MANSA EXPLORATION INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020

AND 2019

MANSA EXPLORATION INC.
Index to the Financial Statements
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Mansa Exploration Inc.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 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 audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that as of December 31, 2020, the Company has limited working capital, and an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgement 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 15, 2021

(Expressed in Canadian dollars)

	December 31, 2020	**December 31, 2019**
	$	**$**
ASSETS		
CURRENT		
Cash	364,178	36,373
Sales taxes receivable	5,920	7,963
Total current assets	370,098	44,336
Long-term prepaid asset	25,000	-
Exploration and evaluation assets (Note 5)	438,356	438,356
TOTAL ASSETS	**833,454**	**482,692**
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses (Notes 6 and 7)	117,304	229,238
TOTAL LIABILITIES	**117,304**	**229,238**
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	1,201,954	689,175
Reserves (Note 8)	31,000	-
Deficit	(516,804)	(435,721)
TOTAL SHAREHOLDERS' EQUITY	**716,150**	**253,454**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**833,454**	**482,692**

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
GOING CONCERN (Note 2)
COMMITMENTS AND CONTINGENCIES (Note 5)
SUBSEQUENT EVENTS (Note 12)

Approved on behalf of the Board:

/s/ Trumbull Fisher
Director

/s/ Ryan Cheung
Director

MANSA EXPLORATION INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital				
	Deficit	**Amount**	**Reserves**	**Deficit**	**Total**
		$	$	$	$
Balance, December 31, 2018	**13,454,246**	**689,175**	**-**	**(319,074)**	**370,101**
Cancellation of founder share	(1)	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	(116,647)	(116,647)
Balance, December 31, 2019	**13,454,245**	**689,175**	**-**	**(435,721)**	**253,454**
Balance, December 31, 2019	**13,454,245**	**689,175**	**-**	**(435,721)**	**253,454**
Initial public offering:					
Gross proceeds	6,525,000	652,500	-	-	652,500
Finders fee – cash	-	(52,200)	-	-	(52,200)
Finders fee – warrants	-	(31,000)	31,000	-	-
Share issuance costs	-	(56,521)	-	-	(56,521)
Net loss and comprehensive loss for the year	-	-	-	(81,083)	(81,083)
Balance, December 31, 2020	**19,979,245**	**1,201,954**	**31,000**	**(516,804)**	**716,150**

MANSA EXPLORATION INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
	$	$
EXPENSES		
Office and administration	**1,075**	1,190
Professional fees (Note 7)	**44,664**	69,958
Filing fees	**42,844**	-
Write-off sales tax receivable	**-**	21,855
Write-off note receivable (Note 7)	**-**	23,644
Debt forgiveness	**(7,500)**	-
Net (loss) and comprehensive (loss) for the period	**(81,083)**	(116,457)
Basic and diluted loss per common share	**(0.01)**	(0.01)
Weighted average number of common shares outstanding – basic and diluted	**13,703,835**	13,454,246

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

(Expressed in Canadian dollars)

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
	$	$
OPERATING ACTIVITIES		
Net loss and comprehensive loss	**(81,083)**	(116,647)
Impairment of amount due from related party	**-**	23,644
Impairment of sales tax receivable	**-**	21,855
Debt forgiveness	**(7,500)**	-
Changes in non-cash working capital items:		
Sales taxes receivable	**2,043**	(2,246)
Prepaid expenses	**-**	20
Accounts payable and accrued expenses	**(129,434)**	49,604
Net cash (used) in operating activities	**(215,974)**	(23,770)
FINANCING ACTIVITIES		
Private placement, net of costs	**652,500**	-
Finder's fees	**(52,200)**	**-**
Share issuance costs	**(56,521)**	-
Net cash provided by financing activities	**543,779**	-
Net change in cash	**327,805**	(23,770)
Cash, beginning of the year	**36,373**	60,143
Cash, end of the year	**364,178**	36,373
Supplemental information:		
Broker warrants	$31,000	-
Accrued property expenditures	$25,000	-

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

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Mansa Exploration Inc. (the "Company") was incorporated on June 10, 2016 under the laws of British Columbia. The head office, principal address, records office, and registered address of the Company is located at 401-217 Queen Street West, Toronto, Ontario, M5V 0R2. On December 21, 2020, the Company's common shares began trading publicly on the Canadian Stock Exchange under the stock symbol "MANS".

The Company's principal business activities include the acquisition and exploration of mineral property assets located in British Columbia, Canada. The Company entered into an option agreement to acquire 100% rights over certain mineral claims (Note 5).

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast significant doubt on the validity of this assumption. As at December 31, 2020, the Company had working capital of $252,794 (December 31, 2019: working capital deficit of $184,902) and an accumulated deficit of $516,804 (December 31, 2019: $435,721), had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful exercise of its mineral property option agreement, results from its exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating losses. These material uncertainties cast significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares.

These financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. GOING CONCERN *(continued)*

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. While the extent of the impact is unknown, we anticipate that the outbreak may cause a variety of disruptions, all of which may negatively impact the Company's business and financial condition.

3. BASIS OF PRESENTATION

Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on March 15, 2021.

Basis of measurement

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. The financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4(k).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Exploration and evaluation assets

i. Pre-license expenditures
Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Exploration and evaluation assets (continued)

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation ("E&E") assets according to the nature of the asset acquired. Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved or probable mineral reserves are determined to exist. All such carried costs are subject to technical, commercial and management's review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of mineral reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

The Company has not established any NI 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

ii. Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 its 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.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Exploration and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue activities on that asset; and
- Sufficient data exists to indicate that the carrying amount is unlikely to be recovered in full from successful development or by sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Exploration and evaluation assets (continued)

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.

b) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no significant restoration, rehabilitation and environmental obligations as at December 31, 2020 and 2019.

c) Cash

Cash consists of chequing accounts held at financial institutions in Canada. The Company has not experienced any losses related to these balances and management believes the credit risk to be minimal.

d) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income of loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 end of the reporting period applicable to the period of expected realization or settlement.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) 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 tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

f) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. During the years ended December 31, 2020 and 2019, all outstanding warrants were considered anti-dilutive and were therefore excluded from the diluted loss per share calculation.

g) Financial assets and liabilities

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Financial assets and liabilities (continued)

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss.

As at December 31, 2020 and 2019, the Company had no financial instruments under this classification.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of loss and comprehensive loss when the right to receive payments is established.

As at December 31, 2020 and 2019, the Company had no financial instruments under this classification.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued expenses which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Financial assets and liabilities *(continued)*

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss and comprehensive loss.

Fair value hierarchy
Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for assets or liabilities that are not based on observable market data.

The carrying value of the Company's financial instruments approximate their fair value due to the short term to maturity of these instruments. The Company had no financial instruments to classify in the fair value hierarchy at December 31, 2020 and 2019.

h) Share-based payments

Share-based payment transactions with employees are measured based on the fair value of the share-based payment issued. The Company may grant stock options to certain employees under the terms of the Company's stock option plan. Each tranche in an option award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires estimates for the expected life of options and stock price volatility which can materially affect the fair value estimate. Volatility and expected life of each option is estimated based on an analysis of factors such as the Company's historical price trends, history of option holder activity, and peer and industry benchmarks for similar transactions.

Share-based payments expense is recognized over the vesting period of the grant by increasing reserves based on the number of awards expected to vest. This number is reviewed at least annually, with any change in estimate recognized immediately in share-based payments expense with a corresponding adjustment to contributed surplus. Upon exercise, the original value of the options, together with the proceeds received, is recorded in share capital. The value associated with expired options remain permanently in reserves.

Share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Accounting changes

During the year ended December 31, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 1. These new standards and changes did not have any material impact on the Company's financial statements.

j) New and revised accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

k) Critical accounting estimates and judgments

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

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

Judgements
Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that these financial statements should be presented under the going concern assumption. The factors considered by management are disclosed in Note 2.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Critical accounting estimates and judgments (continued)

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

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Impairment
Management assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment.

Contingencies
See Note 5.

5. EXPLORATION AND EVALUATION ASSETS

On October 13, 2016, a group of third parties (collectively, the "Optionee") entered into a property option agreement ("the Option Agreement") to acquire a 100% interest in certain mineral claims ("the Mineral Claims"). The Mineral Claims are located at Skyfire Mineral Property, located in central British Columbia.

On October 13, 2016, the Company entered into an assignment and assumption agreement with the Optionee (the "Assignment Agreement"). The Optionee agreed to assign to the Company all its rights, obligations, interests and assets in respects of the Option Agreement. As consideration for the Assignment Agreement, the Company must pay to the Optionee $10,000 cash (paid) and issue 4,000,000 common shares of the Company (issued). Additionally, the Company must issue 1,450,000 common shares of the Company to the initial optionors of the Option Agreement (the "Optionors") (issued) and incur exploration expenditures of $1,250,000.

On June 13, 2018, the Option Agreement was amended and new terms for the Optionee to acquire the Mineral Claims were agreed upon and on April 30, 2019, the Option Agreement was further amended. The cash payment of $10,000 to the Optionee was waived to acquire 100% interest. On January 31, 2020, the agreement was amended to extend the timeline to complete the expenditure commitment. The table below reflects the amended timeline.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Upon completion of a positive feasibility study, the Company has an obligation to issue 1,000,000 common shares to the Optionors of the Option Agreement.

The Optionee must meet minimum exploration expenditures as follows:

		Minimum exploration expenditures to be incurred
June 30, 2021 (met)	$	100,000
December 31, 2021		150,000
June 30, 2022		250,000
December 31, 2022		750,000
	$	1,250,000

The Company is required to incur these costs in order to earn the interest in the property from the Optionee.

The property is subject to a 2% net smelter royalty. Beginning on December 31, 2019, and annually thereafter, the Company was previously obligated to make $50,000 cash annual advance minimum royalty payment to the Optionors. On November 7, 2019, this obligation was cancelled by the Optionors and the Company.

As at December 31, 2020, the project is still at an early exploration stage. The Company has incurred the following exploration expenditures:

	December 31, 2020	December 31, 2019
Acquisition costs (5,450,000 common shares at $0.05 per common shares issued to the Optionee and Optionors)	$272,500	$ 272,500
Exploration costs:		
Geological costs	165,856	165,856
	$438,356	**$438,356**

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates. The Company believes it conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and the expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the exploration and evaluation assets, the potential for production on the property may be diminished or negated.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

		December 31, 2020		December 31, 2019
Trade payable	$	107,304	$	204,875
Accrual for accounting, audit and legal fees		10,000		24,363
	$	**117,304**	**$**	**229,238**

7. RELATED PARTY TRANSACTIONS AND BALANCES

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 operating 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 resources or obligations between related parties.

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not.

When considering each possible related party, not only their legal status is taken into account, but also the substance of the relationship between these parties.

The Company loaned $23,644 to Blue Capital Corp., a corporation controlled by directors of the Company, during the year ended December 31, 2018. The loan was non-interest bearing, unsecured and repayable on demand. During 2019, this amount was determined to be impaired and was written off to the statement of loss.

During the year ended December 31, 2020, the Chief Financial Officer charged $15,000 in professional fees to the Company (December 31, 2019 - $15,000). As of December 31, 2020, the Company owed the CFO $39,275 (December 31, 2019 - $15,000) in unpaid professional fees, related sales tax on the professional fees, and reimbursable expenses. Amounts owing to related parties are unsecured and non-interest bearing.

8. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value.

b) Share capital activity

As at December 31, 2020, the Company had issued and outstanding 19,979,245 common shares (December 31, 2019: 13,454,245).

On December 17, 2020, the Company completed an initial public offering of 6,525,000 shares at a price of $0.10 per share for total gross proceeds of $652,500. The Company paid a finders fee of $52,200, share issuance costs of $42,914, and issued 522,000 broker warrants valued at $31,000.

c) Warrants

On December 17, 2020, the Company issued 522,000 broker warrants at an exercise price of $0.10 per share, expiring two years from the date of grant. These broker warrants had an estimated fair value of $31,000 using the Black Scholes model with the following inputs: i) exercise price: $0.10; ii) share price: $0.10; iii) term: 2 years; iv) volatility: 117%; v) discount rate: 0.27%. The underlying expected stock price volatility is based on historical data of similar companies, as the Company has limited historical data itself on which it could be based. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the options. The remaining life of these warrants was 1.96 years as of December 31, 2020. At December 31, 2020, there were 522,000 warrants outstanding with expiry date of December 17, 2022 (2019 – no warrants outstanding).

d) Stock option plan

The Company has adopted a stock option plan (the "Option Plan"), which provides that the Board of Directors of the Company may, from time to time, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase common shares. The expiry date for each option shall be set by the Board of Directors at the time of issue. A vesting schedule may be imposed at the discretion of the Board of Directors at the time of issue. The number of shares that may be reserved for issuance shall not exceed 10% of the total number of issued and outstanding shares of the Company. There were no stock options outstanding at December 31, 2020 and 2019.

e) Restricted share unit plan

The Company has adopted a restricted share unit plan (the "RSU Plan"), which provides that the Board of Directors of the Company may, from time to time, grant to directors, officers, employees and technical consultants of the Company, non-transferable restricted share units. The expiry date for each restricted share unit shall be set by the Board of Directors at the time of issue. A vesting schedule may be imposed at the discretion of the Board of Directors at the time of issue. The number of shares that may be reserved for issuance shall not exceed 10% of the total number of issued and outstanding shares of the Company. Upon vesting, the Company may choose to either issue one share for each vested restricted share unit, or pay cash amount equal to the fair market value of the vested restricted share unit. There were no restricted share units outstanding at December 31, 2020 and 2019. See note 12.

(Expressed in Canadian dollars)

9. CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its share capital and equity reserves. To maintain or adjust the capital structure, the Company may attempt to issue new shares and reserves. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the years ended December 31, 2020, and 2019. The Company is not subject to external restrictions on its capital.

10. FINANCIAL RISK MANAGEMENT

	Ref.	**December 31, 2020**	December 31, 2019
		$	$
Other financial assets	a	**364,178**	36,373
Other financial liabilities	b	**117,304**	229,238

a. Comprises cash
b. Comprises accounts payable and accrued expenses

The fair values of the Company's financial instruments are not materially different from their carrying values due to their short-term nature.

Management of Industry and Financial Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk
Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

10. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company endeavors to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash is held in corporate bank accounts available on demand. The Company's accounts payable and accrued expenses generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

Currency Risk

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. The Company is not exposed to significant currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it has no interest bearing debt.

Price Risk

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in Canadian dollars)

11. INCOME TAX

a) Provision for Income Taxes

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% (2019: 26.5%) to income before income taxes. A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	December 31, 2020	December 31, 2019
	$	$
Loss before income taxes	(81,083)	(116,647)
Expected income tax recovery	(21,000)	(31,000)
Change in unrecorded deferred tax asset	21,000	31,000
Total tax expense	-	-

Unrecognized Deferred Tax Assets	December 31, 2020	December 31, 2019
	$	$
Deferred income tax assets that have not been recognized in respect of deductible temporary differences		
Non-capital loss carry forwards	539,000	440,000
Share issue costs	87,000	-
Total	626,000	440,000

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately $539,000 (2019 - $440,000) expiring between 2036 and 2040.

As at December 31, 2020, the Company had approximately $440,000 of Canadian exploration expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years.

The potential future benefit of these deferred tax assets has not been recognized in the financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

12. SUBSEQUENT EVENTS

On January 19, 2021, the Company settled $40,000 in historical trade payables debt through the issuance of 400,000 common shares at a price of $0.10 per share. $30,000 of trade payables were settled with a director of the Company for professional services.

On January 19, 2021, the Company granted 1,600,000 restricted share units (the "RSUs") to certain directors, officers and consultants of the Company pursuant to the Company's amended restricted share unit plan dated effective September 9, 2020 (the "Plan"). The Plan was approved by the shareholders of the Company on January 8, 2021. The RSUs vest on January 19, 2021 and will expire on September 30, 2024. The RSUs and any underlying common shares in the capital of the Company will be subject to a four month and one day hold period pursuant to the policies of the Canadian Securities Exchange. On January 26, 2021, of the 1,600,000 RSUs granted, all 1,600,000 RSUs were granted to directors and officers of the Company, all of which converted into common shares of the Company.