SUPERNOVA METALS

**(formerly Volt Energy Corp.)**

# CONSOLIDATED FINANCIAL STATEMENTS

**Years Ended**

**December 31, 2020 and 2019**

(Expressed in Canadian Dollars)

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Supernova Metals Corp. (formerly Volt Energy Corp.)

### *Opinion*

We have audited the accompanying consolidated financial statements of Supernova Metals Corp. (formerly Volt Energy Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company's revenues from its oil operations are insufficient to support ongoing operations and the Company has incurred ongoing losses and will require additional funding to continue operations for the upcoming year. As stated in Note 1, the above conditions may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

March 11, 2021

## Supernova Metals Corp.

(formerly Volt Energy Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | December 31, 2020 ($) | December 31, 2019 ($) |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | 527,607 | 129,492 |
| Prepaid expenses | 7,034 | 1,696 |
| Receivables (Note 4) | 114,894 | 2,336 |
| | 649,535 | 133,524 |
| **Exploration and evaluation assets** (Note 6) | 250,149 | 10,501 |
| **Oil properties** (Note 7) | 35,820 | - |
| **Reclamation bond** (Note 5) | 39,461 | - |
| | 974,965 | 144,025 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Notes 8 and 11) | 159,272 | 57,150 |
| **Notes payable** (Note 9) | 60,000 | - |
| **Asset retirement obligation** (Note 10) | 72,600 | - |
| | 291,872 | 57,150 |
| **Shareholders' equity** | | |
| Share capital (Note 12) | 6,186,276 | 4,025,206 |
| Reserves (Note 12) | 462,019 | 450,706 |
| Deficit | (5,965,202) | (4,389,037) |
| | 683,093 | 86,875 |
| | 974,965 | 144,025 |

**Nature of Operations and Going Concern (Note 1)**
**Subsequent Events (Note 18)**

On behalf of the Board:

***"Ken Brophy"***
Ken Brophy - Director

***"Sean McGrath"***
Sean McGrath - Director

# Supernova Metals Corp.

(formerly Volt Energy Corp.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| | **($)** | **($)** |
| **Revenue** | | |
| Oil sales | 101,220 | - |
| Royalties and freehold mineral tax (Note 11) | (14,450) | - |
| | 86,770 | - |
| **Expenses** | | |
| Accretion (Note 10) | 1,398 | - |
| Consulting fees (Note 11) | 221,325 | 26,400 |
| Depletion (Note 7) | 8,488 | - |
| Director fees (Note 11) | 40,000 | 17,000 |
| Field operating expenses | 39,438 | - |
| General and administrative | 49,534 | 11,760 |
| Management fees (Note 11) | 20,000 | - |
| Professional fees (Note 11) | 160,044 | 90,915 |
| Share-based payments (Note 12) | 60,601 | 90,400 |
| Transfer agent and filing fees | 45,268 | 19,098 |
| | (646,096) | (255,573) |
| Finance expense | (2,089) | - |
| Impairment of exploration and evaluation assets (Note 6) | (984,892) | - |
| Impairment of oil properties (Note 7) | (31,894) | - |
| Interest and other income | 2,036 | 321 |
| | (1,016,839) | 321 |
| **Loss from continuing operations** | (1,576,165) | (255,252) |
| Gain from discontinued operations (Note 17) | - | 40,906 |
| **Loss and comprehensive loss for the year** | (1,576,165) | (214,346) |
| **Basic and diluted loss per share:** | | |
| Continuing operations | (0.05) | (0.02) |
| Discontinued operations | - | 0.00 |
| **Weighted average common shares outstanding:** | | |
| Basic | 30,269,778 | 12,097,849 |
| Diluted | 30,269,778 | 12,097,849 |

## Supernova Metals Corp.

(formerly Volt Energy Corp.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

| | Share capital | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Options | Warrants | Deficit | Total |
| | | ($) | ($) | ($) | ($) | ($) |
| **Balance at December 31, 2018** | 12,097,849 | 3,848,206 | 333,776 | 26,530 | (4,174,691) | 33,821 |
| Share issuance - private placement | 5,900,000 | 177,000 | - | - | - | 177,000 |
| Stock options vested | - | - | 90,400 | - | - | 90,400 |
| Comprehensive loss | - | - | - | - | (214,346) | (214,346) |
| **Balance at December 31, 2019** | 17,997,849 | 4,025,206 | 424,176 | 26,530 | (4,389,037) | 86,875 |
| Share issuance - property acquisitions | 5,000,000 | 760,000 | - | - | - | 760,000 |
| Share issuance - option exercises | 2,000,000 | 195,388 | (89,388) | - | - | 106,000 |
| Share issuance - warrant exercises | 1,000,000 | 70,000 | - | - | - | 70,000 |
| Share issuance - private placement | 12,000,000 | 1,100,000 | - | - | - | 1,100,000 |
| Share issuance costs | - | (76,065) | - | 40,100 | - | (35,965) |
| Share issuance - debt settlement | 4,469,863 | 111,747 | - | - | - | 111,747 |
| Stock options vested | - | - | 60,601 | - | - | 60,601 |
| Comprehensive loss | - | - | - | - | (1,576,165) | (1,576,165) |
| **Balance at December 31, 2020** | 42,467,712 | 6,186,276 | 395,389 | 66,630 | (5,965,202) | 683,093 |

## Supernova Metals Corp.

(formerly Volt Energy Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| | **($)** | **($)** |
| **CASH PROVIDED BY (USED IN)** | | |
| **OPERATING ACTIVITIES** | | |
| Loss for the year from continuing operations | (1,576,165) | (255,252) |
| Items not affecting cash: | | |
| Accretion | 1,398 | - |
| Depletion | 8,488 | - |
| Impairment of exploration and evaluation assets | 984,892 | - |
| Impairment of oil properties | 31,894 | - |
| Share-based payments | 60,601 | 90,400 |
| Accrued interest | 2,089 | - |
| Changes in non-cash working capital items: | | |
| Receivables | (112,558) | 5,641 |
| Prepaids | (5,338) | 316 |
| Accounts payable and accrued liabilities | 69,868 | (24,349) |
| | (534,831) | (183,244) |
| Discontinued operations | - | 40,906 |
| | (534,831) | (142,338) |
| **INVESTING ACTIVITIES** | | |
| Exploration and evaluation expenditures | (377,506) | (10,500) |
| Reclamation bond | (39,461) | - |
| Acquisition of oil property | (5,000) | - |
| | (421,967) | (10,500) |
| **FINANCING ACTIVITIES** | | |
| Common shares issued for cash, net of issuance costs | 1,240,035 | 177,000 |
| Interest paid on note payable | (122) | - |
| Proceeds from notes payable | 115,000 | - |
| | 1,354,913 | 177,000 |
| **Change in cash during the year** | 398,115 | 24,162 |
| **Cash - beginning of year** | 129,492 | 105,330 |
| **Cash - end of year** | 527,607 | 129,492 |

**Supplemental Cash Flow Information (Note 16)**

See accompanying notes to the consolidated financial statements

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Supernova Metals Corp. (formerly Volt Energy Corp.) ("Supernova" or the "Company") was incorporated on November 20, 2000 under the laws of the province of Alberta, Canada and was continued into the province of British Columbia in 2010. The Company changed its name from Volt Energy Corp. to Supernova Metals Corp. on September 2, 2020. The Company's offices are located at 1090 Hamilton Street, Vancouver, BC, Canada, V6B 2R9. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "SUPR".

The Company's principal business activities are the exploration and evaluation of resource properties and oil production in North America. The Company is in the process of exploring its resource properties, but it has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or from proceeds of disposition. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage. The Company's oil properties are revenue producing.

The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations. If for any reason, the Company is unable to continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's financial statements and such adjustments could be material.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's revenues from its oil operations are insufficient to support ongoing operations and the Company has incurred ongoing losses and will require additional funding to continue operations for the upcoming year. The above conditions may cast significant doubt on the Company's ability to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

## 2. BASIS OF PREPARATION

***Statement of compliance***

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations from the International Financial Reporting Interpretations Committee ("IFRIC").

These audited annual financial statements were approved for issue by the Company's Board of Directors on March 11, 2021.

## 2. BASIS OF PREPARATION (continued)

***Basis of measurement***

All references to dollar amounts in these financial statements and related notes are in Canadian dollars, unless otherwise indicated.

These financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information.

***Basis of consolidation***

These consolidated financial statements include the accounts of Supernova and its wholly-owned subsidiary Supernova Metals (US) Corp. ("SMUC") which was incorporated in Arizona, USA.

All inter-company transactions and balances have been eliminated upon consolidation.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

***Functional and presentation currency***

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of both the Company and SMUC is the Canadian dollar.

At the end of each reporting period, assets and liabilities of the entities whose functional currency is not the Canadian dollar are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in other comprehensive income or loss for the year.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

***Significant Accounting Judgments, Estimates and Assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

## 2. BASIS OF PREPARATION (continued)

The following areas required a significant degree of estimation:

Recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Recoverability of oil properties

The oil and gas properties are depreciated on a unit of production ("UOP") basis at a rate calculated by reference to proved reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporate the estimated future cost of developing and extracting those reserves. Proved reserves are determined using estimates of oil in place, recovery factors and future prices. Future development costs are estimated using assumptions as to the number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs. Proved reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable.

Share-based compensation

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

Decommissioning provisions

Restoration costs will be incurred by the Company in connection with certain exploration activities conducted on exploration and evaluation assets and oil properties. The Company estimates abandonment and reclamation costs based on a combination of publicly available industry benchmarks and internal site-specific information. The ultimate restoration liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

## 2. BASIS OF PREPARATION (continued)

The following areas required a significant degree of judgment:

Functional Currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

Non-monetary transactions

Assets exchanged or transferred in non-monetary transactions are measured at the fair value of the asset given up or the fair value of the asset received, whichever is more reliable.

Going Concern

The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

## 3. SIGNIFICANT ACCOUNTING POLICIES

***Foreign currency translation***

At the end of each reporting period, assets and liabilities of the entities whose functional currency is not the Canadian dollar are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in other comprehensive income or loss for the year.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

***Loss per share***

Basic loss per share is calculated by dividing the loss of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The calculation assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price. For the years presented, this calculation proved to be anti-dilutive.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Oil properties***

Oil properties are stated at cost, less accumulated depletion and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, and any costs directly attributable to bringing the asset into operation and decommissioning costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where commercial production in an area of interest has commenced, oil properties are depleted on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. The unit-of-production rate for the depletion of field development costs takes into account expenditures incurred to date, together with future development expenditures to develop the proved reserves. Changes in factors such as estimates of proved reserves that affect unit-of-production calculations are dealt with on a prospective basis.

***Exploration and evaluation assets***

Costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are first tested for impairment and then reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their recoverable amount. Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

***Share-based payments***

The Company has a stock option plan. Share based payments are measured at the fair value of the instruments issued and recognized over the term of vesting. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the options granted shall be based on the number of options that eventually vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital. The value associated with expired options remains in reserves.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Decommissioning provisions***

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of exploration and evaluation assets or well sites is capitalized to the exploration and evaluation assets or the oil and gas properties along with a corresponding increase in the restoration provision in the period incurred. The Company uses a pre-tax discount rate that reflects the time value of money to calculate the net present value of the decommissioning provisions. The restoration asset will be depreciated on the same basis as the exploration and evaluation assets or the oil and gas properties.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the exploration and evaluation assets or the oil and gas properties with a corresponding entry to the restoration provision, except when the related exploration and evaluation assets or oil and gas property is closed or the carrying value has been reduced to a $nil value. Changes in estimates of restoration costs for closed exploration and evaluation assets or oil and gas properties are recorded in profit or loss. The Company's estimates are reviewed each reporting date for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

The restoration provisions are accreted to full value over time through charges to finance expenses in profit or loss.

***Income taxes***

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the jurisdictions where the Company operates and generates taxable income.

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

***Government assistance***

The Company recognizes government grants and assistance when there is reasonable assurance that the grant will be received, and any conditions associated with the grant have been met. The Company has received funds from the Government of Canada under the CEBA loan program, but no recognition of the forgivable portion can be recognized until the remainder is repaid prior to the stipulated repayment date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Revenue***

For crude oil, the transfer of control over oil and the associated pricing both generally occur at the time the product reaches a trucking terminal or pipeline. Revenue is measured net of discounts.

The Company principally generates revenue from the sale of crude oil. Revenue associated with the sale of oil is recognized when control is transferred from The Company to its customers. The Company's oil sale contracts, through its working interest partner that acts as operator, represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all of the following conditions are satisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- The Company has the present right to payment.

Revenue represents the Company's share of oil sales net of royalty obligations to governments and other mineral interest owners. The Company sells its production pursuant to variable priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed upon transaction price, whereby any variability in revenue is related specifically to the Company's efforts to deliver production. Therefore, the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the Company's variable revenue is considered to be constrained.

**Warrants issued in equity financing transactions**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve.

Warrants that are issued as payment for agency fees or other transaction costs (finder's warrants) are compensatory in nature and are assigned a value based on the Black-Scholes pricing model and included in reserves.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in the warrant reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Impairment of long-lived assets***

The carrying amount of the Company's assets is reviewed for indicators of impairment each reporting date. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

FVLCD is defined as the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The Company calculates FVLCD by reference to the after-tax future cash flows expected to be derived, less estimated selling costs. The estimated after-tax future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. If an impairment loss exists, then it is recorded as an expense immediately.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss cannot be reversed to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

***Financial instruments***

IFRS 9 provides three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

Financial assets

The Company initially recognizes financial assets at fair value on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(Expressed in Canadian dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments*** *(continued)*

The Company classifies all of its financial assets as subsequently measured at amortized cost. All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income are classified as FVTPL.

Financial liabilities

The Company classifies all of its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Impairment

An "expected credit loss" impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## 4. RECEIVABLES

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | ($) | ($) |
| Drilling Deposit | 94,999 | - |
| GST receivable | 13,050 | 2,336 |
| Trade receivables | 6,845 | - |
| | 114,894 | 2,336 |

## 5. RECLAMATION BOND

The drilling permit for the Clanton Hills property (Note 6) requires a refundable reclamation bond totaling $39,461 (US$30,874) (2019 - $Nil), which is held by the US Bureau of Land Management.

(Expressed in Canadian dollars)

## 6. EXPLORATION AND EVALUATION ASSETS

A summary of exploration and evaluation assets by property for the year ended December 31, 2020 is set out below:

| Property | Balance at December 31, 2019 | Additions | Option Payment(s) Received | Impairment | Balance at December 31, 2020 |
|---|---|---|---|---|---|
| | ($) | ($) | ($) | ($) | ($) |
| Cold Springs | - | 59,648 | - | - | 59,648 |
| Lac Saint Simon | 10,501 | - | - | - | 10,501 |
| Clanton Hills | - | 984,892 | - | (984,892) | - |
| Lac Roy and Faraud | - | 180,000 | - | - | 180,000 |
| | **10,501** | **1,224,540** | **-** | **(984,892)** | **250,149** |

A summary of exploration and evaluation assets by property for the year ended December 31, 2019 is set out below:

| Property | Balance at December 31, 2018 | Additions | Option Payment(s) Received | Impairment | Balance at December 31, 2019 |
|---|---|---|---|---|---|
| | ($) | ($) | ($) | ($) | ($) |
| Lac Saint Simon | 1 | 10,500 | - | - | 10,501 |
| | **1** | **10,500** | **-** | **-** | **10,501** |

A summary of the exploration and evaluation assets by cost category is set out below:

| | ($) |
|---|---|
| **Balance at December 31, 2018** | **1** |
| Management and administration | 10,500 |
| **Balance at December 31, 2019** | **10,501** |
| Acquisition and land costs | 790,000 |
| Assays | 22,180 |
| Camp costs | 26,674 |
| Consulting | 147,702 |
| Drilling | 202,149 |
| Trenching and geophysics | 25,206 |
| Management and administration | 10,629 |
| Impairment | (984,892) |
| **Balance at December 31, 2020** | **250,149** |

(Expressed in Canadian dollars)

## 6. EXPLORATION AND EVALUATION ASSETS (continued)

Cold Springs, Nevada

On September 1, 2020, the Company entered into an option agreement with Silver Range Resources Ltd. ("Silver Range") wherein it can acquire up to a 75% interest in the Cold Springs gold property located in Nevada, USA in exchange for completing at least 2,000 metres of drilling on the property by August 31, 2023 and by making the following cash payments:

| Date | Amount ($) |
|---|---|
| On execution of the Option Agreement (paid) | 10,000 |
| By November 30, 2020 (paid) | 20,000 |
| By February 28, 2021 (paid) | 20,000 |
| By August 31, 2021 | 50,000 |
| By August 31, 2022 | 100,000 |
| By August 31, 2023 | 100,000 |
| | 300,000 |

Silver Range will retain a 2.5% Net Smelter Returns royalty ("NSR") subject to 1.5% being available for purchase by the Company for a cash payment of $1,250,000.

Clanton Hills, Arizona

On August 31, 2020, the Company entered into an option agreement with Allegiant Gold Ltd. ("Allegiant"), a corporation related by virtue of a common officer (Note 11), granting the Company an option to acquire a 50.1% interest in the Clanton Hills silver property, subject to a 2% net smelter return royalty. The Company issued 2,000,000 common shares valued at $580,000 and was required to pay US$550,000 over three years and incur US$1,500,000 in exploration expenditures.

In early fiscal 2021, due to poor drilling results, the Company decided not to continue with the property, and accordingly as at December 31, 2020 the Company recorded a full impairment.

Lac Saint Simon, Quebec

On June 1, 2017, the Company acquired a 100% interest in the Lac Saint Simon lithium property located in west-central Quebec in exchange for 625,000 common shares which were valued at $325,000.

Subsequent to December 31, 2020, the Company entered into an agreement with 79 Resources Ltd. whereby they can acquire the project under certain terms and conditions (Note 18).

Lac Roy and Faraud, Quebec

On January 2, 2020, the Company acquired a 100% interest in the Lac Roy and Faraud vanadium properties located in Quebec in exchange for 3,000,000 common shares which were valued at $180,000.

(Expressed in Canadian dollars)

## 7. OIL PROPERTIES

On January 1, 2020, the Company acquired non-operating working interests in five wells in southeastern Saskatchewan from a corporation related by virtue of common directors and officers. The consideration for the acquisition was a cash payment of $5,000 and a contingent performance bonus of up to $40,000 payable after one year of production. No value was attributed to the performance bonus as the likelihood of payment was considered remote. In addition, the Company assumed the reclamation liability for its proportional interest in these wells which has been estimated to be $71,202 (Note 10).

| Well # | | Working Interest (%) | Net Revenue Interest (%) |
|---|---|---|---|
| 1 | King 141/08-13-004-07 W2M | 45.90 | 39.02 |
| 2 | King 91/06 HZ 1D08-13-1D06-18-04-06 W2M | 13.00 | 13.00 |
| 3 | King 92/07 HZ 2C5-18-1D7-13-04-07 W2M | 45.90 | 39.02 |
| 4 | King 4D8-14/2A11-13-004-07 W2 | 10.50 | 8.93 |
| 5 | Steelman 191/07-18-004-06W2 | 13.00 | 13.00 |

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Each well is considered its own CGU. The Company reviews each CGU for indicators of possible impairment at the end of each reporting period. During the year ended December 31, 2020, the Company reviewed the carrying value of its oil properties and determined there were impairment indicators present for Wells #2 and #3. The wells have not produced positive cash flow since acquisition, and it is unclear if there is any future benefit left in the wells. Accordingly, the Company has recorded an impairment charge of $31,894.

| 2020 | Well #1 | Well #2 | Well #3 | Well #4 | Well #5 | Total |
|---|---|---|---|---|---|---|
| | ($) | ($) | ($) | ($) | ($) | ($) |
| Cost: | | | | | | |
| At December 31, 2019 | - | - | - | - | - | - |
| Additions | 26,772 | 7,107 | 26,312 | 7,142 | 8,869 | 76,202 |
| At December 31, 2020 | 26,772 | 7,107 | 26,312 | 7,142 | 8,869 | 76,202 |
| Depletion: | | | | | | |
| At December 31, 2019 | - | - | - | - | - | - |
| Charge for the year | 4,003 | 1,525 | - | 895 | 2,065 | 8,488 |
| At December 31, 2020 | 4,003 | 1,525 | - | 895 | 2,065 | 8,488 |
| Impairment: | | | | | | |
| At December 31, 2019 | - | - | - | - | - | - |
| Charge for the year | - | 5,582 | 26,312 | - | - | 31,894 |
| At December 31, 2020 | - | 5,582 | 26,312 | - | - | 31,894 |
| Net book value: | | | | | | |
| At December 31, 2019 | - | - | - | - | - | - |
| At December 31, 2020 | 22,769 | - | - | 6,247 | 6,804 | 35,820 |

(Expressed in Canadian dollars)

## 8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | ($) | ($) |
| Trade payables | 85,268 | - |
| Related party payables (Note 11) | 40,004 | 41,150 |
| Accrued liabilities | 30,000 | 16,000 |
| | 159,272 | 57,150 |

## 9. NOTES PAYABLE

On January 10, 2020, the Company borrowed $40,000 pursuant to a promissory note that was unsecured, bore interest at a rate of 18% compounded monthly and was repayable on or before December 31, 2020. During the year ended December 31, 2020, the Company repaid the loan plus accrued interest of $1,978 through the issuance of 1,678,713 common shares valued at $41,967 and a cash payment of $11.

On April 13, 2020, the Company borrowed $15,000 from a director of the Company pursuant to a promissory note that was unsecured, bore interest at a rate of 18% compounded monthly and was repayable on or before December 31, 2020. During the year ended December 31, 2020, the Company repaid the loan plus accrued interest of $111 through the issuance of 600,000 common shares valued at $15,000 and a cash payment of $111.

On May 11, 2020, the Company borrowed $40,000 under a COVID-19 Relief Line of Credit as part of the Government-sponsored Canada Emergency Business Account ("CEBA"). The credit line is interest free until December 31, 2020, and any unpaid balance on January 1, 2021 will be converted to a two year 0% interest term loan that must be repaid by December 31, 2022. A total of $10,000 of the loan will be forgiven if $30,000 is repaid in full on or before December 31, 2022. The Company can exercise an option for a three year term extension but any remaining principal balance outstanding will be subject to 5% interest.

On December 15, 2020, the Company received an additional $20,000 loan under the CEBA program. The terms of repayment are the same as the first advance, including the provision that $10,000 of the additional advance will be forgiven if the remaining $10,000 is repaid in full on or before December 31, 2022.

## 10. ASSET RETIREMENT OBLIGATION

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | ($) | ($) |
| Balance, beginning | - | - |
| Addition | 71,202 | - |
| Accretion expense | 1,398 | - |
| Balance, end | 72,600 | - |

(Expressed in Canadian dollars)

## 10. ASSET RETIREMENT OBLIGATION (continued)

The Company's provision for restoration and environmental obligations consists of costs accrued based on the current best estimate of reclamation activities that will be required at the completion of petroleum extraction activities. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

The Company has calculated the fair value of the asset retirement obligation using a risk-free discount rate of 2.2% and an inflation rate of 2.0%. The estimated total future undiscounted cash flows to settle the asset retirement obligations are $85,700 and are expected to be incurred over a period of approximately 19 years.

## 11. RELATED PARTY TRANSACTIONS

Key management includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), directors and companies controlled by them. The Company incurred the following transactions with key management of the Company during the years ended December 31, 2020 and 2019:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | ($) | ($) |
| Consulting fees | - | 3,000 |
| Director fees | 40,000 | 17,000 |
| Exploration and evaluation consulting | 86,932 | 10,500 |
| Interest on notes payable | 111 | - |
| Professional fees | 100,000 | 57,500 |
| Management fees | 20,000 | - |
| Share-based payments | 26,739 | 90,400 |
| Mineral royalties | 1,058 | - |
| | 274,840 | 178,400 |

During fiscal 2020, the Company received and repaid loans as further described in Note 9, and acquired exploration and evaluation assets and oil properties as further described in Notes 6 and 7, respectively.

As at December 31, 2020, a total of $44,004 (December 31, 2019 - $41,150) was included in accounts payable and accrued liabilities owing to the directors of the Company. The debts were non-interest bearing and had no specific terms of repayment.

## 12. SHARE CAPITAL

***Authorized share capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

***Issued share capital***

The Company has common shares issued or outstanding.

Year ended December 31, 2020

On January 9, 2020, the Company issued 3,000,000 common shares valued at $180,000 in connection with the acquisition of the Lac Roy and Faraud vanadium properties. (Note 6)

On April 28, 2020, the Company issued 4,469,863 common shares to settle accounts payable and notes payables totaling $111,747. (Note 9)

On June 4, 2020, the Company completed a non-brokered private placement wherein it issued 2,000,000 units at $0.05 per unit for aggregate proceeds of $100,000. Each unit is comprised of a common share and a share purchase warrant that entitles the holder to acquire an additional common share at $0.07 for a period of two years. The warrant was determined to have a value of $Nil.

On September 4, 2020, the Company completed a non-brokered private placement wherein it issued 10,000,000 common shares at $0.10 per share for aggregate proceeds of $1,000,000. The Company incurred share issuance costs of $35,965 and issued 312,900 finders' warrants that are exercisable at $0.20 until September 4, 2021. The finders' warrants were determined to have a value of $40,100.

On September 16, 2020, the Company issued 2,000,000 common shares valued at $580,000 in connection with the Clanton Hills option agreement. (Note 6)

During the year ended December 31, 2020, the Company issued 3,000,000 common shares for gross proceeds of $176,000 pursuant to the exercise of share purchase warrants and stock options. As a result of the option exercises, a total of $89,388 was transferred from share option reserve into share capital.

Year ended December 31, 2019

On October 10, 2019, the Company issued 5,900,000 common shares at $0.03 per share pursuant to a non-brokered private placement for gross proceeds of $177,000.

## 12. SHARE CAPITAL (continued)

### *Restricted Stock Units*

On September 9, 2020, the Company adopted a restricted share unit ("RSU") plan to issue RSUs whereby the total aggregate RSUs and share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant. The Board of Directors may from time to time, grant RSUs to directors, officers, employees or consultants. The vesting terms of an RSU are at the discretion of the Board of Directors.

There were no RSUs issued or outstanding as at December 31, 2020

### *Stock options*

The Company has a rolling incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a variable period from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company.

<u>Year ended December 31, 2020</u>

On December 3, 2020, the Company granted 250,000 stock options exercisable at $0.17 for a period of two years. The options vest in equal installments over a period of nine months. During the year ended December 31, 2020, the Company expensed $11,401 as a share-based payment.

On June 2, 2020, Company granted 1,150,000 stock options exercisable at $0.05 for a period of five years. The options were fully vested on the grant date, and the Company expensed $49,200 as a share-based payment.

<u>Year ended December 31, 2019</u>

On May 3, 2019, the Company granted 1,000,000 stock options with a fair value of $58,200. The options were fully vested on the grant date, and the Company expensed $58,200 as share-based compensation.

On October 10, 2019, the Company granted 775,000 stock options with a fair value of $32,200. The options were fully vested on the grant date, and the Company expensed $32,200 as share-based compensation.

(Expressed in Canadian dollars)

**12. SHARE CAPITAL** (continued)

The options granted during the year were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

| | **2020** | **2019** |
|---|---|---|
| Risk-free interest rate | 0.37% | 1.52% |
| Expected life of options | 4.46 yrs | 5 yrs |
| Volatility | 139% | 121% |
| Expected Dividend yield | Nil | Nil |
| Forfeiture rate | Nil | Nil |
| Weighted average fair value | $0.06 | $0.05 |

A continuity schedule of the Company's stock options is as follows:

| | **Number of Options** | **Weighted Average Exercise Price** |
|---|---|---|
| | | **($)** |
| Balance, December 31, 2018 | 155,000 | 0.40 |
| Granted | 1,775,000 | 0.06 |
| Expired | (555,000) | 0.16 |
| Balance, December 31, 2019 | 1,375,000 | 0.06 |
| Granted | 1,400,000 | 0.07 |
| Exercised | (2,000,000) | 0.05 |
| Balance, December 31, 2020 | 775,000 | 0.10 |

The following table summarizes the stock options outstanding and exercisable as at December 31, 2020:

| **Number of Options Outstanding** | **Number of Options Exercisable** | **Weighted Average Exercise Price** | **Expiry Date** | **Weighted Average Remaining Contractual Life** |
|---|---|---|---|---|
| | | **($)** | | **(yrs)** |
| 300,000 | 300,000 | 0.07 | May 2, 2024 | 3.34 |
| 125,000 | 125,000 | 0.05 | October 10, 2024 | 3.78 |
| 100,000 | 100,000 | 0.05 | June 2, 2025 | 4.42 |
| 250,000 | 62,500 | 0.17 | December 3, 2022 | 1.92 |
| 775,000 | 587,500 | 0.10 | | 3.09 |

(Expressed in Canadian dollars)

## 12. SHARE CAPITAL (continued)

***Warrants***

A continuity schedule of the Company's warrants is as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| | | ($) |
| Balance, December 31, 2018 and 2019 | - | - |
| Issued | 2,312,900 | 0.09 |
| Exercised | (1,000,000) | 0.07 |
| Balance, December 31, 2020 | 1,312,900 | 0.10 |

The following table summarizes the warrants outstanding and exercisable as at December 31, 2020:

| Number of Warrants Outstanding | Number of Warrants Exercisable | Weighted Average Exercise Price | Expiry Date | Weighted Average Remaining Contractual Life |
|---|---|---|---|---|
| | | ($) | | (yrs) |
| 1,000,000 | 1,000,000 | 0.07 | June 4, 2022 | 1.42 |
| 312,900 | 312,900 | 0.20 | September 4, 2021 | 0.68 |
| 1,312,900 | 1,312,900 | 0.10 | | 1.25 |

The finder's warrants issued during the year were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

| | 2020 |
|---|---|
| Risk-free interest rate | 0.25% |
| Expected life of options | 1.00 yrs |
| Volatility | 120% |
| Expected Dividend yield | Nil |
| Forfeiture rate | Nil |
| Weighted average fair value | $0.13 |

## 13. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts as well as receivables. The majority of cash is deposited in bank accounts held with major banks in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company prepares a general operating budget to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company uses its best efforts to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's financial liabilities consist of accounts payable and accrued liabilities, all of which are due within twelve months.

The Company is exposed to liquidity risk.

***Commodity risk***

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and base and precious metals are impacted by world economic events that dictate the levels of supply and demand. The Company had no hedging contracts in place as at or during the year ended December 31, 2020.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

***Foreign exchange risk***

The Company's functional and presentation currency is the Canadian dollar. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates in its US subsidiary. The Company also has certain assets and liabilities denoted in US dollars. A 10% change in the currency exchange rates between the Canadian dollar relative to the US dollar would have an effect on the Company's results of operations, financial position and/or cash flows of approximately $41,000. The Company has not hedged its exposure to currency fluctuations.

## 13. FINANCIAL RISK MANAGEMENT (continued)

### *Classification of financial instruments*

The Company classifies its other financial assets and other financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Financial assets included in the statement of financial position are cash and receivables. Financial liabilities included in the statement of financial position include accounts payable and accrued liabilities and note payable. The fair value of cash, receivables, and accounts payable approximate the carrying amount due to their short term to maturity. The fair value of note payable reflects the market rate of interest. The effect of changes in the Company's credit risk do not have a significant impact on the fair value due to the short term to maturity.

### *Capital Management*

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of the components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2020.

(Expressed in Canadian dollars)

## 14. SEGMENTED INFORMATION

The Company has two reportable business segments being mineral exploration and oil extraction. Assets by geographical area are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | ($) | ($) |
| Current assets | | |
| Canada | 554,536 | 133,524 |
| USA | 94,999 | - |
| | 649,535 | 133,524 |
| Non-current assets | | |
| Canada | 226,321 | 10,501 |
| USA | 99,109 | - |
| | 325,430 | 10,501 |
| Total assets | | |
| Canada | 780,857 | 144,025 |
| USA | 194,108 | - |
| | 974,965 | 144,025 |

All revenues are located in Canada.

## 15. INCOME TAXES

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | ($) | ($) |
| Loss before income taxes | (1,576,165) | (214,346) |
| Canadian federal and provincial income tax rates | 27.00% | 27.00% |
| Income tax recovery based on the above rates | (426,000) | (58,000) |
| Increase (decrease) due to: | | |
| Adjustment to prior year's provision versus statutory tax returns | - | 108,000 |
| Non-deductible items | 20,000 | 25,000 |
| Share issue costs | (10,000) | - |
| Differences in long term tax rates | 51,000 | (1,000) |
| Tax effect of tax losses and temporary differences not recognized | 365,000 | (74,000) |
| Income tax (recovery) expense | - | - |

(Expressed in Canadian dollars)

## 15. INCOME TAXES (continued)

The components of deferred income taxes are as follows:

| | December 31, 2020 ($) | December 31, 2019 ($) |
|---|---|---|
| ***Deferred income tax assets*** | | |
| Asset retirement obligation | 20,000 | - |
| Non-capital losses | 824,000 | 692,000 |
| Property, plant, equipment and other | 472,000 | 266,000 |
| Share issuance costs | 8,000 | 1,000 |
| Total deferred income tax assets | 1,324,000 | 959,000 |
| Unrecognized deferred tax asset | (1,324,000) | (959,000) |

In assigning the realization of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has non-capital loss carry-forwards of approximately $3,050,000 that may be available for tax purposes.

## 16. SUPPLEMENTAL CASH FLOW INFORMATION

| | December 31, 2020 ($) | December 31, 2019 ($) |
|---|---|---|
| **Non-cash investing and financing activities:** | | |
| Acquisition of exploration and evaluation assets through the issuance of 5,000,000 common shares | 760,000 | - |
| Exploration and evaluation expenditures included in accounts payable | 87,034 | - |
| Issued 312,900 finders' warrants as a share issuance cost | 40,100 | - |
| Recognized an asset retirement obligation on the oil properties | 71,202 | - |
| Settlement of accounts payable through the issuance of common shares | 56,747 | - |
| Settlement of notes payable through the issuance of common shares | 55,000 | - |
| Transfer fair value of stock options exercised | 89,388 | - |
| **Interest paid during the year** | 122 | - |
| **Income taxes paid during the year** | - | - |

(Expressed in Canadian dollars)

## 17. SPIN OFF OF CANNSUN

In January 2018, the Company completed the spin out of the common shares of its wholly-owned subsidiary, Cannsun Medhel Bioscience Ltd. ("Cannsun"), to its shareholders and the net loss from the oil and gas assets being $118,639 that were transferred to Cannsun were reclassified to discontinued operations.

During the year ended December 31, 2020, the Company received $Nil (2019 - $40,906) in historical cost recoveries in connection with the oil properties that were transferred to Cannsun.

## 18. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company entered into an option agreement with 79 Resources Ltd. (the "Optionee"), a publicly traded company on the Canadian Securities Exchange, wherein the Optionee can acquire up to a 100% ownership interest in the Lac Saint Simon lithium project in stages over 36 months.

| Date | Common shares | Cash ($) | Exploration Expenditures ($) |
|---|---|---|---|
| Within 5 Days of the removal of the due diligence provision (received) | 250,000 | 25,000 | Nil |
| On or before the first anniversary of the Exchange Approval Date | 250,000 | 30,000 | 100,000 |
| On or before the second anniversary of the Exchange Approval Date | 500,000 | 50,000 | 200,000 |
| On or before the third anniversary of the Exchange Approval Date | 500,000 | 50,000 | 400,000 |
| Total | 1,500,000 | 155,000 | 700,000 |

The Company will retain a 2% NSR on the Property, subject to a buyback option wherein the Optionee can acquire one half of the NSR in exchange for a cash payment of $1,000,000.