**AMERICAN PACIFIC MINING CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
American Pacific Mining Corp.

***Opinion***

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

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

***Basis for Opinion***

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

***Other Information***

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

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

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

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



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 30, 2021

# Table of Contents

**American Pacific Mining Corp.**

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

| As at | Note(s) | December 31, 2020 $ | December 31, 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | 1,465,912 | 513,021 |
| Marketable securities | 5 | 920,000 | - |
| Amounts receivable | | 27,173 | 29,317 |
| Prepaid expenses | 6 | 51,916 | 381,422 |
| | | **2,465,001** | **923,760** |
| **Non-current assets** | | | |
| Prepaid expenses | 6 | - | 324,000 |
| Reclamation deposits | 7 | 25,482 | 26,032 |
| Property and equipment | 8 | 57,135 | 4,044 |
| Exploration and evaluation assets | 9 | 9,315,638 | 961,657 |
| | | **9,398,255** | **1,315,733** |
| **TOTAL ASSETS** | | **11,863,256** | **2,239,493** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 149,298 | 160,439 |
| **TOTAL LIABILITIES** | | **149,298** | **160,439** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 10 | 17,986,766 | 7,871,934 |
| Stock options reserve | 10 | 1,625,635 | 816,631 |
| Warrants reserve | 10 | 1,664,364 | 28,580 |
| Accumulated deficit | | (9,191,842) | (6,606,469) |
| Accumulated other comprehensive loss | | (370,965) | (31,622) |
| **TOTAL SHAREHOLDERS' EQUITY** | | **11,713,958** | **2,079,054** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **11,863,256** | **2,239,493** |

| | |
|---|---|
| Corporate information and continuance of operations | 1 |
| Commitments | 9 |
| Segmented information | 12 |
| Subsequent events | 5, 9, 10, 16 |

**These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:**

**/s/ Warwick Smith Director** **/s/ Norman Wareham Director**

**American Pacific Mining Corp.**

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| | Note(s) | For the years ended December 31, 2020 $ | December 31, 2019 $ |
|---|---|---|---|
| **Expenses** | | | |
| Bank charges | | 2,299 | 2,525 |
| Consulting fees | 6, 11 | 606,754 | 647,209 |
| Depreciation | 8 | 2,516 | 2,369 |
| Directors' fees | 11 | 32,337 | 18,234 |
| Exploration and evaluation costs | 9, 11 | 268,802 | 325,558 |
| General and administrative costs | | 104,413 | 143,871 |
| Professional fees | | 249,215 | 281,392 |
| Project evaluation costs | | 30,880 | 7,256 |
| Share-based payments | 10, 11 | 809,004 | 197,862 |
| Shareholder information and investor relations | 6 | 506,573 | 671,027 |
| Transfer agent, regulatory and listing fees | | 119,060 | 95,748 |
| Travel | | 11,042 | 111,245 |
| | | **(2,742,895)** | **(2,504,296)** |
| **Other income (expenses)** | | | |
| Foreign exchange loss (gain) | | 66,297 | (15,046) |
| Finance income | | 15,488 | 6,163 |
| Gain from option-out of interest in mineral property | 5 | 538,593 | - |
| Write-off of advance payments | 6 | (462,856) | - |
| | | **157,522** | **(8,883)** |
| **Loss for the year** | | **(2,585,373)** | **(2,513,179)** |
| **Other comprehensive loss** | | | |
| Foreign currency translation differences for foreign operations | | (339,343) | 1,499 |
| | | **(339,343)** | **1,499** |
| **Total comprehensive loss** | | **(2,924,716)** | **(2,511,680)** |
| **Basic and diluted loss per share for the year attributable to common shareholders ($ per common share)** | | **(0.06)** | **(0.14)** |
| **Weighted average number of common shares outstanding - basic and diluted** | | **46,324,112** | **18,007,859** |

**American Pacific Mining Corp.**

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

| | | Share capital | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note(s) | Number of shares | Amount | Options | Warrants | Accumulated deficit | Accumulated other comprehensive income (loss) | Total |
| **Balance at December 31, 2018** | | **11,250,556** | **4,656,090** | **618,769** | **28** | **(4,093,290)** | **(33,121)** | **1,148,476** |
| Shares issued for cash | 10 | 7,975,667 | 2,392,700 | - | - | - | - | **2,392,700** |
| Share issue costs | 10 | - | (110,970) | - | - | - | - | **(110,970)** |
| Shares issued for exploration and evaluation assets | 9, 10 | 422,222 | 278,666 | - | - | - | - | **278,666** |
| Shares issued for services | 6, 10 | 1,266,667 | 684,000 | - | - | - | - | **684,000** |
| Fair value of finders' warrants | 10 | - | (28,552) | - | 28,552 | - | - | **-** |
| Share-based payments | 10 | - | - | 197,862 | - | - | - | **197,862** |
| Loss | | - | - | - | - | (2,513,179) | - | **(2,513,179)** |
| Other comprehensive income | | - | - | - | - | - | 1,499 | **1,499** |
| **Balance at December 31, 2019** | | **20,915,112** | **7,871,934** | **816,631** | **28,580** | **(6,606,469)** | **(31,622)** | **2,079,054** |
| Shares and warrants issued for acquisition | 3, 10 | 20,000,000 | 7,400,000 | - | 1,404,851 | - | - | **8,804,851** |
| Shares issued for finders' fees | 10 | 450,800 | - | - | - | - | - | **-** |
| Shares issued for cash | 10 | 23,918,035 | 2,989,754 | - | - | - | - | **2,989,754** |
| Share issue costs | 10 | - | (81,400) | - | - | - | - | **(81,400)** |
| Fair value of finders' warrants | 10 | - | (254,650) | - | 254,650 | - | - | **-** |
| Shares issued for exploration and evaluation assets | 9, 10 | 88,889 | 12,000 | - | - | - | - | **12,000** |
| Warrants issued for cash | 10 | 116,789 | 49,128 | - | (23,717) | - | - | **25,411** |
| Share-based payments | 10 | - | - | 809,004 | - | - | - | **809,004** |
| Loss | | - | - | - | - | (2,585,373) | - | **(2,585,373)** |
| Other comprehensive loss | | - | - | - | - | - | (339,343) | **(339,343)** |
| **Balance at December 31, 2020** | | **65,489,625** | **17,986,766** | **1,625,635** | **1,664,364** | **(9,191,842)** | **(370,965)** | **11,713,958** |

**American Pacific Mining Corp.**

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

| | Note(s) | For the years ended December 31, 2020 $ | December 31, 2019 $ |
|---|---|---|---|
| **Cash flow provided from (used by)** | | | |
| **OPERATING ACTIVITIES** | | | |
| **Loss for the year** | | (2,585,373) | (2,513,179) |
| ***Adjustments for items not affecting cash:*** | | | |
| Depreciation | 8 | 8,778 | 2,369 |
| Share-based payments | 10 | 809,004 | 197,862 |
| Unrealized foreign exchange | 7 | 550 | 1,228 |
| Write-off of advance payments | 6 | 462,856 | - |
| Services paid by common shares | | - | 305,000 |
| Gain from option-out of interest in mineral property | 5 | (538,593) | - |
| **Change in non-cash working capital** | | | |
| Amounts receivable | | 2,144 | 23,181 |
| Prepaid expenses | | 194,973 | (309,971) |
| Accounts payable and accrued liabilities | | (138,565) | (12,945) |
| **Cash flow used in operating activities** | | **(1,784,226)** | **(2,306,455)** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of equipment | 8 | (1,179) | - |
| Exploration and evaluation assets | 9 | (9,949) | (164,687) |
| Recovery of exploration and evaluation assets | 9 | - | 65,432 |
| Term deposit | | - | 500,000 |
| Net cash paid for acquisition | 3 | (108,729) | - |
| **Cash flow provided by (used in) investing activities** | | **(119,857)** | **400,745** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds on issuance of common shares, net of cash share issue costs | 10 | 2,908,354 | 2,281,730 |
| Proceeds on issuance of warrants, net of cash issuance costs | 10 | 25,411 | - |
| **Cash flow provided by financing activities** | | **2,933,765** | **2,281,730** |
| Effects of exchange rate changes on cash and cash equivalents | | (76,791) | 1,445 |
| **Change in cash and cash equivalents** | | **952,891** | **377,465** |
| **Cash and cash equivalents, beginning of year** | | **513,021** | **135,556** |
| **Cash and cash equivalents, end of year** | | **1,465,912** | **513,021** |
| **SUPPLEMENTAL CASH FLOW** | | | |
| Reclassification of grant-date fair value on exercise of stock warrants from reserves to share capital | | 23,717 | - |
| Shares and warrants issued for acquisition | 3 | 8,804,851 | - |
| Payment of finder's fees through issue of finder's warrants | 10 | 254,650 | 28,552 |
| Shares issued for exploration and evaluation assets | 9, 10 | 12,000 | 278,666 |
| Receipt of marketable securities as recovery on exploration and evaluation assets | | 920,000 | - |
| Shares issued for services | | - | 379,000 |
| Cash paid during the year for interest | | - | - |
| Cash paid during the year for income taxes | | - | - |

## 1) CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

American Pacific Mining Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on July 1, 2017, and is in the business of mineral exploration.

The Company's head office, principal address, registered address and records office is Suite 910 - 510 Burrard Street, Vancouver, B.C., V6C 3A8, Canada.

As of the date of the consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

On April 13, 2020, the Company signed a definitive agreement (the "Definitive Agreement") with Madison Metals Inc. ("Madison") to acquire the Madison Copper Gold project (the "Madison Project") near Silver Star, Montana, USA (the "Transaction"). The Transaction was completed on June 26, 2020 (Note 3).

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. As at December 31, 2020, the Company had working capital of $2,315,703 (2019 – $763,321) and an accumulated deficit of $9,191,842 (2019 – $6,606,469). The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to funds operating costs over the next twelve months with cash and cash equivalents and through further equity financings. Management believes that the Company has sufficient working capital to meet its liabilities for the next twelve months.

**COVID-19**

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

These consolidated financial statements of the Company for the year ended December 31, 2020 were approved by the Board of Directors on April 30, 2021.

## 2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

***Statement of compliance***

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

***Basis of preparation***

These financial statements of the Company have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars which is also the Company's functional currency. The functional currency of the Company's subsidiaries is the United States dollar ("U.S. Dollar').

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

***Basis of consolidation***

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiaries of the Company:

- American Pacific Mining (US) Inc. ("APM US"), a company incorporated under the laws of Nevada; and
- Broadway Gold Mining Ltd. ("Broadway"), a company incorporated under the laws of Montana (Note 3).

All subsidiaries have a reporting date of December 31.

*Subsidiaries*

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

*Acquisitions and disposals*

The results of entities acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of entities sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

## 2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

***Critical accounting estimates***

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

*Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Ownership in exploration and evaluation assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its exploration and evaluation assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of exploration and evaluation assets carrying values.

*Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

*Measurement of liabilities for share-based payment arrangements*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## 2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

***Critical accounting estimates (continued)***

*Business combinations*

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. During the year ended December 31, 2020, the Company completed the acquisition of Broadway Gold Mining Ltd. (Note 3) and concluded that the transactions did not qualify as a business combinations under IFRS 3, "Business Combinations."

***Critical accounting judgments***

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

*Functional currency*

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company is the Canadian dollar, as this is the currency of the primary economic environment in which the Company operates. The functional currency of the Company's subsidiaries is the US dollar.

*Going concern*

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand.

## 2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

***Foreign exchange***

*Translation of foreign transactions and balances into the functional currency*

Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

*Translation of the functional currency into the presentation currency*

The results of foreign operations which have a different functional currency of the Company are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation's assets and liabilities to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

***Share-based payments***

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based payments expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based payments and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

***Income taxes***

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the 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 recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably 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.

## 2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

***Income taxes (continued)***

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

***Equipment***

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the equipment at the following annual rates:

- Building - 5 years
- Computer equipment - 30%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the consolidated statements of loss during the financial year in which they are incurred.

***Exploration and evaluation assets***

*Exploration and evaluation assets*

Exploration and evaluation assets include acquired mineral rights for mineral exploration properties held by the Company. The amount of consideration paid (in cash or share value) to acquire or maintain mineral rights is capitalized. The amounts shown for exploration and evaluation assets represent costs of acquisition, incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be written off if the exploration and evaluation assets are abandoned or sold. Included in the cost of exploration and evaluation assets is the cost of any estimated decommissioning liability. The Company has classified exploration and evaluation assets as intangible in nature.

At each reporting period the Company performs an analysis to determine whether any property has adequately demonstrated technical feasibility and economic viability in order to support transition from Exploration to Development phase. If a project has satisfied these criteria and management has decided to proceed with development, then the exploration project is tested for impairment and transferred to property and equipment. Subsequent expenditures on the property are capitalized. Once a project in development is available for use in the manner intended by the management of the Company it is transitioned to Commercial Production phase. At that time depletion of costs capitalized on project put into commercial production will be recorded using the unit-of-production method based upon reserves.

## 2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

***Exploration and evaluation assets (continued)***

*Exploration and evaluation costs*

Exploration and evaluation costs, other than those described above, are expensed as incurred until such time as mineral reserves are proven or probable, permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves, receipt of permits to commence mining operations and obtaining necessary financing, exploration and evaluation costs are capitalized as deferred development expenditures included within equipment.

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

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than it's carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

***Provision for environmental rehabilitation***

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation 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 rehabilitation 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 rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation 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 rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

For the years presented the Company has no provisions for environmental rehabilitation.

## 2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

***Loss per share***
Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

***Cash and cash equivalents***
Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand.

***Financial instruments***

- **Financial assets**

  ***Classification and measurement***
  The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

  Equity instruments that are held for trading (including all equity derivative instruments) 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 FVTOCI.

  **Financial assets at FVTPL** – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. As of December 31, 2020 and 2019, the Company has classified its cash and cash equivalents and marketable securities as FVTPL.

  **Financial assets at FVTOCI** – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. As of December 31, 2020 and 2019, the Company has no financial assets classified as FVOCI.

  **Financial assets at amortized cost** – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. As of December 31, 2020 and 2019, the Company has classified its amounts receivable and reclamation deposits as amortized cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

***Financial instruments (continued)***

***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 loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if 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 loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

***Derecognition of financial assets***
Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Financial liabilities**
  The Company classifies its financial liabilities into one of two categories as follows:

  **Fair value through profit or loss (FVTPL)** – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

  **Other financial liabilities** – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. As at December 31, 2020 and 2019, the Company has classified its accounts payable and accrued liabilities as other financial liabilities

Refer to Note 14 for further disclosures.

***New accounting standards***
There were no new or amended IFRS pronouncements effective January 1, 2020 that impacted these consolidated financial statements.

## 3) ACQUISITION OF BROADWAY GOLD MINING LTD.

On April 13, 2020, the Company signed the Definitive Agreement with Madison to acquire all of the issued and outstanding shares of Broadway Gold Corp. ("Broadway") which owns the Madison Project (Note 9).

On June 23, 2020, the shareholders of Madison approved the Transaction.

On June 26, 2020 (the "Closing Date"), the Company completed the Transaction with Madison by issuing 20,000,000 common shares of the Company, which are subject to a six-month hold period from the Closing Date, and 5,000,000 common share purchase warrants exercisable within 18-month from the Closing Date to acquire the Company's common shares at a price of $0.25 per share to Madison.

As Broadway was a non-operating private entity it did not meet the definition of a business under IFRS 3 Business Combinations; accordingly, the Company has accounted for the Transaction in accordance with IFRS 2 Share-based Payment.

As a share-based payment transaction the Company measures the goods or services received at the more reliable measure of the fair value of the good and services received, or the fair value of the equity instruments granted. Management has determined that the fair value of the 20,000,000 common shares ($7,400,000) and the 5,000,000 warrants ($1,404,851) granted was the more reliable measure, which results in a total consideration of $8,804,851.

The Company estimated the grant date fair value of the 5,000,000 warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.26% an expected life of 18 months, an expected volatility of 170% and an expected dividend yield of 0%.

(Expressed in Canadian Dollars)

## 3) ACQUISITION OF BROADWAY GOLD MINING LTD. (CONTINUED)

The total consideration of $8,804,851 and the transaction costs of $139,309 associated with the Transaction has been allocated as follows:

| | $ |
|---|---|
| Cash | 30,580 |
| Prepaid expenses | 4,471 |
| Equipment | 64,738 |
| Exploration and evaluation assets | 8,976,123 |
| Accounts payable and accrued liabilities | (131,752) |
| **Purchase price** | **8,944,160** |
| | |
| **Consideration comprised of:** | |
| 20,000,000 common shares | 7,400,000 |
| 5,000,000 warrants | 1,404,851 |
| Transaction costs | 139,309 |
| | **8,944,160** |

## 4) CASH AND CASH EQUIVALENTS

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| Cash | 453,528 | 110,875 |
| Cash equivalents | 1,012,384 | 402,146 |
| | **1,465,912** | **513,021** |

## 5) MARKETABLE SECURITIES

On November 6, 2020, the Company received 2,000,000 shares (the “AmmPower Shares”) of AmmPower Corp. (“AmmPower”) with a fair value of $920,000 pursuant to the option agreement (the “AmmPower Agreement”) entered between Elko Sun Mining Corp. (“Elko Sun”) and AmmPower (Note 9). The AmmPower Shares will be subject to escrow and released in equal increments in six months, nine months and twelve months from the date of issuance.

In respect to the fair value of the AmmPower Shares, the Company recognized $381,407 as a reduction of the carrying value of the Tuscarora property (Note 9) and the remaining of $538,593 was recognized as a gain from option-out of interest in mineral property in the statement of loss and comprehensive loss during the year ended December 31, 2020.

As at December 31, 2020, the fair value the AmmPower Shares was $920,000.

On March 23, 2021, AmmPower bought back the AmmPower Shares from the Company for $100,000 (Note 9).

## 6) PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for services which will be amortized over the term of the contract.

During the year ended December 31, 2019, the Company entered into an arm's-length agreement with Wallace Hill Partners Ltd. and affiliates (collectively "Wallace"), a media specialist in the natural resources sector. The agreement is for a three-year term. The Company paid $329,142 (US$250,000) and issued a total of 933,333 of its common shares with a fair value of $504,000 in consideration for the consulting services. These amounts were initially classified as prepaid expenses and will be amortized over 3 years. During the year ended December 31, 2020, $138,858 was charged to the statement of loss and comprehensive loss as shareholder information and investor relations expenses (2019 – $231,428). During the year ended December 31, 2020, the Company decided to terminate the agreement with Wallace; as a result, the Company recognized a write-off of advance payments of $462,856 in the statement of loss and comprehensive loss during the year ended December 31, 2020. As of December 31, 2020, the unamortized amount was $nil (2019 – $601,714 of which $324,000 was classified as long term).

During the year ended December 31, 2019, the Company entered into an arm's-length agreement with Capital Pearl Investments Inc. ("Capital Pearl"). The agreement is for a one-year term. The Company paid $40,000 and issued a total of 333,333 of its common shares with a fair value of $180,000 in consideration for the consulting services. These amounts were initially classified as prepaid expenses and will be amortized over 12 months. During the year ended December 31, 2020, $18,333 was charged to the statement of loss and comprehensive loss as consulting fees (2019 – $201,667). As of December 31, 2020, the unamortized amount was $nil (2019 – $18,333).

During the year ended December 31, 2019, the Company entered into a second arm's-length agreement with Capital Pearl. The agreement is for a one-year term. The Company paid cash of $100,000 for the consulting services. These amounts were initially classified as prepaid expenses and will be amortized over 12 months. During the year ended December 31, 2020, $58,333 was charged to the statement of loss and comprehensive loss as consulting fees (2019 – $41,667). As of December 31, 2020, the unamortized amount was $nil (2019 – $58,333).

## 7) RECLAMATION DEPOSITS

The Company has reclamation deposits of $25,482 (US$20,000). These bonds were put up as collateral for the Tuscarora project in the event of future operations (2019 – $26,032 (US$20,000)).

(Expressed in Canadian Dollars)

## 8) PROPERTY AND EQUIPMENT

| | Building | Computer equipment | Total |
|---|---|---|---|
| ***Cost*** | | | |
| As at December 31, 2018 | - | 7,897 | **7,897** |
| **As at December 31, 2019** | **-** | **7,897** | **7,897** |
| | | | |
| ***Depreciation*** | | | |
| As at December 31, 2018 | - | (1,484) | **(1,484)** |
| Charged for the year | - | (2,369) | **(2,369)** |
| **As at December 31, 2019** | **-** | **(3,853)** | **(3,853)** |
| | | | |
| ***Net book value*** | | | |
| **As at December 31, 2018** | **-** | **6,413** | **6,413** |
| **As at December 31, 2019** | **-** | **4,044** | **4,044** |
| | | | |
| ***Cost*** | | | |
| As at December 31, 2019 | - | 7,897 | **7,897** |
| Additions (Note 3) | 64,738 | 1,179 | **65,917** |
| Effect of movements in exchange rates | (4,262) | - | **(4,262)** |
| **As at December 31, 2020** | **60,476** | **9,076** | **69,552** |
| | | | |
| ***Depreciation*** | | | |
| As at December 31, 2019 | - | (3,853) | **(3,853)** |
| Charged for the year | (6,262) | (2,516) | **(8,778)** |
| Effect of movements in exchange rates | 214 | - | **214** |
| **As at December 31, 2020** | **(6,048)** | **(6,369)** | **(12,417)** |
| | | | |
| ***Net book value*** | | | |
| **As at December 31, 2019** | **-** | **4,044** | **4,044** |
| **As at December 31, 2020** | **54,428** | **2,707** | **57,135** |

During the year ended December 31, 2020, the Company charged $8,778 (2019 – $2,369) in depreciation of which $6,262 was recognized as exploration and evaluation costs in the statements of loss (Note 9) (2019 – $nil).

(Expressed in Canadian Dollars)

## 9) EXPLORATION AND EVALUATION ASSETS

### Exploration and evaluation assets as of December 31, 2020 and 2019

| | Gooseberry project $ | Madison project $ | South Lida claims $ | Tuscarora property $ | Total $ |
|---|---|---|---|---|---|
| **Balance as at December 31, 2018** | **-** | **-** | **331,997** | **251,739** | **583,736** |
| Acquisition costs | | | | | |
| - cash | - | - | 2,837 | 125,000 | **127,837** |
| - shares | - | - | 220,000 | 58,666 | **278,666** |
| Staking costs | 36,850 | - | - | - | **36,850** |
| Disposal | - | - | - | (65,432) | **(65,432)** |
| **Balance as at December 31, 2019** | **36,850** | **-** | **554,834** | **369,973** | **961,657** |
| Acquisition costs | | | | | |
| - cash | 9,949 | - | - | - | **9,949** |
| - shares and warrants (Note 3) | - | 8,976,123 | - | 12,000 | **8,988,123** |
| Option payments received (Note 5) | - | - | - | (381,407) | **(381,407)** |
| Effect of movements in exchange rate | - | (262,118) | - | (566) | **(262,684)** |
| **Balance as at December 31, 2020** | **46,799** | **8,714,005** | **554,834** | **-** | **9,315,638** |

### Exploration and evaluation costs incurred by the Company during the years ended December 31, 2020 and 2019

| | For the year ended December 31, 2020 | | | |
|---|---|---|---|---|
| | **Gooseberry project $** | **Madison project $** | **Tuscarora property $** | **Total $** |
| Consulting | 59,445 | 95,956 | 36,560 | **191,961** |
| Depreciation | - | 6,262 | - | **6,262** |
| Equipment rental | - | - | 1,899 | **1,899** |
| Field | - | 18,676 | - | **18,676** |
| Field technicians | - | 4,836 | - | **4,836** |
| Geological | 27,994 | - | 2,711 | **30,705** |
| Sample analysis | - | - | 12,881 | **12,881** |
| Transportation | 1,582 | - | - | **1,582** |
| | **89,021** | **125,730** | **54,051** | **268,802** |

| | For the year ended December 31, 2019 | | |
|---|---|---|---|
| | **Gooseberry $** | **Tuscarora $** | **Total $** |
| Consulting | 153,190 | 62,697 | 215,887 |
| Equipment rental | - | 1,323 | 1,323 |
| Field | 2,022 | - | 2,022 |
| Field office administration | 616 | - | 616 |
| Geological | 27,871 | 6,561 | 34,432 |
| Royalty payments | - | 5,303 | 5,303 |
| Sample analysis | - | 30,735 | 30,735 |
| Transportation | 9,678 | 5,013 | 14,691 |
| Travel | 15,347 | 5,202 | 20,549 |
| | 208,724 | 116,834 | **325,558** |

## 9) EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

**South Lida claims (Nevada, US)**
On July 1, 2017, the Company entered into a Claims Purchase Agreement (the "SL Claims Purchase Agreement") with David Saderholm (the "Trustee"), Eric Saderholm, Patricia Saderholm, Warwick Smith and Tarin Smith (collectively, the "Vendors") whereby the Vendors agreed to sell the South Lida Property in exchange for shares in the Company.

Under the SL Claim Purchase Agreement, the Company will issue to the Vendors a total of 1,000,000 common shares (the "Property Shares") as follows:

a) 166,667 Property Shares on July 1, 2017 (issued);
b) 166,667 Property Shares on the listing date (issued);
c) 333,333 Property Shares on the earlier of (i) six months after the listing date and (ii) the date the Property is sold or otherwise transferred as part of a transaction for value approved by the Board of the Purchaser (issued); and
d) 333,333 Property Shares on the earlier of (i) the one-year anniversary after the listing date and (ii) the date the Property is sold or otherwise transferred as part of a transaction for value approved by the Board of the Purchaser (issued during fiscal 2019 at a fair value of $220,000).

The acquisition of the South Lida property is a related party transaction as two of the Vendors are officers and directors of the Company.

**Tuscarora property (Nevada, US)**
On November 6, 2017, the Company entered into an option agreement (the "Tuscarora Option Agreement") with Novo Resources Corp. The Tuscarora Option Agreement was amended on December 18, 2019 (the "Amended Tuscarora Option Agreement"). Pursuant to the Tuscarora Option Agreement, Novo Resources Corp. will grant the Company the exclusive right and option to acquire a 100% right, title, and interest in and to the Tuscarora Property (the "Tuscarora Option").

Pursuant to the Amended Tuscarora Option Agreement, to earn the Tuscarora Option, the Company will:

a) make $400,000 cash payments to Novo Resources Corp. as follows:

    i. $125,000 due on the earlier of the listing date and January 31, 2018 (paid);
    ii. $125,000 due on the earlier of the first anniversary of the listing date and January 31, 2019 (paid); and
    iii. $150,000 due on January 31, 2021 (paid by AmmPower);

b) issue 266,667 common shares of the Company to Novo Resources Corp. in three equal instalments, with one-third issued on each of the listing date (issued) and the first (88,889 shares issued with a fair value of $58,666 during the year ended December 31, 2019) and second anniversaries of the listing date (88,889 shares issued on March 4, 2020); and

(Expressed in Canadian Dollars)

## 9) EXPLORATION AND EVALUATION ASSETS (CONTINUED)

**Tuscarora property (Nevada, US) (continued)**

c) incur US$100,000 in expenditures on the property annually, starting on the twelve-month period commencing on the first anniversary of the listing date and per each successive twelve-month period thereafter.

The property is subject to net smelter returns royalties of 0.5% which may be reduced to nil (0%) by paying US$500,000.

In addition, the Company is also required to make the following payments to the Ely Gold Royalties ("Ely Gold"), the owner of the Tuscarora property:

a) Annual minimum royalty payments

| On or before: | $ | |
|---|---|---|
| November 7, 2018 | 4,000 | Paid |
| November 7, 2019 | 4,000 | Paid |
| November 7, 2020 (1) | 4,000 | Paid |
| November 7, 2021 | 8,000 | |
| November 7, 2022 | 8,000 | |
| November 7, 2023 | 8,000 | |
| November 7, 2024 | 8,000 | |
| November 7, 2025 | 8,000 | |
| November 7, 2026 and each succeeding anniversary | 12,000 | |

(1) Paid by AmmPower.

b) Production royalty based on the net smelter returns from the production and sale of minerals from the Tuscarora property. The royalty percentage rate for precious metals is based on the average daily price per troy ounce of gold during the period of production of minerals from the Tuscarora property for which the royalty is payable as follows:

- less than or equal to $1,500 — Two percent (2%)
- greater than $1,500 but less than or equal to $2,000 — Three percent (3%)
- greater than $2,000 — Four percent (4%)

The royalty percentage will apply for all other minerals is 2.5% of the net smelter returns.

On March 19, 2018, the Company expanded the Tuscarora Gold Project through the additional staking of 67 claims in Elko County, Nevada.

(Expressed in Canadian Dollars)

## 9) EXPLORATION AND EVALUATION ASSETS (CONTINUED)

**Tuscarora property (Nevada, US) (continued)**

***Joint Venture with OceanaGold U.S. Holdings Inc. ("OceanaGold")***

On April 15, 2019, the Company entered into an earn-in agreement with OceanaGold, a US subsidiary of OceanaGold Corp.

According to earn-in agreement, OceanaGold can earn up to 51% of the Tuscarora Gold Project by investing US$4,000,000 over the next four years ("Phase 1") as follows:

| On or before: | US$ | |
|---|---|---|
| April 15, 2020 | 625,000 | Incurred |
| April 15, 2021 | 750,000 | |
| April 15, 2022 | 1,125,000 | |
| April 15, 2023 | 1,500,000 | |

After Phase 1, OceanaGold has an option to earn an additional 24% interest by investing US$6,000,000 in the next four years.

To execute the earn-in agreement, OceanaGold made an initial cash payment of US$50,000 to the Company ($65,432) during the year ended December 31, 2019. OceanaGold will make a second payment of US$200,000 in cash or shares at Oceana's option when OceanaGold earns a 51-per-cent interest in the Tuscarora Gold Project.

OceanaGold will also make all payments to holders of underlying property interests and pay claim fees. OceanaGold will be the operator and, upon earning-in an interest, a joint venture management committee will be formed.

On January 13, 2020, OceanaGold decided not to proceed further with the earn-in agreement with the Company.

***Earn-in Agreement with Elko Sun***

On August 4, 2020, the Company entered into an earn-in agreement with Elko Sun (the "Elko Sun Agreement"), a private company in British Columbia, Canada.

On November 4, 2020, Elko Sun entered into the AmmPower Agreement with AmmPower. Pursuant to the AmmPower Agreement, AmmPower will issue 2,000,000 AmmPower Shares to the Company (issued – Note 5).

According to the AmmPower Agreement, AmmPower can earn up to a 51% interest in the Tuscarora Gold Project by making cash payments to or on behalf of the Company in the aggregate amount of $200,000, of which $50,000 should be made within 4 months from date of the Elko Sun Agreement (paid subsequent to December 31, 2020), making share payments to the Company (issued – Note 5), and funding exploration expenditures of $1.35 million towards the Tuscarora Gold Project within 24 months from the date of the Elko Sun Agreement ("AmmPower Phase 1").

Subject to the completion of AmmPower Phase 1, AmmPower will have four years from the date of the Elko Sun Agreement (the "AmmPower Option Period") to exercise an option to earn an additional 14% interest by making additional share payments to the Company and further funding the exploration expenditures of $3 million towards the Tuscarora Gold Project ("AmmPower Phase 2").

Subject to its completion of AmmPower Phase 2, AmmPower may exercise an option to earn a final 15% interest (for total interest of 80%) by completing a pre-feasibility study on the Tuscarora Gold Project before the end of the Option Period ("AmmPower Phase 3").

## 9) EXPLORATION AND EVALUATION ASSETS (CONTINUED)

**Tuscarora property (Nevada, US) (continued)**

In addition, AmmPower will also be responsible for making the payments to the Tuscarora property holders and paying the claim fees.

AmmPower will be the operator of the Tuscarora project and, upon earning-in an interest, a joint venture management committee will be formed.

Subsequent to December 31, 2020, the Company entered into an agreement with Elko Sun and AmmPower to terminate the Elko Sun Agreement and AmmPower Agreement.

**Madison Project (Montana, US)**

As a result of the Transaction (Note 3), the Company acquired the fully permitted Madison Copper Gold Project ("Madison Project") near Silver Star, Montana. The Madison Project is currently under an earn-in, joint venture agreement signed by Broadway on April 30, 2019, whereby Kennecott Exploration Company ("Kennecott"), part of the Rio Tinto Group (ASX, LON: RIO) must spend US$30 million to earn up to 70% of the project.

According to the earn-in agreement, Kennecott earn-in milestones in order of dollar value are as follows:

- US$5 million earn-in over 5 years that generates a 45% retained interest for Broadway;
- US$15 million earn-in over 8 years that generates a 35% retained interest for Broadway;
- US$30 million earn-in over 11 years that generates a 30% retained interest for Broadway.

In addition, Kennecott is required to:

- Incur minimum of US$1 million of exploration expenditures in the first year;
- Make cash payment to Broadway in an amount of US$225,000 over the first five years.

Pursuant to the earn-in agreement:

- Kennecott may request Broadway to conduct exploration on its behalf during the first year in return for a 10% administration charge.

- Broadway has the right to conduct independent drilling and exploration of the skarn zones during the first year.

- Broadway has a right of first offer to acquire Kennecott's interest in the property in the event Kennecott wishes to divest its interest.

- The joint venture may be formed with 55% to Kennecott and 45% to Broadway upon the satisfaction of the first earn-in, 65% to Kennecott and 35% to Broadway upon the satisfaction of the second earn-in, or 70% to Kennecott and 30% to Broadway upon the satisfaction of the third earn-in.

- The joint venture will be managed by the Rio Tinto Group and financed by each participant in accordance with its interest.

- Broadway may elect to not finance its interest and be diluted down to a 10% interest. If Broadway is diluted below 10% interest, its interest will convert to a 2% net smelter royalty with a maximum amount of US$50 million.

## 9) EXPLORATION AND EVALUATION ASSETS (CONTINUED)

**Madison Project (Montana, US) (continued)**

Under the terms of the earn-in agreement, Kennecott has an option to acquire a 55% undivided interest in the property by incurring exploration and related expenditures of US$5 million within the first five years, including a minimum exploration budget of US$1 million in the first year. If Kennecott exercises the first option, it may elect to earn an additional 10% undivided interest, for a total undivided interest of 65%, by incurring additional expenditures of US$10 million within the following three years. If Kennecott exercises the second option, it may elect to earn an additional 5% undivided interest, for a total of 70%, by incurring additional expenditures of US$15 million within the subsequent three-year period. Kennecott may elect to create the joint venture after exercising each option to earn in.

**Gooseberry Gold Project (Nevada, US)**

On April 23, 2019, the Company acquired through staking the historic Gooseberry Mine in Storey Nevada, US. The Gooseberry Gold project includes 42 unpatented claims, totaling approximately 708 acres.

***Earn-in Agreement with GRAC Global Resource Acquisition Corp. ("GRAC")***

On November 4, 2020, the Company entered into an earn-in agreement with GRAC (the "GRAC Agreement"), a private company in British Columbia, Canada.

According to the GRAC Agreement, GRAC can earn up to a 51% interest in the Gooseberry Gold Project within 24 months from the date of the GRAC Agreement ("GRAC Phase 1") by:

- making a non-refundable cash payment to the Company of $50,000 within the four months after date of the GRAC Agreement (received subsequent to December 31, 2020);
- issuing 2,000,000 shares to the Company on or before the earlier of:
  - 2 months from the date GRAC completes a transaction to list on the Canadian Securities Exchange or any other recognized stock exchange;
  - 24 months from the date of the GRAC Agreement; and
- funding exploration expenditures of $1.5 million towards the Gooseberry Gold Project within 24 months from the date of the GRAC Agreement.

Subject to the completion of GRAC Phase 1, GRAC will have four years from the date of the GRAC Agreement (the "GRAC Option Period") to exercise an option to earn an additional 14% interest by making additional one million share payments to the Company and further funding the exploration expenditures of $3 million towards the Gooseberry Gold Project ("GRAC Phase 2").

Subject to its completion of GRAC Phase 2, GRAC may exercise an option to earn a final 15% interest (for total interest of 80%) by completing a pre-feasibility study on the Gooseberry Gold Project before the end of the Option Period ("GRAC Phase 3").

In addition, GRAC will also responsible of making the payments to the Gooseberry Gold Project holders and pay the claim fees.

GRAC will be the operator of the Gooseberry Gold project and, upon earning-in an interest, a joint venture management committee will be formed.

## 10) SHARE CAPITAL AND RESERVES

**Authorized share capital**
Unlimited number of common shares without par value.

**Escrow shares**
During the year ended December 31, 2018, the Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at 10% on the listing date and 15% on every six months from date of listing. During the year ended December 31, 2020, 175,000 common shares were released from escrow (2019 – 175,000). At December 31, 2020, there were 87,500 common shares held in escrow (2019 – 262,500).

On March 8, 2021, 87,500 common shares were released from escrow.

**Issued share capital**
At December 31, 2020, the Company had 65,489,625 common shares issued and outstanding (2019 – 20,915,112) with a value of $17,986,766 (2019 – $7,871,934).

***During the year ended December 31, 2020***

- On March 4, 2020, the Company issued 88,889 common shares with a fair value of $12,000 in exchange for the Tuscarora Property (Note 9).

- On May 22, 2020, the Company completed a non-brokered private placement of 23,918,035 units at a price of $0.125 for gross proceeds of $2,989,754. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of $0.20 at any time prior to November 22, 2021.

  In connection with the private placement, the Company incurred the following transaction costs which were recorded as share issuance costs:
  - Paid cash of $57,925 as finders' fees;
  - Issued 450,800 finders' shares with fair value of $160,034;
  - Issued 914,200 finders warrants with fair value of $254,650; and
  - Paid cash of $23,475 for other expenses.

  The Company estimated the fair value of finders' warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.27%, an expected life of 18 months, an expected volatility of 171% and an expected dividend yield of 0%. The finders' warrants had the same term as the warrants issued for the non-brokered private placement.

- As discussed in Note 3, on June 26, 2020, the Company issued 20,000,000 common shares, which are subject to a six-month hold period from the Closing Date, with fair value of $7,400,000 to Madison for the Transaction.

- 116,789 warrants were exercised for proceeds of $25,411. In addition, the Company reclassified the grant date fair value of the exercised warrants of $23,717 from warrants reserve to share capital.

## 10) SHARE CAPITAL AND RESERVES (CONTINUED)

**Issued share capital (continued)**

***During the year ended December 31, 2019***

- On March 1, 2019, the Company completed a non-brokered private placement of 4,867,334 units at a price of $0.30 for gross proceeds of $1,460,200. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of $0.60 at any time prior to February 28, 2020. In connection with the private placement, the Company paid $78,374 and issued 117,880 finders warrants priced at $0.60 as share issue costs.

  The Company estimated the fair value of finders' warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 1.78%, an expected life of 12 months, an expected volatility of 78% and an expected dividend yield of 0%, which totaled $22,000, and recorded these values as share issuance costs.

- On March 8, 2019, the Company issued 333,333 common shares with a fair value of $220,000 for the South Lida Property.

- On March 8, 2019, the Company issued 88,889 common shares with a fair value of $58,666 for the Tuscarora Property.

- On July 29, 2019, the Company completed a non-brokered private placement of 3,108,333 units at a price of $0.30 for gross proceeds of $932,500. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of $0.60 at any time prior to July 29, 2020, subject to earlier expiry of the exercise period if, at any time after four months from July 29, 2019, the closing price of the shares is greater than $0.75 for five or more consecutive trading days. In connection with the private placement, the Company paid $32,596 and issued 78,000 finders warrants priced at $0.60 as share issue costs.

  The Company estimated the fair value of finders' warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 1.55%, an expected life of 12 months, an expected volatility of 79% and an expected dividend yield of 0%, which totaled $6,552, and recorded these values as share issuance costs.

- The Company issued 933,333 common shares with a fair value of $504,000 to Wallace Hill Partners Ltd. and affiliates in consideration for a three-year consulting services agreement.

- The Company issued 333,334 common shares with a fair value of $180,000 to Capital Pearl Investments in consideration for a one-year consulting services agreement.

(Expressed in Canadian Dollars)

**10) SHARE CAPITAL AND RESERVES (CONTINUED)**

**Warrants**

The changes in warrants during December 31, 2020 and 2019, are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | **Number outstanding** | **Weighted average exercise price ($)** | **Number outstanding** | **Weighted average exercise price ($)** |
| **Balance, beginning of year** | **4,183,714** | **0.60** | 2,007,100 | 1.05 |
| Issued | 29,832,235 | 0.21 | 4,183,714 | 0.60 |
| Exercised | (116,789) | 0.22 | - | - |
| Expired | (1,750,059) | 0.60 | (2,007,100) | 1.05 |
| **Balance, end of year** | **32,149,101** | **0.24** | **4,183,714** | **0.60** |

***During the year ended December 31, 2020***

- The Company extended the expiry date of 2,433,667 warrants with an expiry date of February 28, 2020 to February 28, 2021. The extension was approved by the Canadian Securities Exchange. No additional fair value was recognized due to the extension.

- The Company extended the expiry date of 1,554,158 warrants with an expiry date of July 29, 2020 to September 27, 2020. The extension was approved by the Canadian Securities Exchange. No additional fair value was recognized due to the extension.

- As discussed in Note 3, on June 26, 2020, the Company issued 5,000,000 common share purchase warrants exercisable within 18-month from the Closing Date to acquire the Company's common shares at a price of $0.25 per share to Madison for the Transaction.

- 1,750,059 warrants expired unexercised.

***During the year ended December 31, 2019***

- 2,007,100 warrants expired unexercised.

The following summarizes information about warrants outstanding at December 31, 2020:

| **Expiry date** | **Exercise price ($)** | **Warrants outstanding** | **Estimated grant date fair value ($)** | **Weighted average remaining contractual life (in years)** |
|---|---|---|---|---|
| February 28, 2021 (1) | 0.60 | 2,433,655 | - | 0.16 |
| November 22, 2021 | 0.20 | 24,756,499 | 242,467 | 0.89 |
| December 25, 2021 | 0.25 | 4,958,947 | 1,393,316 | 0.98 |
| | | **32,149,101** | **1,635,783** | **0.85** |

(1) Subsequent to December 31, 2020, 2,433,665 warrants with an expiry date of February 28, 2021 expired unexercised.

(Expressed in Canadian Dollars)

## 10) SHARE CAPITAL AND RESERVES (CONTINUED)

**Stock options**

The Company has a Stock Option Plan (the "Plan") applicable to directors, officers and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is ten years from the grant date. Under the stock option plan, management has the option of determining vesting periods.

The changes in stock options during the years ended December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Number outstanding | Weighted average exercise price ($) | Number outstanding | Weighted average exercise price ($) |
| **Balance, beginning of year** | **1,316,667** | **0.74** | 816,667 | 0.76 |
| Granted | 2,850,000 | 0.47 | 500,000 | 0.71 |
| Cancelled | (1,316,667) | 0.74 | - | - |
| **Balance, end of year** | **2,850,000** | **0.47** | **1,316,667** | **0.74** |

***During the year ended December 31, 2020***

- The Company cancelled 1,316,667 stock options.

- On May 14, 2020, the Company granted 350,000 options with an exercise price of $0.325 to a consultant. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

- On July 22, 2020, the Company granted 2,500,000 options with an exercise price of $0.49 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

***During the year ended December 31, 2019***

- On April 15, 2019, the Company granted 333,333 options with an exercise price of $0.84 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

- On July 12, 2019, the Company granted 166,667 options with an exercise price of $0.45 to its consultant. The options are exercisable for a period of one year. All of the options granted vested immediately at the date of grant.

(Expressed in Canadian Dollars)

## 10) SHARE CAPITAL AND RESERVES (CONTINUED)

**Stock options (continued)**

The estimated grant date fair value of the options granted during the years ended December 31, 2020 and 2019 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | For the year ended | |
|---|---|---|
| | **December 31, 2020** | **December 31, 2019** |
| Number of options granted | 2,850,000 | 500,000 |
| Risk-free interest rate | 0.29% | 1.61% |
| Expected annual volatility | 78% | 106% |
| Expected life (in years) | 5.00 | 3.67 |
| Expected dividend yield | 0% | 0% |
| Grant date fair value per option ($) | 0.28 | 0.13 |
| Share price at grant date ($) | 0.46 | 0.36 |

During the year ended December 31, 2020, the Company recognized share-based payments expense arising from stock options of $809,004 (2019 – $197,862).

The following summarizes information about stock options outstanding and exercisable at December 31, 2020:

| **Expiry date** | **Exercise price ($)** | **Options outstanding** | **Options exercisable** | **Estimated grant date fair value ($)** | **Weighted average remaining contractual life (in years)** |
|---|---|---|---|---|---|
| May 14, 2025 | 0.325 | 350,000 | 350,000 | 44,450 | 4.37 |
| July 22, 2025 | 0.490 | 2,500,000 | 2,500,000 | 764,554 | 4.56 |
| | | **2,850,000** | **2,850,000** | **809,004** | **4.54** |
| **Weighted average exercise price ($)** | | **0.47** | **0.47** | | |

(Expressed in Canadian Dollars)

## 11) RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

The following table discloses the total compensation incurred to the Company's key management personnel during the years ended December 31, 2020 and 2019:

| | | For the year ended | |
|---|---|---|---|
| | Footnote | December 31, 2020 $ | December 31, 2019 $ |
| **Warwick Smith, CEO and Director** | | | |
| Consulting fees | (1) | 206,904 | 158,997 |
| Share-based payments | | 122,329 | 15,610 |
| | | 329,233 | 174,607 |
| **Eric Saderholm, President and Director** | | | |
| Consulting fees | | 54,152 | - |
| Exploration and evaluation costs | | 173,650 | 221,533 |
| Share-based payments | | 122,329 | 15,610 |
| | | 350,131 | 237,143 |
| **Norman Wareham, CFO, Corporate Secretary and Director** | | | |
| Consulting fees | (2) | 100,000 | 90,000 |
| Share-based payments | | 122,329 | 15,610 |
| | | 222,329 | 105,610 |
| **Ken Cunningham, Director** | | | |
| Directors' fees | | 16,141 | 15,734 |
| Professional fees | | - | 25,000 |
| Share-based payments | | 122,329 | 15,610 |
| | | 138,470 | 56,344 |
| **Joness Lang, Director** | | | |
| Consulting fees | | 3,000 | - |
| Directors' fees | | 16,196 | 2,500 |
| Share-based payments | | 122,329 | - |
| | | 141,525 | 2,500 |
| **Alnesh Mohan, Former Director** | | | |
| Professional fees | (3) | - | 78,000 |
| Share-based payments | | - | 15,610 |
| | | - | 93,610 |
| **Total** | | **1,181,688** | **669,814** |

(1) Paid to Harbourside Consulting Ltd. which is controlled by Mr. Smith.
(2) Paid to Inlet Consulting Ltd. which is controlled by Mr. Wareham.
(3) Paid to Quantum Advisory Partners LLP, an accounting firm in which Mr. Mohan is an incorporated partner.

(Expressed in Canadian Dollars)

## 11) RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

As at December 31, 2020, the balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $33,548 (2019 – $43,139), which were paid subsequent to December 31, 2020. These amounts are unsecured, non-interest bearing and payable on demand.

Except for the related party transactions discussed above, the following related parties of the Company participated in the non-brokered private placement completed on May 22, 2020 (Note 10):

- Mr. Smith subscribed for 160,000 units
- Mr. Saderholm subscribed for 200,000 units; and
- Mr. Lang subscribed for 40,000 units through his Company, EBC Consulting Group Ltd.

## 12) SEGMENTED INFORMATION

The Company operates in one reportable segment being the exploration and evaluation of mineral properties. The Company's non-current assets are located are as follows:

| | Total<br>$ | Canada<br>$ | United States<br>$ |
|---|---|---|---|
| **As at December 31, 2020** | | | |
| **Non-current assets** | | | |
| Reclamation deposits | 25,482 | - | 25,482 |
| Property and equipment | 57,135 | 2,707 | 54,428 |
| Exploration and evaluation assets | 9,315,638 | - | 9,315,638 |
| | **9,398,255** | **2,707** | **9,395,548** |
| | | | |
| **As at December 31, 2019** | | | |
| **Non-current assets** | | | |
| Reclamation deposits | 26,032 | - | 26,032 |
| Prepaid expenses | 324,000 | 324,000 | - |
| Property and equipment | 4,044 | 4,044 | - |
| Exploration and evaluation assets | 961,657 | - | 961,657 |
| | **1,315,733** | **328,044** | **987,689** |

## 13) CAPITAL MANAGEMENT

The Company defines its components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

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

The Company's investment policy is to keep its cash on deposit in an interest-bearing Canadian chartered bank account. There have been no changes to the Company's approach to capital management at any time during the years ended December 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

## 14) FINANCIAL INSTRUMENTS

**Fair value**
Financial instruments are classified into one of the following categories: FVTPL, amortized cost and FVTOCI.

Set out below are the Company's financial assets and liabilities by category:

| | December 31, 2020 | FVTPL | Amortized costs | FVTOCI |
|---|---|---|---|---|
| | | $ | $ | $ |
| **Financial assets:** | | | | |
| **ASSETS** | | | | |
| Cash and cash equivalents | 1,465,912 | 1,465,912 | - | - |
| Amounts receivable | 27,173 | - | 27,173 | - |
| Reclamation deposits | 25,482 | - | 25,482 | - |
| Marketable securities | 920,000 | 920,000 | - | - |
| **Financial liabilities:** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable and accrued liabilities | (149,298) | - | (149,298) | - |

| | December 31, 2019 | FVTPL | Amortized costs | FVTOCI |
|---|---|---|---|---|
| | | $ | $ | $ |
| **Financial assets:** | | | | |
| **ASSETS** | | | | |
| Cash and cash equivalents | 513,021 | 513,021 | - | - |
| Amounts receivable | 29,317 | - | 29,317 | - |
| Reclamation deposits | 26,032 | - | 26,032 | - |
| **Financial liabilities:** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable and accrued liabilities | (160,439) | - | (160,439) | - |

The carrying values of amounts receivable, reclamation deposits, accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

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

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

**14) FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial risk management**

***Fair value (continued)***
As at December 31, 2020 and 2019, the financial instrument recorded at fair value on the statements of financial position is cash and cash equivalents and marketable securities which is measured using Level 1 of the fair value hierarchy. As at December 31, 2020 and 2019, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

***Credit risk***
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and cash equivalents and amounts receivable.

The Company's cash and cash equivalents is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Management believes that the credit risk concentration with respect to these financial instruments is remote. Cash and cash equivalents based in Canada are accessible. The Company's amounts receivable balance does not represent significant credit exposure as it is principally due from the Government of Canada.

***Liquidity risk***
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

At December 31, 2020, the Company had cash and cash equivalents of $1,465,912 and accounts payable and accrued liabilities of $149,298. All accounts payable and accrued liabilities are current.

***Market risk***
The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and price risk.

***Interest Rate Risk***
Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents is held at a Canadian chartered bank. Management believes that the credit risk concentration with respect to cash is remote as the cash and cash equivalents are easily accessible.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on the balance of cash at December 31, 2020 would result in an approximately $15,000 change to the Company's loss for the year ended December 31, 2020.

## 14) FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management (continued)

***Foreign Currency risk***

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars ("CAD"). The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, amounts receivable, and accounts payable and accrued liabilities are held in CAD and United States dollars ("US"); therefore, US accounts are subject to fluctuation against the CAD.

The Company's financial instruments were denominated as follows as at December 31, 2020:

| | CA$ | US$ |
|---|---|---|
| Cash and cash equivalents | 1,463,197 | 2,131 |
| Amounts receivable | 27,173 | - |
| Reclamation deposits | - | 20,000 |
| Marketable securities | 920,000 | - |
| Accounts payable and accrued liabilities | (124,743) | (19,273) |
| | **2,285,627** | **2,858** |
| Rate to convert to $1.00 CAD | 1.00 | 1.27 |
| **Equivalent to CAD** | **2,285,627** | **3,641** |

Based on the above net exposures as at December 31, 2020, and assuming that all other variables remain constant, a 10% change of the CAD against the US would change profit or loss by approximately $300.

***Commodity price risk***

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. The Company is not exposed to significant other price risk.

## 15) INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Loss for the year** | **2,585,373** | **2,513,179** |
| Expected income tax (recovery) | (698,000) | (679,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (104,000) | (2,000) |
| Permanent differences | 207,000 | 59,000 |
| Impact of asset acquisition | (48,000) | - |
| Share issue cost | (65,000) | (30,000) |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | (23,000) | 14,000 |
| Change in unrecognized deductible temporary differences | 731,000 | 638,000 |
| **Total income tax expense (recovery)** | - | - |

(Expressed in Canadian Dollars)

## 15) INCOME TAXES (CONTINUED)

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<br>$ | Expiry Range | December 31, 2019<br>$ | Expiry Range |
|---|---|---|---|---|
| **Temporary Differences** | | | | |
| Exploration and evaluation assets | 1,807,000 | No expiry date | 1,656,000 | No expiry date |
| Property and equipment | 6,000 | No expiry date | 4,000 | No expiry date |
| Share issue costs | 320,000 | 2041 to 2044 | 137,000 | 2040 to 2043 |
| Intangible assets | 3,000 | No expiry date | | |
| Non-capital losses available for future period | 6,588,000 | 2027 to 2040 | 4,129,000 | 2026 to 2039 |

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

## 16) SUBSEQUENT EVENTS

**Subsequent to December 31, 2020**

- On Mach 19, 2021, 7,019 warrants were exercised for proceeds of $1,755.
- 2,433,665 warrants expired unexercised.