment (Note 3)	(52,929)	-	(59,929)
Recognition to income, net of expense	(260,432)	3,672	(256,760)
Balance, December 31, 2019	$ 295,573	$ 7,586	$ 303,159
Lease payment	-	(7,894)	(7,894)
Hyperinflation adjustment (Note 3)	(40,939)	-	(40,939)
Recognition to income, net of expense	(95,231)	308	(94,923)
Balance, June 30, 2020	$ 159,403	$ -	$ 159,403

	June 30, 2020	December 31, 2019
Current	$ 159,403	$ 228,686
Long-term	-	74,473
Total other liabilities	$ 159,403	$ 303,159

8. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value. All issued shares are fully paid.

On July 28, 2020, the Company announced a private placement, subsequently increased on July 29, 2020, of common shares of the Company at a price (the "Offering Price") of $0.67 per common share for gross proceeds of $19.7 million. Concurrently, the Company announced a public offering (the "Offering") pursuant to which a syndicate of underwriters agreed to buy, on a bought deal basis, 15,000,000 common shares at the Offering Price for gross proceeds of approximately $10.0 million. The Company has also granted the underwriters an over-allotment option, exercisable at the Offering Price for a period of 30 days following the closing of the Offering, to purchase up to an additional 15% of the Offering to cover over-allotments, if any, and for market stabilization purposes. Should the over-allotment be filled, the Company expects to receive gross proceeds of $31.2 million, less estimated share issuance costs of $1.2 million, for net proceeds of $30.0 million.

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

9. SHARE OPTIONS

a) Share Option Plan

The Company has a rolling share option plan which reserves an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted.

During the six months ended June 30, 2020, the Company granted a total of 3,997,000 (2019 – 2,480,000) share options to officers, employees, directors and other eligible participants at a weighted average exercise price of $0.67 per share (2019 – $1.00 per share).

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions and resulting fair values for grants are as follows:

	Six months ended June 30, 2020	2019
Assumptions:		
Risk-free interest rate *(%)*	1.4	1.8
Expected life *(years)*	4.2	4.9
Expected volatility *(%)*	49.0	49.9
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted *(per option)*	$ 0.27	$ 0.41

Based on the valuation of $0.27 per option granted, the Company will recognize $1,088,824 in total expense over the vesting period of the 3,977,000 options granted during the six months ended June 30, 2020. The options have an expiry date of five years and vest in thirds: one-third immediately upon grant, and the remaining thirds on the first and second anniversary of the date of grant, respectively.

The total share-based compensation expenses for the six months ended June 30, 2020 totaling $822,518 (2019 – $696,740) were presented in the statement of comprehensive loss as follows:

	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
General and administration	$ 237,650	$ 128,071	$ 716,402	$ 521,875
Exploration and project investigation	25,636	43,227	106,116	174,865
	$ 263,286	$ 171,298	$ 822,518	$ 696,740

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

b) **Share Options Outstanding**

The following is a summary of the movements in the number of share options outstanding and their related weighted average exercise prices:

	Number of share issuable pursuant to share options	Weighted average exercise price per share
Balance, January 1, 2019	5,695,000	$ 1.11
Granted	5,910,000	0.69
Exercised	(1,565,000)	(0.61)
Expired	(115,000)	(0.78)
Balance, December 31, 2019	9,925,000	$ 0.76
Granted	3,997,000	0.67
Expired	(2,385,000)	(0.87)
Balance, June 30, 2020	11,537,000	$ 0.70

The following table summarizes information about the outstanding and exercisable share options at June 30, 2020:

	Outstanding Options		Exercisable Options	
Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average remaining contractual life (years)
$ 0.73	75,000	4.9	25,000	4.9
$ 0.67	3,922,000	4.7	1,307,333	4.7
$ 0.61	2,505,000	4.4	835,000	4.4
$1.01	925,000	4.1	308,333	4.1
$ 0.65	2,205,000	3.7	1,470,000	3.7
$ 0.81	1,905,000	2.7	1,905,000	2.7
	11,537,000	4.0	5,850,666	3.7

10. EXPLORATION AND PROJECT INVESTIGATION

The Company expensed the following exploration and project investigation costs:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Josemaria	$ 4,419,723	$ 6,067,774	$ 23,774,471	$ 18,568,664
Los Helados	-	450,143	-	1,525,346
Nacimientos	-	180,161	-	254,883
Other Projects	-	337,105	-	755,895
Expenditures	$ 4,419,723	$ 7,035,183	$ 23,774,471	$ 21,104,788

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Land holding costs	$ 30,227	$ 16,803	$ 37,540	$ 836,486
Drilling, fuel, camp costs and field supplies	890,104	514,697	7,295,101	3,785,982
Roadwork, travel and transport	126,989	432,348	1,453,642	1,288,697
Engineering studies, consultants, geochemistry and geophysics	1,866,649	2,838,731	7,666,186	7,022,361
Environmental and community relations	445,701	1,503,937	1,793,510	2,424,024
VAT, other taxes and fees	598,320	663,041	4,008,122	3,147,775
Office, field and admin salaries, overhead and other costs	407,909	693,990	925,131	1,601,226
Share-based compensation	25,636	43,228	106,116	174,866
Inflation adjustment (Note 3)	55,496	328,408	516,431	823,371
Expenditures	$ 4,447,031	$ 7,035,183	$ 23,801,779	$ 21,104,788

11. DEBENTURES

	Total
Balance, January 1, 2019	$ 5,317,474
Funds drawn on debentures	23,150,996
Other items	(66,251)
Effect of changes in foreign exchange	(484,285)
Balance, December 31, 2019	$ 27,917,934
Funds drawn on debentures	20,442,336
Effect of changes in foreign exchange	1,288,309
Balance, June 30, 2020	$ 49,648,579

	2018 Facility (Note a)	2019 Facility (Note b)	Lorito Facility (Note c)	2020 Facility (Note d)	Total
Current	$ 6,801,175	$ 13,602,350	$ 27,204,701	$ -	$ 47,608,226
Non-current	-	-	-	2,040,353	2,040,353
Total	$ 6,801,175	$ 13,602,350	$ 27,204,701	$ 2,040,353	$ 49,648,579

a) 2018 Facility

On October 5, 2018, the Company secured a US$5,000,000 credit facility with Zebra Holdings and Investments S.à.r.l. (“Zebra”), a related party of the Company, as evidenced by a debenture to provide additional financial flexibility to fund general corporate purposes (the “2018 Facility”). Zebra received 28,000 common shares of the Company as consideration upon execution of the 2018 Facility and is entitled to receive 500 common shares each month, for every US$ 50,000 in principal outstanding, prorated accordingly for the number of days outstanding. On April 30, 2020, the Company amended the terms of the 2018 Facility to extend the maturity date from May 5, 2020 to December 12, 2020.

b) 2019 Facility

On June 12, 2019 the Company secured a US$10,000,000 credit facility with Zebra, as evidenced by a debenture, to fund ongoing exploration at the Josemaria project and for general corporate purposes (the “2019 Facility”). Zebra received 28,000 common shares of the Company as consideration upon execution of the 2019 Facility and is entitled to receive 500 common shares each month, for every US$ 50,000 in principal outstanding, prorated accordingly for the number of days outstanding. The 2019 Facility matures on December 12, 2020.

c) Lorito Facility

On October 25, 2019 the Company secured a US$20,000,000 credit facility with Lorito Holdings and Investments S.à.r.l. (“Lorito”) as evidenced by a debenture to fund ongoing exploration at the Josemaria project and for general corporate purposes (the “Lorito Facility”). Pursuant to the terms of the Lorito Facility, Lorito received 80,000 common shares of the Company as consideration upon execution of the Lorito Facility, and is entitled to receive 800 common shares each month, for every US$50,000 in principal outstanding, prorated accordingly for the number of days outstanding. The Lorito Facility matures on April 25, 2021.

d) 2020 Facility

On May 25, 2020, the Company secured two credit facilities, evidenced by debentures, totaling US$7,000,000 (collectively the "2020 Facility"), one with Lorito for US$3,500,000 (the "Lorito 2020 Facility") and one with Zebra for US$3,500,000 (the "Zebra 2020 Facility"), each of which has a term of 18 months ending November 25, 2021. No interest is payable during the term of the 2020 Facility, however, any amount of the Lorito 2020 Facility or the Zebra 2020 Facility remaining unpaid and outstanding on or after November 25, 2021 shall bear interest at a rate of 5.00% per annum until repaid in full. Subsequent to June 30, 2020, the Company drew US$1.5 million from the 2020 Facility and has US$4.0 million remaining undrawn on the 2020 Facility.

Zebra reports its security holdings in the Company as a “joint actor” under securities law with Lorito and they collectively hold more than 20% of the Company’s issued and outstanding common shares as at June 30, 2020. As of June 30, 2020, the Company had drawn US$1.5 million from the 2020 Facility and fully drawn on the amounts available on the 2018 Facility, the 2019 Facility and the Lorito Facility. No interest is payable in cash during the term and all securities issued in conjunction with these facilities are subject to a four-month hold period under applicable securities law. The Company issued 1,315,326 shares to Lorito and Zebra during the six months ended June 30, 2020 (2019 – 78,271) as consideration for the funds drawn on the facilities, with an additional 484,720 common shares issuable, resulting in $1,569,638 in financing costs recognized during the six months ended June 30, 2020 (2019 – $84,853).

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

12. RELATED PARTY TRANSACTIONS

a) Related party services and balances

NGEx Minerals Ltd. was incorporated on February 21, 2019 under the laws of CBCA as a wholly-owned subsidiary of the Company prior to the spin out of NGEx Minerals which was completed on July 17, 2019. The Company formalized a cost sharing arrangement with NGEx Minerals and Filo Mining Corp. (“Filo Mining”; collectively “Related Parties”), whereby the Related Parties provide executive management and personnel services to the Company (“Related Party Services”), while the Company provides financial management and administrative services to Filo Mining and NGEx Minerals (“Josemaria Services”). These transactions are in the normal course of operations.

Other than those related party transactions identified elsewhere in these condensed interim consolidated financial statements, the related party transactions are as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Income from Josemaria Services provided:				
Filo Mining	$ 71,740	$ 111,660	$ 200,925	$ 212,667
NGEx Minerals	51,438	-	93,597	-
Total	$ 123,178	$ 111,660	$ 294,522	$ 212,667
Costs of Related Party Services received:				
Filo Mining	$ (271,442)	$ (374,535)	$ (591,890)	$ (669,372)
NGEx Minerals	(47,183)	-	(88,287)	-
Total	$ (318,625)	$ (374,535)	$ (680,177)	$ (669,372)

The amounts due from/to Related Parties by the Company, and the components of the consolidated statement of financial position in which they are included, are as follows:

	June 30, 2020	December 31, 2019
Due from Filo Mining	$ 93,503	$ 220,366
Due from NGEx Minerals	40,266	102,676
	$ 133,769	$ 323,042

	June 30, 2020	December 31, 2019
Due to Filo Mining	$ (334,995)	$ (196,489)
Due to NGEx Minerals	(13,390)	(16,849)
	$ (348,385)	$ (213,338)

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

b) Key management compensation

Key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel inclusive of costs of key management personnel services received from its Related Parties, and the composition thereof, is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Salaries and other payments	$ 174,833	$ 151,500	$ 651,083	$ 942,000
Employee benefits	7,665	7,921	11,941	21,995
Director fees	-	47,750	-	95,500
Share-based compensation	211,417	112,362	657,216	457,279
	$ 393,915	$ 319,533	$ 1,320,240	$ 1,516,774

13. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments at amortized costs or fair value through profit and loss ("FVTPL"). The Company's financial instruments consist of cash and cash equivalents, receivables and other assets, investments, share consideration receivable, trades payable and accrued liabilities, debentures, and other liabilities. The carrying value of these financial instruments approximates their fair value due to the short-term nature of these instruments. The fair value of investments is determined directly by reference to quoted market prices in active markets. The Company's financial instruments are exposed to certain financial risks, including credit, liquidity and market risks.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risks associated with cash and cash equivalents is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency. Credit risks associated with receivables and other assets and share consideration receivable are minimal as the Company manages these amounts so as not to have material balances outstanding for long periods of time. Credit risks associated with investments are minimal as the Company does not hold its investments for long periods of time.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which is minimized through the management of its capital structure (Note 1). The Company closely monitors and reviews its costs incurred and actual cash flows against the approved budget on a monthly basis to ensure the Company's access to funds is adequate to support the Company's operations on an ongoing basis.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices comprise two types of risk: currency risk and price risk. Financial instruments affected by market risk include cash and cash equivalents, receivables and other assets, investments, share consideration receivable, trades payable and accrued liabilities, debentures, and other liabilities.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities may change due to changes in the value of two different currencies. The Company is exposed to currency risks as its parent is headquartered in Canada and its day-to-day transactions take place in Canadian dollars, while its foreign operations are conducted in Argentina, and the Company also holds significant debentures denominated in the United States dollar. While the Company has not used any hedging strategies to manage its exposure to currency fluctuations, management strives to minimize currency risk by sending its cash to its foreign operation as required.

Based on the Company’s net exposures at June 30, 2020, a 10% depreciation or appreciation in the Argentina peso or United States dollar relative to the Canadian dollar would have resulted in an approximate $0.1 million and $4.9 million, respectively, increase or decrease in the Company’s net loss.

Price risk

Price risk is the risk that the fair value or future cash flows of the Company’s financial instruments will fluctuate because of changes in market prices. From time to time, as part of the funding process to its subsidiary, the Company holds equity instruments for periods of three to five business days with the intention of trading. During these holding periods, the Company is exposed to changes in share prices which result in gains or losses being recognized in profit and loss. The Company does not hold significant numbers of equity instruments at period end and therefore has no significant exposure to price risk as at June 30, 2020.

(All amounts expressed in Canadian Dollars, unless otherwise indicated)

14. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The segments presented in Notes 5 and 9 reflect the way in which management reviews its business performance. Following the completion of the Arrangement on July 17, 2019, the Company's primary business activity is the advancement of the Josemaria Project in San Juan, Argentina.

All of the Company's non-current assets and exploration and project evaluation costs are located and incurred within South America, whereas materially all of the Company's cash and general and administrative costs are held and incurred by the Canadian parent. Following is a summary of net losses and non-current assets by segment:

	June 30, 2020			December 31, 2019		
	Fixed assets	Mineral properties	Total	Fixed assets	Mineral properties	Total
Josemaria	$ 2,172,242	$ 10,744,789	$ 12,917,031	$ 2,179,899	$ 10,608,482	$ 12,788,381
Corporate	29,350	-	29,350	38,500	-	38,500
Total	$ 2,201,592	$ 10,744,789	$ 12,946,381	$ 2,218,399	$ 10,608,482	$ 12,826,881

	For the six months ended June 30, 2020			For the six months ended June 30, 2019		
	Exploration Expenditures	G&A and other items	Net loss for the period	Exploration Expenditures	G&A and other items	Net loss for the period
Josemaria	$ 23,801,779	$ -	$ 23,801,779	$ 18,568,664	$ -	$ 18,568,664
Los Helados	-	-	-	1,525,346	-	1,525,346
Other projects	-	-	-	254,883	-	254,883
Corporate	-	1,475,681	1,475,681	755,895	2,270,232	3,026,127
Total	$ 23,801,779	$ 1,475,681	$ 25,277,460	$ 21,104,788	$ 2,270,232	$ 23,375,020

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