AURWEST RESOURCES CORPORATION

Financial Statements

For the seven month period ended December 31, 2020
and the year ended May 31, 2020

(Expressed in Canadian Dollars)

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charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
Aurwest Resources Corporation

Opinion

We have audited the financial statements of Aurwest Resources Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2020 and May 31, 2020 and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the seven month period ended December 31, 2020 and the year ended May 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and May 31, 2020, and its financial performance and its cash flows for the for the seven month period ended December 31, 2020 and the year ended May 31, 2020, 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 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 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company had a deficit of $4,384,990 as at December 31, 2020 and working capital of $848,457. As stated in Note 2, these events and conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that 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 comprises the Management Discussion and Analysis. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Melyssa Charlton.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
February 26, 2021

AURWEST RESOURCES CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and May 31, 2020
(expressed in Canadian dollars)

	Notes	**December 31, 2020**	May 31, 2020
		$	**$**
ASSETS			
Current assets			
Cash		**1,089,952**	153,057
Goods and services tax receivable		**15,989**	11,796
		1,105,941	164,853
Exploration and evaluation assets	4,7	**349,441**	249,719
TOTAL ASSETS		**1,455,382**	414,572
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**46,284**	84,931
Loans payable	5, 7	**12,029**	70,180
Due to related parties	7	**199,171**	230,263
		257,484	385,374
SHAREHOLDERS' EQUITY			
Share capital	6	**5,056,632**	3,752,071
Reserves	6	**526,256**	454,074
Deficit		**(4,384,990)**	(4,176,947)
		1,197,898	29,198
TOTAL LIABILITIES AND SHAREHOLDERS'		**1,455,382**	414,572

Nature of operations (Note 1)
Commitments (Notes 4 and 6)
Subsequent event (Note 13)

Approved on behalf of the Board of Directors

Signed "Colin Christensen"
Director

Signed "Warren Brown"
Director

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

AURWEST RESOURCES CORPORATION
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the seven month period ended December 31, 2020 and the year ended May 31, 2020
(expressed in Canadian dollars)

	Notes	**For the 7 month period ended December 31, 2020**	For the year ended May 31, 2020
		$	$
EXPENSES			
Exploration and evaluation expenditures		**-**	6,992
Interest expense	5	**1,730**	7,483
Marketing & investor relations		**17,240**	59,502
Office and general		**8,355**	6,792
Professional fees	7	**145,820**	229,894
Property investigation	7	**7,042**	-
Regulatory and filing		**13,628**	36,009
Share-based compensation	6,7	**72,182**	-
		(265,997)	(346,672)
Gain on settlement of accounts payable	5,6,7	**45,470**	100,042
Gain on settlement of debt	5,6	**12,484**	17,919
Write-off of exploration and evaluation assets	4	-	(22,081)
LOSS AND COMPREHENSIVE LOSS		**(208,043)**	(250,792)
Basic and diluted loss per common share		**($0.00)**	($0.02)
Weighted average number of shares outstanding – basic and diluted		**43,998,226**	12,870,462

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

AURWEST RESOURCES CORPORATION
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the 7 month period ended December 31, 2020 and the year ended May 31, 2020
(expressed in Canadian dollars)

	Share Capital		Reserves			
	Number of Shares	Amount	Options	Warrants	Deficit	Total
	#	$	$	$	$	$
Balance, May 31, 2019	11,341,181	3,271,225	333,540	96,784	(3,926,155)	(224,606)
Private placements	14,525,750	338,015	-	23,750	-	361,765
Share issuance costs – cash	-	(6,480)	-	-	-	(6,480)
Shares issued to settle debt	3,998,156	149,311	-	-	-	149,311
Loss for the year	-	-	-	-	(250,792)	(250,792)
Balance, May 31, 2020	29,865,087	3,752,071	333,540	120,534	(4,176,947)	29,198
Private placements	27,106,000	1,462,505	-	-	-	1,462,505
Finders' units issued	2,144,100	(107,205)	-	-	-	(107,205)
Share issuance costs – cash	-	(78,654)	-	-	-	(78,654)
Share-based compensation	-	-	72,182	-	-	72,182
Shares issued for services	37,944	3,415	-	-	-	3,415
Shares issued for exploration and evaluation assets	350,000	24,500	-	-	-	24,500
Loss for the period	-	-	-	-	(208,043)	(208,043)
Balance, December 31, 2020	**59,503,131**	**5,056,632**	**405,722**	**120,534**	**(4,384,990)**	**1,197,898**

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

AURWEST RESOURCES CORPORATION
STATEMENTS OF CASH FLOWS
For the 7 month period ended December 31, 2020 and the year ended May 31, 2020
(expressed in Canadian dollars)

	Notes	**For the 7 month period ended December 31, 2020**	For the year ended May 31, 2020
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		**(208,043)**	(250,792)
Items not involving cash:			
Interest expense	5	**1,730**	7,483
Share-based compensation	6	**72,182**	-
Share-based payments	6	**3,415**	-
Gain on settlement of debt	5	**(12,484)**	(17,919)
Gain on settlement of accounts payable	6	**(45,470)**	(100,042)
Write-off of exploration and evaluation asset	4	**-**	22,081
Changes in non-cash working capital items:			
Prepaid expenses		**-**	1,000
Goods and services tax receivable		**(4,193)**	(5,918)
Accounts payable and accrued liabilities		**(18,178)**	15,566
Net cash used in operating activities		**(211,041)**	(328,541)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Exploration and evaluation expenditures		**(75,222)**	(25,315)
Net cash used in investing activities		**(75,222)**	(25,315)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans payable		**(47,397)**	14,500
Private placement proceeds	6	**1,355,300**	361,765
Share issuance costs	6	**(53,654)**	(6,480)
Due to related parties	7	**(31,091)**	120,852
Net cash provided by financing activities		**1,223,158**	490,637
Change in cash		**936,895**	136,781
Cash, beginning of the period		**153,057**	16,276
Cash, end of the period		**1,089,952**	153,057

Supplemental disclosure with respect to cash flows – Note 12

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

1. NATURE OF OPERATIONS

Aurwest Resources Corporation (the "Company" or "Aurwest") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on April 17, 2008 and has been a reporting issuer in British Columbia, Alberta and Ontario, and whose shares have traded on the Canadian Securities Exchange since November 10, 2010 under stock symbol SRS. The Company's registered and records office and corporate office address is address is Suite 2003, 188 – 15 Ave SW, Calgary, Alberta Canada T2R 1S4. On January 7, 2020, the Company completed a share consolidation on the basis of 4 old shares for 1 new share. The share consolidation has been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidation. The Company also changed its name to Aurwest Resources Corporation and on January 8, 2020, commenced trading under the stock symbol "AWR".

On January 14, 2021, the Company changed its year end from May 31 to December 31. These financial statements reflect the transition year for the 7 months ended December 31, 2020 with the comparative balances being the year ended May 31, 2020.

The Company is pursuing the acquisition, exploration and evaluation of mineral properties. At December 31, 2020, it had acquired two additional claims on the Stellar Project and entered into option agreements to earn a 100% interest in the Paradise Lake and Miguel Lake properties in Newfoundland. The Company is in the process of exploring its mineral property interests and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral properties in accordance with industry practice, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors on February 26, 2021.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared, except for cash flow information, using the accrual basis of accounting. Unless otherwise noted, these financial statements are presented in Canadian dollars, the functional currency of the Company.

Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation in the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At December 31, 2020, the Company had not yet achieved profitable operations, had a working capital of $848,457 (May 31, 2020 – working capital deficiency of $220,521) and a deficit of $4,384,990 (May 31, 2020 - $4,176,947) since inception and expects to incur further losses in the development of its business. The current challenging economic climate brought about by factors including the Coronavirus ("COVID-19") may lead to adverse financing conditions, working capital levels and/or debt balances, which may also have an effect on the Company's operating results and financial position. These circumstances comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to

2. BASIS OF PRESENTATION (continued)

Going concern (continued)

generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The COVID-19 outbreak has resulted in social and economic disruption and had a resultant impact on the mining and exploration industries and capital markets. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19. However, the duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time and could have a material impact on the Company's future financial position, results of operation and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted.

Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Going concern

The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

2. BASIS OF PRESENTATION (continued)

Critical accounting estimates and judgements (continued)

Estimates

Share-based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value of share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models use for estimating fair value for share-based payment transactions are disclosed in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

Exploration and evaluation assets

The Company may hold interests in mineral property interests in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights, and property options. The Company capitalizes payments made in the process of acquiring legal title to these properties. Mineral property interest acquisition costs are recorded at historical cost. Exploration and evaluation expenditures incurred on properties prior to obtaining legal rights to explore the specific area are charged to operations as incurred.

The carrying values of exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The carrying value of equipment is reviewed for indications of impairment at each reporting date. When impairment indicators exist, the asset's recoverable amount is estimated. If it is determined that the estimated recoverable amount is less than the carrying value of an asset, then a write-down is made with a charge to operations.

An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Restoration and environmental obligations

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 plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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 related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restoration and environmental obligations (continued)

Changes in the net present value, excluding changes in the Company's estimates of restoration costs, are charged to the statement of comprehensive loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production is charged to the statement of comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company's cash is measured at FVTPL, while its accounts payables and accrued liabilities, loans payable and due to related parties is recorded at amortized cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are measurement categories under which the Company classifies its debt instruments:

- Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.
- Financial assets and liabilities at FVTPL: Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and

losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

- Financial assets at FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences, between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or "premium" are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized and the deferred credit is reversed. The net amount is recognized as a deferred income tax recovery.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares (continued)

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subjected to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Share-based payments

The Company grants stock options to buy common shares of the Company through its stock option plan as described in Note 6. The Company accounts for share-based payments using the fair value method. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is charged to reserves. The fair value of options is determined using the Black-Scholes Option 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 equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company grants stock options that are subject to various vesting terms. Under IFRS, the fair value of each instalment of the award is considered a separate grant based on the vesting period with the fair value of each instalment determined separately and recognized as compensation expense over the term of its respective vesting period.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted earnings per share exclude all dilutive potential common shares if their effect is anti-dilutive.

(expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign exchange

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Canadian dollar.

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, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. 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 included in profit or loss.

New accounting standards and interpretations issued but not yet adopted

IAS 16 – Property, plant and equipment – Proceeds before intended use ("IAS 16") has been amended to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant or equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

IAS 37–Provisions ("IAS 37"), has been amended to clarify (i) the meaning of "costs to fulfil a contract", and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

IAS 1 –Presentation of Financial Statements ("IAS 1"), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023. The Company is currently assessing the impact of this amendment.

4. EXPLORATION AND EVALUATION ASSETS

	Paradise Lake	Miguel Lake	Stellar	Buckley	Milly	Total
Balance, May 31, 2019	$ -	$ -	$ 182,110	$ 45,000	$ 19,375	$ 246,485
Acquisition costs - cash	-	-	20,000	-	-	20,000
Acquisition costs - shares	-	-	45,000	(45,000)	-	-
Consulting	-	-	2,609	-	2,706	5,315
Expenditures during the year	-	-	67,609	(45,000)	2,706	25,315
Write down of exploration and evaluation assets	-	-	-	-	(22,081)	(22,081)
Balance, May 31, 2020	**$ -**	**$ -**	**$ 249,719**	**$ -**	**$ -**	**$ 249,719**

(expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

	Paradise Lake	Miguel Lake	Stellar	Buckley	Milly	Total
Balance, May 31, 2020	$ -	$ -	$ 249,719	$ -	$ -	$ 249,719
Acquisition costs - cash	50,000	5,000	7,000	-	-	62,000
Acquisition costs - shares	21,000	3,500	-	-	-	24,500
Geology	6,744	-	6,478	-	-	13,222
Expenditures during the year	77,744	8,500	13,478	-	-	99,722
Balance, December 31, 2020	**$ 77,744**	**$ 8,500**	**$ 263,197**	**$ -**	**$ -**	**$ 349,441**

Paradise Lake Project, Newfoundland

On November 6, 2020, the Company entered into an option agreement with Tenacity Gold Mining Company Ltd., to acquire a 100% interest in 824 claims on the Paradise Lake property located in Newfoundland, Canada.

To earn the 100% interest in the property, the Company is required to make cash payments of $400,000 and issue 5,000,000 units over the course of four years. Each unit will consist of one common share and one-half share purchase warrant. Each whole warrant is exercisable for a period of three years at a price equal to a 10% premium to the closing price of the common shares on the Canadian Stock Exchange (“CSE”) on the day prior to the date of issuance. The consideration will be paid as follows:

- $50,000 cash and 300,000 units on November 20, 2020 (paid and issued (Note 6));
- $50,000 cash and 500,000 units on or before November 20, 2021;
- $75,000 cash and 700,000 units on or before November 20, 2022;
- $100,000 cash and 1,500,000 units on or before November 20, 2023; and
- $125,000 cash and 2,000,000 units on or before November 20, 2024

In addition, the Company is required to incur $4,000,000 in exploration expenditures on the property over the next four years as follows:

- $400,000 on or before November 20, 2021;
- $750,000 on or before November 20, 2022;
- $1,275,000 on or before November 20, 2023; and
- $1,575,000 on or before November 20, 2024.

Tenacity Gold Mining Company will retain a 3% net smelter returns royalty (“NSR”) on the property.

Miguel Lake, Newfoundland

On November 6, 2020, the Company entered into an option agreement with Tenacity Gold Mining Company Ltd. and Alexander Duffitt, to acquire a 100% interest in 120 claims on the Miguel Lake property located in Newfoundland, Canada.

To earn the 100% interest in the property, the Company is required to make cash payments of $50,000 and issue 750,000 units over the course of four years. Each unit will consist of one common share and one-half share purchase warrant. Each whole warrant is exercisable for a period of three years at a price equal to a 10% premium to the

4. EXPLORATION AND EVALUATION ASSETS (continued)

closing price of the common shares on the CSE on the day prior to the date of issuance. The consideration will be paid as follows:

- $5,000 cash and 50,000 units on November 20, 2020 (paid and issued (Note 6));
- $5,000 cash and 100,000 units on or before November 20, 2021;
- $8,000 cash and 150,000 units on or before November 20, 2022;
- $12,000 cash and 200,000 units on or before November 20, 2023; and
- $20,000 cash and 250,000 units on or before November 20, 2024

In addition, the Company is required to incur $580,000 in exploration expenditures on the property over the next four years as follows:

- $100,000 on or before November 20, 2021;
- $120,000 on or before November 20, 2022;
- $180,000 on or before November 20, 2023; and
- $180,000 on or before November 20, 2024.

Tenacity Gold Mining Company will retain a 1% NSR and Alexander Duffitt a 2% NSR on the property.

Stellar Project, British Columbia

On February 9, 2018, the Company entered into an option agreement to acquire a 100% interest in 4 mineral claims located on the Stellar Project in north central British Columbia. During the year end May 31, 2018, the Company acquired the 100% interest in the property for total consideration of 500,000 common shares (issued) and $20,000 in cash payments (paid). The vendor retains a 2% NSR, and the Company has the option to buy out one-half of the NSR for $1,000,000.

During the seven month period ended December 31, 2020, the Company purchased 2 additional mineral claims on the Stellar property for cash proceeds of $7,000.

Milly Project, British Columbia

On December 10, 2018, the Company entered into an option to purchase agreement with one non-arm's-length and three arms-length private vendors (the "Optionors") to acquire a 100% interest in the Milly Project mineral claims in central British Columbia. The Company had the opportunity to acquire a 100% working interest in the Milly Project from the vendors for total consideration of 500,000 common shares (issued 60,000 common shares to May 31, 2019), and $150,000 in cash payments over a four year period. The vendor retained a 2% NSR on the property and the Company has the option to buy out 1% of the NSR for $1.6 million.

During the year ended May 31, 2020, the Company announced it terminated the Milly Option Agreement, accordingly all related costs, totalling $22,081, comprised of property acquisition ($6,000) and exploration and evaluation expenditures ($16,081) were written-off to the statement of loss and comprehensive loss.

Buckley Project, British Columbia

On June 18, 2018, the Company entered into an option to purchase agreement with an arm's-length private vendor to acquire a 100% interest in the Buckley Project mineral claims, in British Columbia. The Buckley Project consists of 24 mineral claims and is contiguous with Shamrock's Stellar claims.

4. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended May 31, 2020, the Company acquired a 100% working interest in the Buckley Project. The Company paid consideration of $20,000 (paid August 1, 2019) and issued 375,000 common shares (issued on April 4, 2019) with a fair value of $45,000. The vendor will retain a 2% NSR on the property, with the Company having the right to purchase 1% of the NSR for $1,000,000.

During the year ended May 31, 2020, the Company determined that because of the continuity of mineral tenures of the Stellar and Buckley project claims, they would be combined into one project called the Stellar Project.

5. LOANS PAYABLE

As at December 31, 2020, the Company had the following loans payable:

1. The Company has a loan payable to a former director's spouse of the Company in the amount of $9,400 (May 31, 2020 - $9,400), with interest accruing at 12% per annum from September 27, 2018 and no specific terms of repayment. During the period ended December 31, 2020, $695 (May 31, 2020 - $1,131) of interest was accrued on the loan. Total accrued interest as at December 31, 2020 was $2,629 (May 31, 2020 - $1,934).

2. The Company held a series of unsecured loans from a non-related party with a principal balance of $Nil (May 31, 2020 - $17,200). The loans accrued interest at 12% per annum from the date of issue and had no specific terms of repayment. During the period ended December 31, 2020, the Company accrued an additional $1,035 (May 31, 2020 - $1,770) in interest expense on the loans. Total accrued interest as at December 31, 2020 was $Nil (May 31, 2020 - $8,039). During the period ended December 31, 2020, the parties executed a debt settlement agreement whereby the full balance of the loan and accrued interest was settled for a cash payment of $22,000. The Company recognized a gain on settlement of debt of $4,274 on the transaction.

3. The Company held an unsecured loan with a second non-related party with a principal balance of $Nil (May 31, 2020 - $21,000). The loan accrued interest at 12% per annum from June 1, 2015 and had no specific terms of repayment. During the period ended December 31, 2020, the Company accrued an additional $Nil (May 31, 2020 - $2,527) in interest expense on the loan. Total accrued interest as at December 31, 2020 was $Nil (May 31, 2020 - $12,607). During the period ended December 31, 2020, the parties executed a debt settlement agreement whereby the full balance of the loan and accrued interest was settled for a cash payment of $25,397. In addition, the parties settled an additional $43,970 outstanding in accounts payable and accrued liabilities. The Company recognized a gain on settlement of debt of $8,210 and a gain on settlement of accounts payable of $43,970 on the transaction.

4. During the year ended May 31, 2020, the Company entered into a loan agreement with a third non-related party for $10,000. The loan accrued interest at 12% per annum from September 17, 2019 and had no specific terms of repayment. During the year ended December 31, 2020, $Nil (May 31, 2020 - $852) of interest expense was accrued on the loan. As of May 31, 2020, a debt settlement agreement was executed with the loan holder and the loan and accrued interest were settled in full for 500,000 common shares (Note 6).

5. During the year ended May 31, 2020, the Company settled a $10,000 loan payable and $2,068 in accrued interest by issuing 500,000 common shares (Note 6). During the year ended May 31, 2020, the loan accrued interest at 12% per annum and the Company recognized $1,203 in interest expense.

6. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of commons shares without par value. As at December 31, 2020, 59,503,131 (May 31, 2020 – 29,865,087) common shares were issued and outstanding.

There were no shares held in escrow at December 31, 2020 and May 31, 2020.

Issued

For the period ended December 31, 2020

On September 15, 2020 and on October 1, 2020, the Company completed two tranches of a private placement comprised of 27,106,000 units at $0.05 per unit for total gross proceeds of $1,355,300. In connection with the private placements, the Company issued 2,144,100 broker units with a fair value of $107,205 and paid finders' fees of $53,654 and legal fees $25,000 pertaining to the private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of $0.10 for the first 18 months and $0.15 if exercised any time after 18 months from the initial date of grant but no later than 36 months from the date of grant. The Company has the right to force conversion of the warrants, if at any time from and after the date of issuance, the daily volume-weighted average closing price of the Company's Common Shares on the CSE, equals or exceeds $0.20 for ten consecutive trading days.

On November 1, 2020, the Company entered into an investor relations agreement with BAM Private Capital Inc. ("BAM") whereby BAM will provide corporate communication and strategic services on a month to month basis. Under the agreement, the Company will pay half of the compensation in cash and half through the issuance of common shares. On November 15, 2020, the Company issued 37,944 common shares with a fair value of $3,415 for services performed under the agreement. Subsequent to year end, the agreement with BAM was terminated.

On November 27, 2020, the Company issued 350,000 common shares with a fair value of $24,500 for exploration and evaluation assets. The shares were issued in connection with the Paradise Lake and Miguel Lake option agreements (Note 4).

For the year ended May 31, 2020

On July 29 2019, the Company issued 375,000 shares valued at $22,500 to settle outstanding debt of $52,500 resulting in a gain on settlement of debt of $30,000.

On July 29, 2019, the Company completed a private placement comprised of 1,187,500 non-flow-through units at $0.08 per unit for total gross proceeds of $95,000. Each unit consisted of common share and one share purchase warrant. One share purchase warrant is exercisable to acquire one common share at $0.16 for two years from the date of issuance. The Company uses the residual method of valuing its warrants and has allocated $23,750 to the warrant reserves.

On May 25, 2020, the Company completed a private placement comprised of 13,338,250 common shares at $0.02 per share for total gross proceeds of $266,765. The Company paid share issuance costs of $6,480 in connection with the financing.

As of May 31, 2020, the Company issued 3,623,156 common shares with a fair value of $126,811 and paid $51,335 in cash to settle outstanding payables of $181,198, accrued liabilities of $61,989 and loans of $22,920 resulting in an overall gain on settlement of accounts payable of $100,042, and a loss on settlement of debt of ($12,081).

(expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Commitments

Stock Options

Stock Option Plan

The Company has a stock option plan in place. Under the stock option plan the Company can issue up to 10% of the issued and outstanding shares as incentive stock options to directors, officers, insiders, employees and other service providers to the Company. The stock option plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12-month period. The number of incentive stock options granted to any one consultant or a person employed to provide investor relations activities in any 12-month period must not exceed 2% of the total issued shares of the Company. The options granted under the stock option plan can vest immediately or subject to the vesting schedule wherein 25% of the options will vest on the day which is 3 months from the day of grant and 25% of the options will vest every 3 months thereafter for a period of 12 months after the day of grant.

All stock options are recorded at fair value using the Black-Scholes option pricing model. During the period ended December 31, 2020, the Company issued 2,700,000 (May 31, 2020 – nil) stock options to members of management directors, and a consultant. The options were fully vested on the grant date. Share-based compensation of $72,182 (May 31, 2019 - $Nil) was recognized in the statement of loss and comprehensive loss.

The following weighted average assumptions were used for the valuation of share-based compensation:

	December 31, 2020	May 31, 2020
Risk free rate	**0.28%**	N/A
Expected life - years	**2.0**	N/A
Estimated forfeiture rate	**0%**	N/A
Dividend yield	**0%**	N/A
Volatility	**190.97%**	N/A
Weighted average fair value per option	**$0.03**	N/A

Summary of stock option activity:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
Balance, May 31, 2019	725,000	$0.20	2.92
Forfeited/Cancelled	(650,000)	0.21	
Balance, May 31, 2020	75,000	0.24	2.72
Granted	2,700,000	0.03	
Balance, December 31, 2020	**2,775,000**	**$0.04**	**1.54**

(expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Commitments (continued)

As at December 31, 2020, the following stock options were outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
75,000	$0.24	February 16, 2023
2,200,000	$0.025	June 10, 2022
500,000	$0.065	November 10, 2022
2,775,000		

Subsequent to year end, 250,000 stock options were exercised at a price of $0.025 for total proceeds of $6,250.

Agent's Warrants

Summary of agent's warrant activity at December 31, 2020:

	Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balance, May 31, 2019	42,000	$0.20	1.44
Expired	(8,000)		
Balance, May 31, 2020	34,000	0.20	0.63
Issued	2,144,100	0.10	
Expired	(23,375)	0.20	
Balance, December 31, 2020	**2,154,725**	**$0.10**	**2.71**

Summary of agent's warrants outstanding at December 31, 2020:

Number of Agents' Warrants	Exercise Price	Expiry Date
10,625	$0.20	February 25, 2021
1,493,100	$0.10*	September 15, 2023
651,000	$0.10*	October 1, 2023
2,154,725		

*Each agent warrant is exercisable into one common share at a price of $0.10 for the first 18 months and $0.15 if exercised any time after 18 months from the initial date of grant but no later than 36 months from the date of grant.

Subsequent to December 31, 2020, 10,625 agents' warrants expired unexercised.

(expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Commitments (continued)

Share Purchase Warrants

Summary of share purchase warrant activity at December 31, 2020:

	Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balance, May 31, 2019	2,065,195	$0.26	0.59
Expired	(1,547,056)	(0.27)	
Issued	1,187,500	0.16	
Balance, May 31, 2020	1,705,639	0.18	0.97
Expired	(362,732)	0.25	
Issued	29,425,100	0.10	
Balance, December 31, 2020	**30,768,007**	**$0.10**	**2.62**

Summary of share purchase warrants outstanding at December 31, 2020:

Number of Warrants	Exercise Price	Expiry Date
155,407	$0.20	February 25, 2021
1,187,500	$0.16	July 29, 2021
21,889,100	$0.10*	September 15, 2023
7,361,000	$0.10*	October 1, 2023
175,000	$0.08	November 27, 2023
30,768,007		

*Each share purchase warrant is exercisable into one common share at a price of $0.10 for the first 18 months and $0.15 if exercised any time after 18 months from the initial date of grant but no later than 36 months from the date of grant.

Subsequent to December 31, 2020, 155,407 warrants expired unexercised.

7. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

(expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS (continued)

The aggregate values of transactions relating to key management personnel were as follows:

		December 31, 2020		May 31, 2020
Consulting fees paid or accrued to a company controlled by former officer and director	**$**	**-**	$	69,650
Consulting fees paid or accrued to the former CFO		**-**		13,500
Exploration expenses paid or accrued to a company controlled by a former director		**-**		5,316
Exploration expenses paid or accrued to a director		**9,225**		-
Consulting fees paid or accrued to current corporate officers or a company controlled by a current corporate officer		**108,400**		47,945
Property investigation costs paid or accrued to a director		**6,903**		-
Stock-based compensation –directors and officers		**58,702**		-
Total fees and other short-term benefits	**$**	**183,230**	$	136,411

As at December 31, 2020, due to related parties consisted of $199,171 (May 31, 2020 - $230,263) owing to key management personnel, directors or to companies controlled by a director or by key management personnel. The amounts are non-interest bearing, unsecured, and have no specific terms of repayment.

The Company has a loan payable to a former director's spouse of the Company in the amount of $9,400 (May 31, 2020 - $9,400). Total accrued interest as at December 31, 2020 was $2,629 (May 31, 2020 - $1,934) (Note 5).

At May 31, 2020, the Company had a loan of $21,000 plus accrued interest of $12,607 due to the estate of a former director. On June 24, 2020, the loan along with agreed upon interest charges was settled through a debt settlement agreement for the amount of $25,397 (Note 5).

As at May 31, 2020, the Company had an accrued liability of $3,000 due to the estate of a former officer of the Company. On July 21, 2020, the accrued liability was settled through a debt settlement agreement for the amount of $1,500.

As of December 31, 2020, there were no management contracts, officer or employee related commitments other than amounts owed for consulting services in accounts payable and accrued liabilities.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial Instruments (continued)

- Level 1 – Applies to assets or liabilities for which there are unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

- Level 3 – Applies to assets or liabilities for which there is no unobservable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of cash is measured using level 1 fair value inputs. Accounts payable and accrued liabilities, loans payable and due to related parties approximate their carrying values due to the short-term nature of these instruments.

Risk Management

The Company's financial instruments are exposed to certain financial risks which are in common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. The following note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

General Objectives, Policies

The Board of Directors have overall responsibility for the determination of the Company's risk management objectives and policies and have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors are kept apprised on the process and would monitor the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk the Company will realize such as a loss is limited because the loans payable bear interest at fixed rates.

(expressed in Canadian dollars)

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

9. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of share capital. The Company defines its capital as all components of shareholders' equity (deficiency). Capital requirements are driven by the Company's planned exploration and evaluation activities and general and administrative expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities. Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that it will continue to be able to do so in the future. There were no changes in the Company's approach to capital management during the period ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

10. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and development of exploration and evaluation assets in Canada.

11. INCOME TAXES

The Company's actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate statutory income tax rates to its income or loss before income taxes. The components of these differences are as follows:

	December 31, 2020	May 31, 2020
	$	$
Loss for the period	(208,043)	(250,792)
Corporate statutory rate	27%	27%
Expected income tax recovery	(56,000)	(68,000)
Change in statutory, foreign exchange rates and other	(2,000)	3,000
Permanent differences	20,000	-
Share issuance costs	(21,000)	(2,000)
Change in unrecognized deductible temporary differences	59,000	67,000
Income tax expense (recovery)	-	-

(expressed in Canadian dollars)

11. INCOME TAXES (continued)

Significant components of the unrecognized deferred income tax assets are as follows:

	December 31, 2020	May 31, 2020
	$	$
Exploration and evaluation assets	350,000	349,000
Share issuance costs	19,000	3,000
Non-capital loss carry-forward	741,000	699,000
	1,110,000	1,051,000
Unrecognized deferred tax assets	(1,110,000)	(1,051,000)
Deferred tax assets	-	-

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2020	Expiry date	May 31, 2020	Expiry date
	$		$	
Exploration and evaluation assets	1,293,000	No expiry date	1,293,000	No expiry date
Share issuance costs	70,000	2040-2044	3,000	2040 to 2044
Non-capital losses available for future periods	2,746,000	2026 to 2040	2,590,000	2026 to 2040

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following significant non-cash transactions have been excluded from the statements of cash flows:

For the period ended December 31, 2020

The Company issued common shares as acquisition costs in connection with its option agreements in Newfoundland (Notes 4 and 6).

Property	Shares issued	Value at issue date
Paradise Lake	300,000	$21,000
Miguel Lake	50,000	$3,500

As at December 31, 2020, there was $25,000 worth of share issuance costs outstanding in accounts payable and accrued liabilities.

During the period ended December 31, 2020, the Company paid $1,730 in interest expense and $Nil for taxes.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (continued)

For the year ended May 31, 2020

Included in share capital and contributed surplus is $23,750 as the residual value of the warrants issued in the July 2019 private placement (Note 6).

During the year ended May 31, 2020, the Company paid $Nil in cash for interest and taxes.

13. SUBSEQUENT EVENT

Subsequent to year end, the Company issued 62,395 common shares with a fair value of $6,551 for services performed after December 31, 2020.