

**CLARITY GOLD CORP.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**(Expressed in Canadian dollars)**

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF CLARITY GOLD CORP.

#### *Opinion*

We have audited the financial statements of Clarity Gold Corp. (the "Company"), which comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of operations and comprehensive loss for the year ended December 31, 2020 and the period from incorporation on September 11, 2019 to December 31, 2019;
- the statements of changes in shareholders' equity for the year ended December 31, 2020 and the period from incorporation on September 11, 2019 to December 31, 2019;
- the statements of cash flows for the year ended December 31, 2020 and the period from incorporation on September 11, 2019 to December 31, 2019; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and cash flows for the year ended December 31, 2020 and the period from incorporation on September 11, 2019 to December 31, 2019 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 comprises of Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

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

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

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

**Vancouver**

1700 – 475 Howe St  
Vancouver, BC V6C 2B3

T: 604 687 1231  
F: 604 688 4675

**Langley**

305 – 9440 202 St  
Langley, BC V1M 4A6

T: 604 282 3600  
F: 604 357 1376

**Nanaimo**

201 – 1825 Bowen Rd  
Nanaimo, BC V9S 1H1

T: 250 755 2111  
F: 250 984 0886

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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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 auditors' report is Kevin Yokichi Nishi.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia

April 9, 2021

**Vancouver**

1700 – 475 Howe St  
Vancouver, BC V6C 2B3

**T:** 604 687 1231  
**F:** 604 688 4675

**Langley**

305 – 9440 202 St  
Langley, BC V1M 4A6

**T:** 604 282 3600  
**F:** 604 357 1376

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**CLARITY GOLD CORP.  
STATEMENTS OF FINANCIAL POSITION  
(EXPRESSED IN CANADIAN DOLLARS)**

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		\$ 48,162	\$ 145,451
GST receivable		127,776	4,022
Prepaid expenses	3	474,817	-
		<b>650,755</b>	<b>149,473</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	4	1,018,561	90,449
Right of use asset	7	40,322	-
<b>TOTAL ASSETS</b>		<b>\$ 1,709,638</b>	<b>\$ 239,922</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	5, 9	\$ 630,246	\$ 125,726
Lease liability	7	24,805	-
		<b>655,051</b>	<b>125,726</b>
<b>NON-CURRENT LIABILITY</b>			
Lease liability	7	16,303	-
<b>TOTAL LIABILITIES</b>		<b>671,354</b>	<b>125,726</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	2,094,840	154,245
Reserves	6	835,710	-
Accumulated deficit		(1,892,266)	(40,049)
		<b>1,038,284</b>	<b>114,196</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,709,638</b>	<b>\$ 239,922</b>

Approved on behalf of the Board of Directors on April 9, 2021:

“Andrew Male” Director

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“Theo van der Linde” Director

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The accompanying notes are integral to these financial statements

**CLARITY GOLD CORP.  
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
(EXPRESSED IN CANADIAN DOLLARS)**

	Note	For the year ended December 31, 2020	From incorporation on September 11, 2019 to December 31, 2019
<b>Expenses</b>			
Accretion	7	\$ 1,950	\$ -
Bank services fees		956	49
Consulting fees	9	151,337	22,000
Corporate development		725,246	-
Depreciation	7	10,611	-
Due diligence		3,850	-
Office and administration		52,017	-
Professional fees	9	113,117	18,000
Registration and filing fees		38,445	-
Shareholder communications		27,523	-
Share-based compensation	6	722,550	-
Transfer agent		4,615	-
<b>Net loss and comprehensive loss for the year</b>		<b>\$ (1,852,217)</b>	<b>\$ (40,049)</b>
Basic and diluted loss per share for the year		<b>\$(0.12)</b>	<b>\$(0.02)</b>
Weighted average number of common shares outstanding		<b>15,122,742</b>	<b>2,204,054</b>

The accompanying notes are integral to these financial statements

**CLARITY GOLD CORP.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Share Capital				
	Number of shares	Amount	Reserves	Deficit	Total
Balance at September 11, 2019 (date of incorporation)	500,000	\$ 2,500	\$ -	\$ -	\$ 2,500
Share issued for cash	7,150,000	143,000	-	-	143,000
Share issue costs	-	(1,255)	-	-	(1,255)
Shares issued for exploration and evaluation assets	2,000,000	10,000	-	-	10,000
Net loss for the period	-	-	-	(40,049)	(40,049)
<b>Balance at December 31, 2019</b>	<b>9,650,000</b>	<b>\$ 154,245</b>	<b>\$ -</b>	<b>\$ (40,049)</b>	<b>\$ 114,196</b>
Share issued for cash	9,458,000	\$ 1,894,900	\$ -	\$ -	\$ 1,894,900
Shares issued for exercised agent options	13,500	2,363	-	-	2,363
Fair value reclassification pursuant to exercised agent options	-	1,233	(1,233)	-	-
Share issue costs	-	(318,508)	-	-	(318,508)
Shares issued for exploration and evaluation assets	1,250,000	475,000	-	-	475,000
Share-based compensation	-	-	722,550	-	722,550
Fair market value of issued agent options	-	(114,393)	114,393	-	-
Net loss for the year	-	-	-	(1,852,217)	(1,852,217)
<b>Balance at December 31, 2020</b>	<b>20,371,500</b>	<b>\$ 2,094,840</b>	<b>\$ 835,710</b>	<b>\$ (1,892,266)</b>	<b>\$ 1,038,284</b>

The accompanying notes are integral to these financial statements

**CLARITY GOLD CORP.  
STATEMENTS OF CASH FLOWS  
(EXPRESSED IN CANADIAN DOLLARS)**

	For the year ended December 31, 2020	From incorporation on September 11, 2019 to December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (1,852,217)	\$ (40,049)
Items not affecting cash:		
Depreciation	10,611	-
Accretion	1,950	-
Share-based compensation	722,550	-
<b>Net changes in non-cash working capital accounts</b>		
Increase in GST receivable	(123,754)	(4,022)
Increase in prepaid expenses	(474,817)	-
Increase in accounts payable and accrued liabilities	236,831	45,277
<b>Net cash (used in) provided by operating activities</b>	<b>(1,478,846)</b>	<b>1,206</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Lease liability payments	(11,775)	-
Shares issued for cash	1,894,900	145,500
Shares issued for exercised agent options	2,363	-
Share issue costs	(318,508)	(1,255)
<b>Net cash provided by financing activities</b>	<b>1,566,980</b>	<b>144,245</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Exploration and evaluation costs	(185,423)	-
<b>Net cash used in investment activity</b>	<b>(185,423)</b>	<b>-</b>
Increase (decrease) in cash during the year	<b>(97,289)</b>	<b>145,451</b>
Cash, beginning of the year	<b>145,451</b>	<b>-</b>
<b>Cash, end of the year</b>	<b>\$ 48,162</b>	<b>\$ 145,451</b>

Note 11 – Supplemental disclosures with respect to cash flows.

The accompanying notes are integral to these financial statements



**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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**1. NATURE OF OPERATIONS**

Clarity Gold Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on September 11, 2019. On November 1, 2019 the Company changed its name from 1222991 B.C. Ltd. to Clarity Gold Corp. The Company's head office and registered office are located at 915 – 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

On June 25, 2020, the Company completed its initial public offering ("IPO") by issuing 6,900,000 common shares at \$0.175 per share for gross proceeds of \$1,207,500. On June 29, 2020, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the trading symbol "CLAR". On July 1, 2020, the Company's common shares commenced trading on the OTC Pink Sheets Market under the trading symbol "CLGCF".

The Company is a Canadian mineral exploration company focused on the acquisition, exploration and development of gold projects in Canada.

The Company is currently evaluating its exploration and evaluation assets and has not determined whether its projects contain reserves that are economically recoverable. The recoverability of amounts recorded for the exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves. The Company's future capital requirements depend on many factors, including costs of exploration and development of the exploration and evaluation assets, cash flow from operations, costs to complete additional exploration, competition and global market conditions. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs (note 13).

Management believes that the Company has sufficient working capital to maintain its operations and activities for the next twelve months.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2021.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

**a) *Statement of compliance to International Financial Reporting Standards***

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

The financial statements were authorized for issuance on April 9, 2021 by the directors of the Company.

**b) *Basis of presentation***

These financial statements are prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. **SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION** (continued)

**c) Foreign currency translation**

The Company's reporting and functional currency of all its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. The functional currency determination was conducted through an analysis of consideration factors identified in IAS 21, The Effect of Changes in Foreign Exchange Rates.

**d) Going concern assumption**

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period.

**e) Significant accounting judgments, estimates and assumptions**

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

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

*Fair value of common shares issuance*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining the fair value of assets received when common shares are issued as consideration. If the fair value of assets received or services rendered cannot be reliably measured, the transaction will be recorded at the fair value of common shares issued on the date of issuance.

*Impairment of Exploration and Evaluation assets*

Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

In respect of costs incurred for its exploration and evaluation assets, management has determined that the evaluation, development and related costs incurred, which have been capitalized, continue to be appropriately recorded on the statements of financial position at its carrying value as management has determined there are no indicators of impairment for its exploration and evaluation assets as at December 31, 2020.

2. **SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION** (continued)

e) *Significant accounting judgments, estimates and assumptions* (continued)

*Going Concern*

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

*Share-based payments*

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, changes in subjective input assumptions can materially affect the fair value estimate.

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

*Right-of-use asset and lease liability*

The Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations are estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

2. **SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION** (continued)

*f) Exploration and evaluation assets*

Upon acquiring the legal right to explore, all costs related to the acquisition and exploration and evaluation of properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that property is written down to its estimated net realizable value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

*g) Impairment of non-current assets*

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge in profit or loss. Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior years. A reversal of impairment is recognized as a gain in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION** (continued)

*h) Share-based compensation*

Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued. If it is determined the fair value of the goods or services cannot be reliably measured, they are recorded to the option reserve at the date the goods or services are received. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration shall be based on the number of equity instruments that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in reserves is transferred to share capital. For those unexercised options or warrants that expire, the recorded value is transferred to deficit.

All equity-settled share-based payments are reflected in other equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserves is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expire, the recorded value is transferred to deficit.

*i) Leases*

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in profit or loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

*j) Earnings (loss) per share*

Basic earnings or loss per common share is calculated using the weighted average number of shares outstanding during the year. The Company computes the dilutive effect of options, warrants and similar instruments whereby the dilutive effect on earnings or loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the period presented, this calculation proved to be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are excluded from basic earnings or loss per common share until escrow conditions have been removed.

*k) Income taxes*

Current income tax:

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

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

l) *Financial instruments*

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

*Financial assets measured at amortized costs*

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss.

*Financial assets measured at fair value through other comprehensive income ("FVTOCI")*

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value recognized in other comprehensive income.

*Financial assets measured at fair value through profit or loss ("FVTPL")*

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

**CLARITY GOLD CORP.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(EXPRESSED IN CANADIAN DOLLARS)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION** (continued)

*l) Financial instruments* (continued)

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within forty-five days of recognition.

As at December 31, 2020, the Company's financial instruments are comprised of cash, accounts payable and accrued liabilities, and lease liability.

*m) Unit offerings*

Proceeds received on issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

Mining exploration tax credits

The Company is entitled to refundable tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits and determining an appropriate accrual.

**3. PREPAID EXPENSES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Corporate development fees	\$ 462,707	\$ -
Director and officer liability insurance	2,110	-
Office security deposit	10,000	-
	<b>\$ 474,817</b>	<b>\$ -</b>

The Company entered into four agreements with arm's length companies to provide corporate development services ranging from three to twelve months.



**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**4. EXPLORATION AND EVALUATION ASSETS**

*Destiny Project*

On November 27, 2020, the Company entered into an Option Agreement (the “Destiny Agreement”) with Big Ridge Gold Corp. (“Big Ridge”) to acquire up to 100% of the Destiny Project (the “Option”). The 5,013 hectare project is located approximately 75 kilometres northeast of the city of Val d’Or in the prolific Abitibi Greenstone Belt.

Pursuant to the terms of the Destiny Agreement, the Company can earn a 100% interest in the Destiny Project by making the following payments to Big Ridge:

<b>Payment Date</b>	<b>Cash Payment Amount</b>	<b>Shares Issuance Amount (\$'s)</b>	<b>Interest Earned in Destiny Project</b>
Previously paid on execution of the Letter of Intent dated October 29, 2020	\$50,000	-	-
Within 60 days of the execution of the Destiny Agreement	\$450,000 (paid on January 26, 2021)	\$1,000,000 (685,391 shares issued on January 28, 2021)	-
12 months from the date of the Destiny Agreement	\$750,000	\$1,000,000	-
24 months from the date of the Destiny Agreement	\$750,000	\$1,500,000	49% earned
36 months from the date of the Destiny Agreement	\$1,000,000	\$2,000,000	100% earned
<b>Total</b>	<b>\$3,000,000</b>	<b>\$5,500,000</b>	<b>100% earned</b>

The Company may accelerate the exercise of the Option by making the cash payments and issuances of common shares earlier than the timeframes contemplated above. The number of common shares to be issued to Big Ridge pursuant to the Option will be determined by dividing the dollar amount of the Company’s common shares to be issued at any point in time by the five (5) day volume weighted average closing price of the common shares on the day before such issuance of such common shares, subject to the policies of the CSE.

Concurrently with the exercise of the Option, the Company has agreed to grant to Big Ridge a 1.0% net smelter return royalty (the “Royalty”) with respect to production of all precious metals from the Destiny Project, with the Royalty to be payable by the Company following commencement of commercial production. The Company has the right to buy back the Royalty during the first three (3) years following the commencement of commercial production on payment by the Company to Big Ridge of \$1,000,000.

Exercise of the Option is subject to receipt of all applicable regulatory approvals and consents. The Company will be the operator responsible for carrying out all operations with respect to the Destiny Project during the term of the Destiny Agreement. If the Company acquires a 49% interest in the project and decides not to proceed with the acquisition of the further 51% interest in the project, then, for a period of 18 months following such time, Big Ridge will have the right to purchase back the 49% interest in the project for cash consideration of \$2,000,000.

On December 3, 2020, the Company accrued \$255,000 as a finders’ fee (equal to 3% of the aggregate consideration) for the transaction. See Note 13.

**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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**4. EXPLORATION AND EVALUATION ASSETS (continued)**

*Empirical Project*

The initial Empirical Project (“Empirical”) consists of three unpatented mineral claims totaling 5,401.35 hectares which are located in the Lillooet Mining Division of British Columbia, Canada. The Empirical claims were recorded with British Columbia’s Mineral Titles Online as being owned by James Rogers, the Company’s Director and CEO as bare trustee in favour of the Optionor, Longford Capital Corp., but have since been transferred to the Company.

On July 2, 2020, the Company paid \$7,013 to stake two unpatented mineral claims totaling 4,007.50 hectares, which are adjacent and contiguous to the west and south of the Empirical Project.

On July 5, 2020, the Company acquired an additional unpatented mineral claim covering 1,109.73 hectares, which is adjacent and contiguous to the east of the Empirical Project. As consideration for the acquisition, the Company paid \$3,334 cash, and issued 416,667 common shares with a fair value of \$158,334 to an arm’s length private company.

The Empirical Project now totals 6 unpatented mineral claims covering 10,518.58 hectares.

Pursuant to the terms of the Option Agreement (the “Agreement” or the “Option”), the Company can earn a 100% interest in the initial 3 unpatented Empirical claims by making the following payments to the Optionor:

<b>Terms and Due Dates</b>
Issue 2,000,000 common shares by October 22, 2019 (issued at a value of \$10,000)
Pay \$50,000 within 5 days of the common shares being approved for listing on a stock exchange (paid on June 29, 2020)
Incur a minimum of \$80,000 in exploration costs on Empirical by October 1, 2020 (incurred)
Incur a minimum of \$200,000 in exploration costs on Empirical by October 1, 2021
Grant a 2% net smelter royalty (“NSR”) to the Option or upon exercise of the Agreement

The NSR is payable following commencement of commercial production. The Company has the right to reduce the NSR from 2% to 1% at any time prior to commencement of commercial production by paying \$1,500,000 to the Optionor.

In addition to the terms outlined above, the Agreement contains a 5 km area of influence provision pursuant to which any claims staked by the Company within 5 kilometres of the Empirical property boundary will automatically be included as part of the Agreement and subject to the 2% NSR.

*Gretna Green Project*

On July 5, 2020, the Company acquired the Gretna Green Project, which is comprised of one mineral claim covering 1,331.13 hectares located 24 kilometres southwest of Port Alberni, British Columbia. As consideration for the acquisition, the Company paid \$3,333 cash, and issued 416,666 common shares with a fair value of \$158,333 to an arm’s length private company.

*Tyber Project*

On July 5, 2020, the Company acquired the Tyber Project which is comprised of one mineral claim covering 928.70 hectares located 1.4 kilometres south of Arrowsmith Lake, British Columbia. As consideration for the acquisition, the Company paid \$3,333 cash, and issued 416,667 common shares with a fair value of \$158,333 to an arm’s length private company.

**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**4. EXPLORATION AND EVALUATION ASSETS** (continued)

The following table is a reconciliation of exploration and evaluation costs for the year ended December 31, 2020:

	<b>Destiny Project</b>	<b>Empirical Project</b>	<b>Gretna Green Project</b>	<b>Tyber Project</b>	<b>Total expenditures</b>
Acquisition costs, December 31, 2019	\$ -	\$ 10,000	\$ -	\$ -	\$ 10,000
Additions (Note 9)	305,000	218,681	161,666	161,666	847,013
Acquisition costs, December 31, 2020	305,000	228,681	161,666	161,666	857,013
Exploration and evaluation costs, December 31, 2019	\$ -	\$ 80,449	\$ -	\$ -	\$ 80,449
<u>Additions:</u>					
Administration	-	500	-	-	500
Assays	-	233	219	299	751
Field expenditures	-	62	-	-	62
Geological, (Note 9)	23,450	2,584	3,333	1,833	31,200
Licenses and permits	-	2,100	500	500	3,100
Mapping	16,025	5,700	2,500	2,500	26,725
Meals and lodging	3,684	1,395	1,277	281	6,637
Transportation	686	10,430	538	470	12,124
Total exploration and evaluation costs additions	43,845	23,004	8,367	5,883	81,099
Total exploration and evaluation costs, December 31, 2020	43,845	103,453	8,367	5,883	161,548
Total acquisition and exploration and evaluation costs, December 31, 2020	\$ 348,845	\$ 332,134	\$ 170,033	\$ 167,549	\$ 1,018,561

**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**4. EXPLORATION AND EVALUATION ASSETS (continued)**

The following table is a reconciliation of exploration and evaluation costs for the period ended December 31, 2019:

	<b>Empirical Property</b>
Acquisition costs, September 11, 2019	\$ -
Additions (Note 9)	10,000
Acquisition costs, December 31, 2019	10,000
Exploration and evaluation costs, September 11, 2019	-
<u>Additions:</u>	
Administration	10,493
Equipment rentals	2,320
Field expenditures	795
Geological	21,900
Mapping	12,000
Meals and lodging	5,288
Sampling	6,077
Transportation	21,576
Total exploration and evaluation costs additions (Note 9)	80,449
Total exploration and evaluation costs, December 31, 2019	80,449
Total acquisition and exploration and evaluation costs, December 31, 2019	\$ 90,449

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accounts payable	\$ 588,246	\$ 85,726
Accrued liabilities	42,000	40,000
	\$ 630,246	\$ 125,726

**CLARITY GOLD CORP.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(EXPRESSED IN CANADIAN DOLLARS)**

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**6. SHARE CAPITAL**

***Authorized***

The authorized share capital consists of an unlimited number of common and preferred shares without par value.

As at December 31, 2020, the total common shares outstanding are 20,371,500 (2019 - 9,650,000).

***Escrowed shares***

The following is a reconciliation of common shares held in escrow:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Shares held in escrow, opening balance	-	-
Shares placed into escrow upon commencement of trading on the CSE	5,950,000	-
10% of shares released from escrow upon commencement of trading on the CSE (1 <sup>st</sup> agreement)	(275,000)	-
25% of shares released on October 29, 2020 (2 <sup>nd</sup> agreement)	(800,000)	-
15% of shares released from escrow on 6 month anniversary (1 <sup>st</sup> agreement)	(412,500)	-
Shares held in escrow, ending balance	<b>4,462,500</b>	<b>-</b>

A May 5, 2020, escrow agreement provided that 10% of 2,750,000 common shares held in escrow were to be released on commencement of trading on the CSE. An additional 15% of the number of securities originally held thereunder shall be released on each of the 6 month, 12 month, 18 month, 24 month, 30 month, and 36 month anniversaries thereafter.

On May 5, 2020, a second escrow agreement provided that 3,200,000 common shares be held in escrow. On October 29, 2020, 800,000 shares were released from escrow. The remaining escrowed shares will be released on February 28, 2021 (25%), June 29, 2021 (25%), and October 29, 2021 (25%).

These escrow shares may not be transferred, assigned or otherwise dealt without the consent of regulatory authorities.

**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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**6. SHARE CAPITAL** (continued)

***Share issuances***

***Year ended December 31, 2020:***

On February 13, 2020, the Company completed a private placement of 400,000 common shares at \$0.10 per share for gross proceeds of \$40,000. The Company paid \$1,920 legal fees which was recorded as share issue costs.

On June 25, 2020, the Company completed its Initial Public Offering ("IPO") of 6,900,000 common shares at \$0.175 per share for gross proceeds of \$1,207,500. The Company paid a total of \$293,421 in share issue costs for the IPO. The share issue costs were comprised of a 9% agent's commission totalling \$108,675, corporate finance fees of \$50,000, legal fees of \$116,868, and \$17,878 for due diligence expenses.

The Company issued 621,000 non-transferable agent options with a fair value of \$56,721 which were recorded as share issue costs. Each agent option is exercisable into one common share at \$0.175 per share until June 25, 2022. The fair value of the agent options was determined using Black-Scholes Option Pricing Model with the following inputs: volatility 100%, expected life of 2 years, and a risk-free rate of 0.30%.

On July 6, 2020, the Company acquired the Tyber, Gretna Green Projects on Vancouver Island, British Columbia, Canada. The Company also acquired additional an additional mineral claim adjacent, and contiguous to the east of the Empirical Project. The Company paid \$10,000 and issued 1,250,000 common shares with a fair market value of \$475,000 to acquire all three of these exploration and evaluation assets.

On July 31, 2020, the Company completed a non-brokered private placement consisting of 2,158,000 Units at a price of \$0.30 per Unit for gross proceeds of \$647,400. Each Unit was comprised of one common share in the capital of the Company and one half of one share purchase warrant. One full share purchase warrant is exercisable into one common share at a price of \$0.35 per share until July 31, 2022.

The Company paid \$15,087 in legal fees, a \$10,000 finder's fee, and issued 79,310 agent options with a fair value of \$57,672, which were all recorded as share issue costs. Each agent option is exercisable into one common share at a price of \$0.30 per share until July 31, 2022. The fair value of the agent options was determined using Black-Scholes Option Pricing Model with the following inputs: volatility 100%, expected life of 2 years, and a risk-free rate of 0.26%.

On September 29, 2020, the Company issued 13,500 common shares pursuant to the exercise of agent options for proceeds of \$2,363. The Company reclassified \$1,233 from reserves to share capital upon the exercise of the agent options.

See Note 13.

***Incorporation on September 11, 2019 to December 31, 2019:***

On September 11, 2019, the Company issued 500,000 founder shares at \$0.005 per share for gross proceeds of \$2,500.

On October 1, 2019, the Company issued 2,000,000 common shares fair valued at \$10,000 pursuant to the Empirical Project Agreement.

On December 31, 2019, the Company completed a private placement of 7,150,000 common shares at \$0.02 per share for gross proceeds of \$143,000. The Company paid \$1,255 for finder's fees in connection with this private placement and included the fee in share issue costs.

CLARITY GOLD CORP.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(EXPRESSED IN CANADIAN DOLLARS)

6. **SHARE CAPITAL** (continued)

**Warrants**

The following is a summary of the Company's warrant activity:

	Number of warrants #	Weighted average exercise price \$
<b>Balance, September 11, 2019 (incorporation) and December 31, 2019</b>	-	-
Issued	1,079,000	0.35
<b>Balance, December 31, 2020</b>	<b>1,079,000</b>	<b>0.35</b>

As of December 31, 2020, the Company had warrants outstanding and exercisable to acquire common shares of the Company as follows:

	Exercise Price \$	Number of warrants
Expiry date		
July 31, 2022	0.35	1,079,000
		1,079,000

**Agent options**

The following is a summary of the Company's agent options activity:

	Number of agent options #	Weighted average exercise price \$
<b>Balance, September 11, 2019 (incorporation) and December 31, 2019</b>	-	-
Issued	700,310	0.19
Exercised	(13,500)	0.175
<b>Balance, December 31, 2020</b>	<b>686,810</b>	<b>0.19</b>

As of December 31, 2020, the Company had agent options outstanding, and exercisable to acquire common shares of the Company as follows:

	Exercise Price \$	Number of agent options
Expiry date		
June 25, 2022	0.175	607,500
July 31, 2022	0.30	79,310
		686,810

**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**6. SHARE CAPITAL** (continued)

*Options*

The following is a summary of the Company's options activity:

	Number of options #	Weighted average exercise price \$
<b>Balance, September 11, 2019 (incorporation) and December 31, 2019</b>	-	-
Granted	1,100,000	1.11
<b>Balance, December 31, 2020</b>	<b>1,100,000</b>	<b>1.11</b>

As of December 31, 2020, the Company had options outstanding and exercisable to acquire common shares of the Company as follows:

	Exercise Price \$	Number of options outstanding	Number of options exercisable
Expiry date			
July 31, 2023	1.00	100,000	33,334
August 21, 2023	1.06	100,000	100,000
September 11, 2023	1.06	500,000	500,000
December 2, 2023	1.21	400,000	400,000
		1,100,000	1,033,334

During the year ended December 31, 2020, the Company recognized a total of \$722,550 (2019 - \$Nil) in share-based compensation which was comprised of the following:

On July 31, 2020, the Company granted 100,000 share options to a member of the Company's Advisory Board under its share option plan. Each option is exercisable at \$1.00 per share until July 31, 2023. The options are subject to vesting provisions, with one-third vested on the grant date, one-third on the first anniversary of the date of grant, and one-third on the second anniversary thereof. The total estimated fair value of the options was \$57,478, of which \$33,529 was recorded as share-based compensation in the current period. The fair value of the options was measured using the Black-Scholes Option Pricing Model with the following assumptions: share price \$0.95; exercise price - \$1.00; expected life - 3 years; volatility - 100% (with comparable companies); dividend yield - \$0; and risk-free rate - 0.25% (using Government of Canada Benchmark Bond yields).

On August 21, 2020, the Company granted 100,000 share options to a member of the Company's Advisory Board. Each option is exercisable at \$1.06 per share until August 21, 2023. All of the options vested upon date of grant. The estimated fair value of the options was \$65,211, measured using the Black-Scholes Option Pricing Model with the following assumptions: share price \$1.06; exercise price - \$1.06; expected life - 3 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 0.29%.

On September 11, 2020, the Company granted 500,000 share options to a member of the Company's Advisory Board, and a consulting firm. Each option is exercisable at \$1.06 per share until September 11, 2023. All of the options vested upon date of grant. The estimated fair value of the options was \$325,996, measured using the Black-Scholes Option Pricing Model with the following assumptions: share price \$1.06; exercise price - \$1.06; expected life - 3 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 0.27%.



**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**6. SHARE CAPITAL** (continued)

*Options (continued)*

On December 2, 2020, the Company granted 400,000 share options to a member of the Company's Advisory Board, a consultant, and a director. Each option is exercisable at \$1.21 per share until December 2, 2023. All of the options vested upon date of grant. The estimated fair value of the options was \$297,814, measured using the Black-Scholes Option Pricing Model with the following assumptions: share price \$1.21; exercise price - \$1.21; expected life - 3 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 0.31%.

**7. LEASES**

The Company has a two year lease agreement for the Company's head office in Vancouver, British Columbia. The discount rate used was 8%.

Set out below are the carrying amounts of the right of use asset and lease liability recognized and the movements during the year:

	<b>Right of use asset</b>	<b>Lease liability</b>
	<b>\$</b>	<b>\$</b>
As at September 11, 2019 (incorporation) and December 31, 2019	-	-
Additions	50,933	50,933
Depreciation	(10,611)	-
Accretion	-	1,950
Payments	-	(11,775)
As at December 31, 2020	40,322	41,108
Current	-	24,805
Non-current	-	16,303

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at December 31, 2020:

	<b>\$</b>
2021	28,522
2022	16,851
	<b>45,373</b>

**8. FINANCIAL RISK MANAGEMENT**

The Company is exposed to minimal financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

8. **FINANCIAL RISK MANAGEMENT** (continued)

***Credit risk***

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

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

As at December 31, 2020, the Company has cash of \$48,162 (2019 \$154,451) to settle \$630,246 (2019 - \$125,726) in accounts payable and accrued liabilities that are due within 90 days of period-end. Refer to Note 13 for financings completed subsequent to December 31, 2020.

***Currency risk***

The Company currently has minimal foreign exchange risk as it conducts the majority of its business within Canada in Canadian dollars.

***Interest rate risk***

The Company is not currently exposed to significant interest rate risk.

***Capital management***

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements and there were no changes in the Company's capital management during the year.

***Fair value hierarchy***

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The fair value of the Company's financial instruments which includes cash, and accounts payable and accrued liabilities approximates their carrying amount due to the short-term nature of these financial instruments. Lease liability is classified as level 3.

**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**9. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resource or obligations between related parties.

Amounts due to related parties consist of charges accrued for accounting fees, consulting fees, corporate advisory fees, and capitalized exploration and evaluation costs. These amounts are due to companies controlled by two directors, and an officer. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The following amounts due to related parties are included in account payables and accrued liabilities:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Two companies controlled by a Director, and CEO of the Company	\$ 96,392	\$ 90,449
Due to Director, and CEO	28,146	-
A company jointly controlled by a Director	19,568	-
A company controlled by the CFO of the Company	12,000	2,000
	<b>\$ 156,106</b>	<b>\$ 92,449</b>

The Company has identified all directors/officers as its key management personnel. The following are the transactions with related parties during the year ended December 31, 2020 and the period from incorporation on September 11, 2019 to December 31, 2019:

	<b>Year ended December 31, 2020</b>	<b>From incorporation on September 11, 2019 to December 31, 2019</b>
Consulting fees to a company controlled by a Director and CEO of the Company	\$ 90,000	\$ 10,000
Accounting fees to a company jointly controlled by a Director of the Company	28,750	-
Corporate advisory fees to a company jointly controlled by a Director of the Company	33,100	-
Consulting fees to a company controlled by the CFO of the Company	18,000	2,000
Capitalized exploration and evaluation costs charged by two companies controlled by a Director, and CEO of the Company	80,025	80,449
Share-based compensation to a Director	37,227	-
	<b>\$ 287,102</b>	<b>\$ 92,449</b>

**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**10. INCOME TAXES**

The reconciliation of income taxes at statutory rates with the reported taxes is as follows.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Loss for the period before income taxes	\$ (1,852,217)	\$ (40,049)
Tax rate	27%	27%
Expected income tax recovery	\$ (500,099)	\$ (10,813)
Benefits of tax losses not recognized	500,099	10,813
Total income tax recovery	\$ -	\$ -

The Company has not recognized any deferred tax assets or liabilities as of December 31, 2020.

As at December 31, 2020, the Company has not recognized the benefit of the following deductible temporary differences:

	<b>December 31, 2020</b>
Non-capital loss carry-forwards expiring in 2040	\$326,992
Share issue costs	\$44,292

**11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

The Company's significant non-cash transactions during the year ended December 31, 2020, and the period from incorporation on September 11, 2019 to December 31, 2019 were as follows:

As at December 31, 2020, \$348,138 (December 31, 2019 - \$80,449) in exploration and evaluation costs were included in accounts payable and accrued liabilities.

**12. SEGMENTED INFORMATION**

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at December 31, 2020, all the Company's assets were located in Canada.

**13. SUBSEQUENT EVENTS**

*Destiny Project Option update*

On January 11, 2021, the Company announced that all of the conditions precedent set forth in the Destiny Agreement with Big Ridge dated November 27, 2020 have now been satisfied which will enable the parties to move forward with their obligations under the Destiny Agreement.

On January 26, 2021, the Company paid \$450,000 to Big Ridge, and issued 685,391 common shares valued at \$1,000,000, pursuant to the Destiny Agreement.

**CLARITY GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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**13. SUBSEQUENT EVENTS** (continued)

*Completed private placement*

On January 11, 2021, the Company completed the first tranche of a non-brokered private placement (the "Offering"), pursuant to which it has issued an aggregate of 1,563,956 Units at a price of \$0.96 per Unit for gross proceeds of \$1,501,398. Each Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one additional common share at a price of \$1.25 per share for a period of one year from the closing date.

The Company paid cash finder's fees of \$56,347 and issued 58,694 finder's warrants to certain finders in connection with the Offering. Each Finder's Warrant is exercisable into one additional common share at a price of \$0.96 per share for a period of one year from the date of closing of the Offering.

On January 28, 2021, the Company completed the second, and final tranche of its non-brokered private placement by issuing 3,167,340 Units at a price of \$0.96 per Unit for gross proceeds of \$3,040,646. Each Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one additional common share at a price of \$1.25 per common share for a period of one year from the closing date.

The Company paid cash finder's fees of \$149,061 and issued 155,270 finder's warrants (each, a "Finder's Warrant") to certain finders in connection with the second tranche of the Offering. Each Finder's Warrant is exercisable into one additional common share at a price of \$0.96 per common share for a period of one year from the date of closing of the applicable tranche of the Offering.

*Exercised warrants*

In February 2021, the Company received a total of \$52,500 from the exercise of 150,000 warrants exercisable at \$0.35 per share until July 31, 2022.

*Completed flow-through private placement*

On March 5, 2021, the Company completed a non-brokered flow-through private placement of 2,054,405 common shares at \$1.85 per share for gross proceeds of \$3,800,649.

The Company paid cash finder's fees of \$266,045 and issued an aggregate of 143,808 finder's share warrants to certain finders in connection with the private placement. Each finder's warrant is exercisable at \$1.85 per share on a non-flow-through basis until March 5, 2022.

*Granted share options*

On March 15, 2021, the Company granted 550,000 common shares to certain consultants which are exercisable at \$1.48 per share until March 15, 2023.