GREENHAWK RESOURCES INC.

(formerly Cryptologic Corp.)

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021
(expressed in Canadian dollars)

Notice of No Auditors Review of Interim Financial Statements

Under National Instrument 51-102, if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and the board of directors of the Company (the "Board of Directors"). The Company's independent auditors have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

GREENHAWK RESOURCES INC. (formerly Cryptologic Corp.)
Condensed Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars - unaudited)

	Note	As at March 31, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash		$ 7,231,112	$ 7,677,172
Prepaid expenses and deposits	4	35,527	54,582
Sales tax receivable		189,131	127,941
Total current assets		**7,455,770**	**7,859,695**
Non-current assets			
Prepaid expenses and deposits	4	15,996	15,996
Right of use assets	6	173,875	191,862
Equipment	7	31,708	39,291
Total non-current assets		**221,579**	**247,149**
Total assets		**$ 7,677,349**	**$ 8,106,844**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 234,998	$ 162,772
Current portion of lease liability	9	107,084	115,172
Total current liabilities		**342,082**	**277,944**
Long-term liabilities			
Lease liability	9	—	21,013
Total long-term liabilities		—	**21,013**
Total liabilities		**342,082**	**298,957**
Shareholders' equity			
Share capital	10	88,438,709	88,438,709
Contributed surplus	11	14,503,931	14,312,982
Deficit		(95,607,373)	(94,943,804)
Total shareholders' equity		**7,335,267**	**7,807,887**
Total liabilities and shareholders' equity		**$ 7,677,349**	**$ 8,106,844**

Nature of operations (note 1)

Approved on behalf of the Board:

/s/ Greg McKenzie
Greg McKenzie, Director and
Chief Executive Officer

/s/ Tom English
Tom English, Director

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

GREENHAWK RESOURCES INC. (formerly Cryptologic Corp.)
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three months ended March 31, 2021 and 2020
(expressed in Canadian dollars - unaudited)

		For the three months ended March 31,	
	Note	**2021**	**2020**
Expenses			
General and administrative	14	$ 354,517	$ 653,023
Stock-based compensation	11	190,949	22,999
Acquisition related costs		115,956	95,868
		661,422	**771,890**
Other income (loss)			
Interest income (expense), net	9	2,152	(1,964,103)
Loss on disposal of equipment	7	(4,299)	—
Foreign exchange loss		—	(192)
Net loss from continuing operations		**(663,569)**	**(2,736,185)**
Income from discontinued operations	5	—	545,331
Net loss and comprehensive loss for the period		**$ (663,569)**	**$ (2,190,854)**
Loss per share from continuing operations - basic and diluted		$ (0.01)	$ (0.22)
Loss per share - basic and diluted		$ (0.01)	$ (0.17)
Weighted average number of shares outstanding - basic and diluted		**48,599,162**	**12,719,171**

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

GREENHAWK RESOURCES INC. (formerly Cryptologic Corp.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the three months ended March 31, 2021 and 2020
(expressed in Canadian dollars - unaudited)

	Share Capital					
	Common shares Number	Common shares Amount	Warrants	Contributed Surplus	Deficit	Total
Balance – December 31, 2019	**12,719,171**	**$ 79,675,709**	**$ 1,606,933**	**$ 12,397,790**	**$ (116,946,158)**	**$ (23,265,726)**
Stock-based compensation	—	—	—	22,999	—	**22,999**
Net loss and comprehensive loss for the period	—	—	—	—	(2,190,854)	**(2,190,854)**
Balance – March 31, 2020	**12,719,171**	**$ 79,675,709**	**$ 1,606,933**	**$ 12,420,789**	**$ (119,137,012)**	**$ (25,433,581)**
Balance – December 31, 2020	**48,599,162**	**$ 88,438,709**	**$ —**	**$ 14,312,982**	**$ (94,943,804)**	**$ 7,807,887**
Stock-based compensation	—	—	—	190,949	—	**190,949**
Net loss and comprehensive loss for the period	—	—	—	—	(663,569)	**(663,569)**
Balance – March 31, 2021	**48,599,162**	**$ 88,438,709**	**$ —**	**$ 14,503,931**	**$ (95,607,373)**	**$ 7,335,267**

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

GREENHAWK RESOURCES INC. (formerly Cryptologic Corp.)
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and 2020
(expressed in Canadian dollars - unaudited)

	For the three months ended March 31,	
	2021	**2020**
Cash flows from operating activities		
Net loss	$ (663,569)	$ (2,190,854)
Changes in non-cash operating items:		
Mining revenue	—	(2,887,449)
Depreciation	21,271	32,763
Fair value gain on re-measurement of digital assets	—	(33,154)
Loss on disposal of equipment	4,299	79,686
Foreign exchange gain	—	191
Stock-based compensation	190,949	22,999
Interest expense, net	3,881	858,626
Interest accretion	—	1,267,059
	(443,169)	(2,850,133)
Changes in non-cash working capital		
Prepaids	19,055	295,071
Sales tax receivable	(61,190)	1,634,186
Digital assets	—	2,598,403
Accounts payable and accrued liabilities	72,226	21,814
Security deposit	—	21,546
Net cash (used in) provided by operating activities	**(413,078)**	**1,720,887**
Cash flows from financing activities		
Lease repayments	(32,982)	(399,570)
Net cash used in financing activities	**(32,982)**	**(399,570)**
Cash flows from investing activities		
Return of proceeds from sale of equipment	—	(79,686)
Net cash used in investing activities	**—**	**(79,686)**
Change in cash during the period	(446,060)	1,241,631
Cash – beginning of period	7,677,172	878,387
Cash included in assets held for sale	—	(760,615)
Cash – ending	**$ 7,231,112**	**$ 1,359,403**

Cash flows from discontinued operations (note 5)

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

1. NATURE OF OPERATIONS

Greenhawk Resources Inc (formerly Cryptologic Corp.) (the "Company" or "Greenhawk"), mineral exploration mining company who has activities in Greenland.

The head office and registered record office is located at 300-5 Hazelton Ave., Toronto, Ontario, M5R 2E1.

On April 8, 2020, the Company sold all of the shares of its wholly-owned subsidiary 9376-9974 Quebec Inc., (“9376”), which was engaged in cryptocurrency mining operations located in Lachute, Quebec. See note 5.

On June 30, 2020, convertible debentures with a principal balance of $34,500,000 and accrued interest of $1,380,000 were converted into 35,879,991 shares of the Company.

On August 7, 2020, the Company (i) terminated the lease of its wholly-owned subsidiary, Crypto 205 Inc., at its cryptocurrency mining facility in Pointe-Claire, Quebec, effective July 31, 2020, and (ii) terminated the employment contracts of all of its employees.

On May 28, 2021, the Company closed the share purchase agreement with Greenland Resources Inc. acquiring 100% of the outstanding shares of the wholly-owned subsidiary, Copenhagen Minerals Inc. (“Copenhagen”), which owns a 100% interest in a mineral exploration license known as the Storø Gold Project, located in Greenland. Consideration for the transaction was satisfied through the payment of C$250,000 cash and the issuance 37,600,000 common shares of the Company at a deemed issue price of $0.24 per share.

The recent outbreak of the coronavirus, also known as “COVID-19,” has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effects that these events will have are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

The common shares trade on the Canadian Stock Exchange (“CSE”) under the symbol “CRY”.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all the information and disclosures required in the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 28, 2021.

Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for some financial instruments that have been measured at fair value.

Effective February 14, 2019, the Company consolidated its common shares on the basis of one new common share for every thirty old common shares issues and outstanding at that time. All references to share, per share amounts, warrants and options in theses financial statements have been retroactively restated to reflect the consolidation.

Functional and presentation currency

These condensed interim consolidated financial statements have been prepared in Canadian dollars (“CAD”), which is the Company’s functional and presentation currency.

2. BASIS OF PREPARATION (continued)

Consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All inter-company transactions are eliminated on consolidation.

As of March 31, 2021, the Company had four wholly owned subsidiaries: (i) Vogogo Canada Inc., (ii) Crypto 205 Inc. ("Crypto 205"), (iii) 2700313 Ontario Inc., and (iv) 2700311 Ontario Inc.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the condensed interim consolidated financial statements.

Non-current assets held for sale

Non-current assets that are expected to be recovered primarily though sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured at net book value less impairment loss. Assets held for sale are measured at the lower of their carrying amounts or their fair value less costs to sell and are no longer depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Company has not recognized the value of any deferred tax assets in its statements of financial position.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained based on its technical merits. The Company measures and records the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. The Company's liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with its various filing positions. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect its effective income tax rate and income tax provision.

The Company has earned Bitcoin from the commercial activity of Bitcoin mining. The Company has followed the published Canada Revenue Agency ("CRA") view that Bitcoin is a commodity and inventory of the business, the value of which is included in the calculation of taxable income from the business. Bitcoin is valued in accordance with Section 10 of the Income Tax Act. Revenue from Bitcoin mining is included in taxable income when the Bitcoin earned is sold or exchanged for cash or another asset. There is uncertainty regarding the taxation of cryptocurrency and the CRA may assess the Company differently from the position adopted. This could result in additional current taxes payable with equal offset to deferred tax expense.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Impairment of non-financial assets

Assets are deemed to be impaired when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

Foreign currency translation

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Fair value measurement of equity instruments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the stock options and warrants, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for stock options and warrants are disclosed in note 11.

Accounting for digital assets

At present, there is limited guidance in IFRS on the recognition and measurement of digital assets. Noted below are the key policies used to account for these assets.

Fair value of digital assets

Digital assets are measured at fair value using the quoted price on www.coinmarketcap.com (“Coin Market Cap”). Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. The digital assets are valued based on the closing price obtained from Coin Market Cap at the reporting period. The Company is relying on the data available at Coin Market Cap to be an accurate representation of the closing price for the different digital assets.

Leases

In determining lease terms, the Company used its judgment to determine that the extension options were not significant. Furthermore, the Company does not believe the interest rate implicit in its leases can be readily determined. It therefore used its judgment to determine the incremental borrowing rate and use it as the discount rate to establish its lease liability.

For every lease, management makes a judgment to determine the appropriate lease term. Management considers all relevant facts and circumstances that create an economic incentive for the Company to exercise a renewal option or not to exercise a termination option, including, for example, investments in extensive leasehold improvements. The periods covered by the renewal options are included in the lease term only if management is reasonably certain it will renew the lease.

Management considers reasonable certainty to be a high threshold. Changes in the economic environment can have an impact on management’s lease term assessments, and any changes in the estimates that management makes for lease terms could have a significant impact on the Company’s condensed interim consolidated statement of financial position and condensed interim consolidated statement of profit or loss.

(expressed in Canadian dollars - unaudited)

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Useful life of mining equipment

Management is depreciating mining equipment using a straight-line basis, with a useful life of:

Mining equipment	3 years
Supporting infrastructure	5 years

The mining equipment is used to generate digital assets. The rate at which the Company generates digital assets and, therefore, consumes the economic benefits of its mining equipment is influenced by a number of factors including the following:

- The complexity of the mining process, which is driven by the algorithms contained within the digital assets open source software;
- The general availability of appropriate computer processing capacity on a global basis; and,
- Technological obsolescence resulting from rapid development in the mining machines, such that more recently developed hardware generally increases processing capacity, which usually renders new machines more economically efficient to operate, resulting in lower costs of operations. Further, the newer machines may be made available at a lower cost of purchase.

Based on the Company's and the industry's short life cycles to date, there is limited market data available. Furthermore, the data available also includes data derived from the use of economic modeling to forecast future digital assets and the assumptions included in such forecasts, including the digital asset's price and network difficulty, and derived from management's assumptions that are inherently judgmental. Based on current data available, management has determined that the straight-line method of amortization over three years best reflects the current expected useful life of mining equipment. Management will review this estimate at each reporting date and will revise such estimates as and when data becomes available. The mining equipment has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

4. PREPAID EXPENSES AND DEPOSITS

The Company's prepaid expenses comprise the following:

	As at March 31, 2021	As at December 31, 2020
Prepaid expenses	$ 35,527	$ 54,582
Vendor deposits	15,996	15,996
Prepaid expenses and deposits	**$ 51,523**	**$ 70,578**
Current	35,527	54,582
Long-term	15,996	15,996

Included in the long-term portion of prepaid expenses and deposits as at March 31, 2021, are security deposits for rent of $15,996 (2020 – $15,996) that have been classified as long-term.

(expressed in Canadian dollars - unaudited)

5. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Company evaluated the cryptocurrency mining business and decided to divest of its crypto assets. The decision led to the classification of the crypto-mining related assets and liabilities as held for sale.

The following is a summary of the financial performance and cash flow information for the three months ended March 31, 2020:

	For the three months ended March 31, 2020
Revenue	
Digital assets mined	$ 2,887,449
Colocation revenue	892,791
Cost of revenue	
Site operating costs	(3,054,454)
Net mining income	**725,786**
Expenses	
Fair value gain on re-measurement of digital assets	(33,154)
	(33,154)
Other income (loss)	
Gain (loss) on disposal of equipment	(79,686)
Sales tax recovered	27,657
Interest expense	(161,580)
Net income from discontinued operations	**$ 545,331**

	For the three months ended March 31, 2020
Net cash provided by operating activities	$ 2,318,625
Net cash used in financing activities	$ (2,130,179)
Net cash (used in) provided by investing activities	$ (79,686)

6. RIGHT OF USE ASSETS

	Buildings	Total
Balance as at December 31, 2019	**$ 263,810**	**$ 263,810**
Depreciation	(71,948)	(71,948)
Balance as at December 31, 2020	**191,862**	**191,862**
Depreciation	(17,987)	(17,987)
Balance as at March 31, 2021	**$ 173,875**	**$ 173,875**

(expressed in Canadian dollars - unaudited)

7. EQUIPMENT

COST		Office equipment		Total
Balance as at December 31, 2020	**$**	**73,883**	**$**	**73,883**
Disposal		(8,202)		(8,202)
Balance as at March 31, 2021	**$**	**65,681**	**$**	**65,681**
ACCUMULATED AMORTIZATION				
Balance as at December 31, 2020	**$**	**34,592**	**$**	**34,592**
Amortization		3,284		3,284
Disposal		(3,903)		(3,903)
Balance as at March 31, 2021	**$**	**33,973**	**$**	**33,973**

COST		Office equipment		Total
Balance as at December 31, 2019	**$**	**73,883**	**$**	**73,883**
Balance as at December 31, 2020	**$**	**73,883**	**$**	**73,883**
ACCUMULATED AMORTIZATION				
Balance as at December 31, 2019	**$**	**19,815**	**$**	**19,815**
Amortization		14,777		14,777
Balance as at December 31, 2020	**$**	**34,592**	**$**	**34,592**
At December 31, 2020	**$**	**39,291**	**$**	**39,291**
At March 31, 2021	**$**	**31,708**	**$**	**31,708**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		As at March 31, 2021		As at December 31, 2020
Trade accounts payable	$	234,998	$	102,772
Accrued liabilities		—		60,000
Accounts payable and accrued liabilities	**$**	**234,998**	**$**	**162,772**

(expressed in Canadian dollars - unaudited)

9. LEASE LIABILITY

The following table details the movement in the Company's lease liability for the three months ended March 31, 2021:

		Lease liability
Balance as at December 31, 2019	**$**	**243,259**
Interest		23,552
Repayments		(130,626)
Balance as at December 31, 2020		**136,185**
Interest		3,881
Repayments		(32,982)
Balance as at March 31, 2021	**$**	**107,084**
Current portion		107,084
Long-term portion		—

The following table details the undiscounted cash flows and contractual maturities of the Company's lease liability, as at March 31, 2021:

		Within one year		Later than one year but not later than 5 years		More than 5 years
Lease liability	$	117,306	$	—	$	—

10. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common shares.

During the year ended December 31, 2020:

- On June 30, 2020, the Company elected to force conversion of the Convertible Debentures into 35,879,991 common shares of the Company. On conversion the equity value of 8,763,000 was transferred from contributed surplus to share capital. No fractional common shares were issued and any fractions of a Common Share were rounded down to the nearest whole number of common shares.

11. CONTRIBUTED SURPLUS AND WARRANTS

	As at March 31, 2021				As at December 31, 2020			
		Contributed surplus		Warrants		Contributed surplus		Warrants
Beginning balance	**$**	**14,312,982**	**$**	**—**	**$**	**12,397,790**	**$**	**1,606,933**
Stock-based compensation		190,949		—		308,259		—
Expiry of warrants		—		—		1,606,933		(1,606,933)
Ending balance	**$**	**14,503,931**	**$**	**—**	**$**	**14,312,982**	**$**	**—**

Stock options

The Company has a stock option plan ("the Plan") under which the Board of Directors may grant to directors, officers, employees and technical consultants to the Company non-transferable options to purchase common shares, exercisable for a period of up to 5 years from the date of grant.

(expressed in Canadian dollars - unaudited)

11. CONTRIBUTED SURPLUS AND WARRANTS (continued)

On October 20, 2020, the Board of Directors authorized and approved the granting of 4,600,000 options under the Company's Plan to various consultants and directors. The options granted shall vest and become exercisable at 33.33% immediately and 33.33% every 6 months therefore over a one-year period. All options expire five years from the date of their grant.

On October 31, 2020, an aggregate of 216,667 stock options previously held by a certain officer of the Company expired.

A summary of the stock option transactions are as follows:

	As at March 31, 2021		As at December 31, 2020	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Beginning balance	4,600,000	$ 0.27	216,667	$ 1.95
Granted	—	—	4,600,000	0.27
Expired	—	—	(216,667)	(1.95)
Ending balance	**4,600,000**	**$ 0.27**	**4,600,000**	**$ 0.27**

The following provides a summary of options outstanding and exercisable as at March 31, 2021:

Number of Options Outstanding	Exercise Price $	Expiry Date	Number of Options Exercisable	Exercise Price $
4,600,000	$ 0.27	October 20, 2025	1,533,333	$ 0.27
4,600,000	**$ 0.27**		**1,533,333**	**$ 0.27**

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the year ended December 31, 2020
Expected volatility	100%
Expected life	3 years
Expected forfeiture rate	0%
Risk-free interest rate	0.25%
Dividend yield	0%
Weighted average share price	$ 0.27
Weighted average fair value of options at grant date	$ 0.17

The Company recorded stock-based compensation expense for the three months ended March 31, 2021, for options of $190,949 (2020 – $22,999) with an offsetting increase to contributed surplus in respect of the stock options granted. No stock options were exercised during the three months ended March 31, 2021 or 2020, and as a result $nil was transferred to share capital from contributed surplus. The weighted average remaining life of the options is 4.56 years.

12. FAIR VALUE DISCLOSURE AND CAPITAL MANAGEMENT

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

> Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
>
> Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly from observable market data; and
>
> Level 3: Inputs that are not based on observable market data.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks including market risk, liquidity risk.

The nature and extent of the financial instruments outstanding at the reporting date, and the risk management policies employed by the Company, are discussed below.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As at March 31, 2021, the Company is not exposed to any interest rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash) that are denominated in a currency other than Canadian dollars, which is the functional currency of the Company.

The table below indicates the foreign currencies to which the Company has exposure at March 31, 2021 in Canadian dollar terms:

	USD
Cash	$ 603

The table below details the effect on earnings before tax of a 10% strengthening or weakening of the CAD exchange rate at the balance sheet date for balance sheet items denominated in USD:

Currency	10% Strengthening (weakening)
USD	$ 60

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

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 has cash of $7,231,112 and has positive working capital of $7,113,688 in order to manage its liquidity risk. All of the Company's liabilities are due within the next two years.

(expressed in Canadian dollars - unaudited)

14. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statement of income and comprehensive income and are comprised of general and administrative. Below is a breakdown of what is included within general and administrative expenses:

	Three Months Ended March 31,	
	2021	**2020**
General and administrative		
Office and administrative	$ 52,300	$ 81,667
Legal and professional fees	65,430	65,195
Consulting fees	200,789	—
Travel and entertainment	—	75,560
Depreciation	21,271	21,681
Salaries	14,727	408,920
	$ 354,517	**$ 653,023**

15. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

The compensation of such key management for the three months ended March 31, 2021 and 2020 included the following:

	2021	**2020**
Salaries, consulting and director remuneration	$ 215,238	$ 261,061
Stock-based compensation expense - directors and officers	190,949	29,285
	$ 406,187	**$ 290,346**

As at March 31, 2021, included in accounts payable and accrued liabilities was $4,170 (2020 – $29,285) of payments owed to key management personnel.