ATAC Resources Ltd.

Consolidated Financial Statements

December 31, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
ATAC Resources Ltd.

Opinion

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

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

March 19, 2021

ATAC Resources Ltd.

Consolidated Statements of Financial Position

As at December 31, 2020 and December 31, 2019

	Note	**December 31, 2020 $**	December 31, 2019 $
Assets			
Current assets			
Cash and cash equivalents	3	5,901,360	9,669,634
Receivables and prepayments	4	121,339	144,916
Marketable securities	5	420,957	229,574
		6,443,656	10,044,124
Non-current assets			
Prepaid exploration expenditures		45,494	15,202
Mineral property interests	7	793,966	115,451,621
Reclamation deposit	8	125,744	126,382
Equipment	9	112,000	144,000
		1,077,204	115,737,205
Total assets		**7,520,860**	125,781,329
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		169,830	91,719
Accounts payable to related parties	12	56,566	68,124
Flow-through premium liability	10,16	-	136,852
		226,396	296,695
Non-current liabilities			
Deferred income tax liability	13	-	16,863,473
Total liabilities		**226,396**	17,160,168
Shareholders' equity			
Share capital	10	132,149,164	131,090,809
Contributed surplus	10	3,059,482	3,673,633
Deficit		(127,914,182)	(26,143,281)
Total shareholders' equity		**7,294,464**	108,621,161
Total liabilities and shareholders' equity		**7,520,860**	125,781,329
Nature of operations and going concern	1		
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Approved on behalf of the Board of Directors as of March 19, 2021:

"Bruce J. Kenway" **Director** *"Glenn R. Yeadon"* **Director**

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

ATAC Resources Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2020 and December 31, 2019

	Number of shares #	Share capital $	Contributed surplus $	Deficit $	Total shareholders' equity $
January 1, 2019	147,528,577	128,654,319	4,260,226	(26,088,782)	106,825,763
Share-based payments	-	-	503,255	-	503,255
Re-allocated on expiration of options	-	-	(951,808)	951,808	-
Re-allocated on cancellation of options	-	-	(91,740)	91,740	-
Re-allocated on expiration of finders' warrants	-	61,500	(61,500)	-	-
Private placement units issued	10,507,143	3,677,500	-	-	3,677,500
Flow-through premium liability	-	(1,155,786)	-	-	(1,155,786)
Share issue costs	-	(146,724)	15,200	-	(131,524)
Loss and comprehensive loss for the year	-	-	-	(1,098,047)	(1,098,047)
December 31, 2019	158,035,720	131,090,809	3,673,633	(26,143,281)	108,621,161
January 1, 2020	158,035,720	131,090,809	3,673,633	(26,143,281)	108,621,161
Share-based payments	-	-	312,989	-	312,989
Re-allocated on expiration of options	-	-	(641,194)	641,194	-
Re-allocated on cancellation of options	-	-	(258,152)	258,152	-
Shares issued on exercise of options	275,000	83,750	-	-	83,750
Re-allocated on exercise of options	-	50,539	(50,539)	-	-
Private placement units issued	4,347,827	1,000,000	-	-	1,000,000
Flow-through premium liability	-	(21,739)	-	-	(21,739)
Share issue costs	-	(70,195)	22,745	-	(47,450)
Shares issued for mineral properties	80,000	16,000	-	-	16,000
Loss and comprehensive loss for the year	-	-	-	(102,670,247)	(102,670,247)
December 31, 2020	**162,738,547**	**132,149,164**	**3,059,482**	**(127,914,182)**	**7,294,464**

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

ATAC Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31,

	Note	**2020** $	2019 $
Expenses			
Consulting fees	12	40,800	54,000
General administrative expenses		37,841	58,607
Insurance		49,905	43,771
Investor relations and shareholder information		112,345	184,199
Management, administration and corporate development fees	12	67,515	59,674
Office rent	12	46,000	42,000
Professional fees	12	220,435	141,523
Property examination costs	12	22,440	-
Salaries and benefits	12	271,913	365,839
Share-based payments	10,12	312,989	503,255
Transfer agent and filing fees		21,904	16,290
Loss from operating expenses		**(1,204,087)**	(1,469,158)
Mineral property impairments	7	(118,783,685)	(20,272)
Gain on option of mineral property interest	7	184	-
Foreign exchange gain		825	-
Interest income		154,119	247,624
Gain (loss) on marketable securities	5	157,883	(235,332)
Loss for the year before income taxes		**(119,674,761)**	(1,477,138)
Deferred income tax recovery	13	17,004,514	379,091
Loss and comprehensive loss for the year		**(102,670,247)**	(1,098,047)
Loss per share			
Weighted average number of common shares outstanding			
- basic #	11	**160,339,272**	155,703,998
- diluted #	11	**160,339,272**	155,703,998
Basic loss per share $	11	**(0.64)**	(0.01)
Diluted loss per share $	11	**(0.64)**	(0.01)

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

ATAC Resources Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31,

	Note	**2020** $	2019 $
Operating activities			
Loss for the year		(102,670,247)	(1,098,047)
Adjustments for:			
Share-based payments		312,989	503,255
(Gain) loss on marketable securities		(157,883)	235,332
Interest income		(154,119)	(247,624)
Mineral property impairments		118,783,685	20,272
Gain on option of mineral property interest		(184)	-
Deferred income tax recovery		(17,004,514)	(379,091)
Net change in non-cash working capital items	14	62,041	297,937
		(828,232)	(667,966)
Financing activities			
Issue of common shares/units for cash		1,083,750	3,677,500
Share issue costs		(65,000)	(180,170)
		1,018,750	3,497,330
Investing activities			
Interest received		154,119	247,624
Reclamation deposit		638	(2,478)
Purchase of equipment		-	(160,000)
Yukon mining exploration grant received		37,242	-
Mineral property option payment received		5,000	-
Mineral property acquisition costs		(168,553)	(60,753)
Prepaid exploration expenditures		(19,980)	(15,177)
Deferred exploration and evaluation expenditures		(3,967,258)	(3,859,997)
		(3,958,792)	(3,850,781)
Decrease in cash and cash equivalents		**(3,768,274)**	(1,021,417)
Cash and cash equivalents, beginning of year		**9,669,634**	10,691,051
Cash and cash equivalents, end of year		**5,901,360**	9,669,634
Supplemental cash flow information	14		

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

1. Nature of operations and going concern

ATAC Resources Ltd. (the "Company" or "ATAC") was incorporated under the laws of the Province of British Columbia, Canada. The Company's head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. Its main business activity is the acquisition, exploration and evaluation of mineral property interests located in Canada. These consolidated financial statements (the "financial statements") of the Company as at December 31, 2020 and December 31, 2019 and for the years then ended comprise the Company and its subsidiaries (note 6). The Company's common shares trade on the TSX Venture Exchange ("TSX-V").

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition of the mineral property interests.

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have revenues and historically has recurring operating losses. As at December 31, 2020, the Company had working capital of $6,217,260 (December 31, 2019 - $9,747,429) and shareholders' equity of $7,294,464 (December 31, 2019 - $108,621,161). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements, it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise capital or conduct exploration activities. There are travel restrictions and health and safety concerns in all areas in which the Company operates, including the Yukon and B.C. in Canada and Nevada, USA, that may prohibit or delay exploration programs from proceeding. Operations will depend on obtaining necessary field supplies, obtaining contractor services and safeguarding all personnel during the outbreak, which may be prohibitive or too costly. To date, the Company has not experienced any significant delays in carrying out its exploration activities. Various Government wage and loan subsidies are available to qualified companies to assist them with operating costs during the pandemic. To date, the Company has not qualified for assistance, but the various programs are constantly being expanded and relaxed, which may qualify the Company for assistance.

2. Significant accounting policies

(a) Basis of presentation

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

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

All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

2. Significant accounting policies (continued)

(b) Principles of consolidation

These financial statements include the financial statements of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Company and are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

See notes 6 and 17(a) for details of subsidiary information.

Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. When applicable, the financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Company has an obligation, or has made payments on behalf of the investee. The Company has no associates requiring equity accounting.

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. When applicable, the financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation and its share of any revenues and expenses from the joint operation.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment, to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) New accounting standards

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2021. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

(d) Financial instruments

The Company classifies its financial instruments in the following categories: as FVTPL, financial assets at amortized cost and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

(i) Non-derivative financial assets and liabilities

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

2. **Significant accounting policies** (continued)

(d) Financial instruments (continued)

(i) Non-derivative financial assets and liabilities (continued)

Classification

The Company classifies its financial assets and financial liabilities using the following measurement categories:

(a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and

(b) Those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's marketable securities are classified as FVTPL. Marketable securities held in companies with an active market are classified as current assets at fair value. Marketable securities held in non-public companies without an active market are classified as non-current assets and are valued at fair value. In situations where fair value is indeterminable or impracticable to determine, the shares are recorded at cost. This may occur when non-public company shares are received as payment for mineral property interests. In such situations cost is determined by reference to the issue price of similar shares issued by the non-public entity for cash, at or near the time of issue of the investment shares, and in similar volumes. When, at future measurement dates fair value is still indeterminable, or impracticable, cost is used as the measure of fair value. When there is evidence of impairment the shares are written-down to expected realizable value.

Cash and cash equivalents and reclamation deposit are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Receivables are classified as financial assets at amortized cost.

(ii) Derivative financial assets

Warrants are classified as derivative financial assets and are recorded at FVTPL. Warrants without an active market that are received as attachments to common share units are initially recorded at nominal amounts. At the time of purchase the total unit cost is allocated in full to each common share. Subsequent value is determined at measurement date using a valuation technique, such as the Black-Scholes option pricing model, or when the valuation technique input variables are not reliable, using the intrinsic value, which is equal to the higher of the market value of the underlying security, less the exercise price of the warrant, or zero.

(iii) Other financial liabilities

The Company has the following other financial liabilities: accounts payable and accrued liabilities, restricted cash payable and due to related parties. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recorded to profit or loss.

2. Significant accounting policies (continued)

(e) Mineral property interests

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Mineral property interests that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements.

Proceeds received from a partial sale or option of any interest in a property are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the year the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the year the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned or inactive for a prolonged period, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Once an economically viable resource has been determined for an area and the decision to proceed with development has been approved, mineral property interests attributable to that area are first tested for impairment and then reclassified to property and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

(f) Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Equipment not available for use is not subject to depreciation. Depreciation is recognized on a straight-line basis over a term of five years.

An asset's residual value, useful life and depreciation method is reviewed at each reporting period and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent costs that meet the asset recognition criteria are capitalized, while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in profit or loss.

2. **Significant accounting policies** (continued)

(g) Impairment

(i) Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

(ii) Non-financial assets

Non-financial assets are reviewed quarterly by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed in note 2(e) above.

(h) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from contributed surplus.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

(i) Flow-through share private placements

As an incentive to complete private placements the Company may issue common shares, which by agreement are designated as flow-through shares. Such agreements require the Company to spend the funds from these placements on qualified exploration expenditures and renounce the expenditures and income tax benefits to the flow-through shareholders, resulting in no exploration deductions for tax purposes to the Company.

The shares are usually issued at a premium to the trading value of the Company's common shares. The premium is a reflection of the value of the income tax benefits that the Company must pass on to the flow-through shareholders. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability. The deferred income tax liability and reversal of the flow-through share premium liability are recorded on a pro-rata basis as the required exploration expenditures are completed.

2. Significant accounting policies (continued)

(j) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised the consideration received is recorded as share capital and the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed from contributed surplus and credited to deficit.

(k) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. 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 related liability is adjusted at each reporting date for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged to profit or loss as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs, of any significance, related to its mineral property interests.

(l) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. Significant accounting policies (continued)

(l) Income taxes (continued)

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(m) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion proves to be anti-dilutive.

(n) Use of estimates and critical judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) Option or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares and/or warrants received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.

(ii) Recorded costs of flow-through share premium liabilities reflect the premium received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainly and requires the Company to assess the value of non-flow through shares. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.

(iii) The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

2. Significant accounting policies (continued)

(n) Use of estimates and critical judgments (continued)

Judgments

(i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting date, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) Expenditures on properties made on behalf of a farmee subject to a farm-in agreement are not considered to be those of the Company. Funding advanced to the Company by the farmee and payments made by the Company on its behalf are considered cash flows by the Company.

(iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	December 31, 2020	December 31, 2019
	$	$
Bank and broker balances	2,257,851	466,452
Cashable investment certificates	3,643,509	9,203,182
	5,901,360	9,669,634

4. Receivables and prepayments

Receivables and prepayments consist of the following:

	December 31, 2020	December 31, 2019
	$	$
Sales tax recoverable	11,181	21,359
Exploration incentives receivable (note 7(a)(ii) and (iii))	56,333	37,242
Prepaid expenses	53,825	86,315
	121,339	144,916

5. Marketable securities

Marketable securities consist of various common shares received on the option of mineral property interests as follows:

	Shares with an active market $	Warrants $	Total $	Total gain (loss) $
Cost				
January 1, 2019	1,691,834	475,000	2,166,834	
December 31, 2019	1,691,834	475,000	2,166,834	
Fair value				
January 1, 2019	386,181	78,725	464,906	
Unrealized loss	(172,588)	(62,744)	(235,332)	(235,332)
December 31, 2019	213,593	15,981	229,574	(235,332)
Cost				
January 1, 2020	1,691,834	475,000	2,166,834	
Additions	33,500	-	33,500	
December 31, 2020	1,725,334	475,000	2,200,334	
Fair value				
January 1, 2020	213,593	15,981	229,574	
Additions	33,500	-	33,500	
Unrealized gain (loss)	164,021	(6,138)	157,883	157,883
December 31, 2020	**411,114**	**9,843**	**420,957**	**157,883**

During the year ended December 31, 2020, the Company received 25,000 common shares of Makara Mining Corp. at a fair value of $33,500 ($1.34 per share) pursuant to an option agreement in respect of the Idaho Creek project (note 7(a)(iii)).

The valuation of the shares with an active market has been determined in whole by reference to the bid price of the shares on the TSX-V or Toronto Stock Exchange ("TSX") at each period end date.

6. Subsidiary information

On July 14, 2010, two wholly-owned subsidiary companies, 0885802 B.C. Ltd. and 0885794 B.C. Ltd. were incorporated under the laws of the Province of British Columbia, Canada to facilitate the possible transfer to them of certain of the Company's mineral property interests. From incorporation to December 31, 2020, neither of the subsidiaries have had any transactions other than to issue nominal $1 share capital to the Company. The head offices and records offices of the subsidiaries are the same as the Company, as detailed in note 1.

The Company incorporated a subsidiary in the United States subsequent to December 31, 2020 (note 17(a)).

7. Mineral property interests

The Company's mineral property interests consist of various exploration stage properties located in the Yukon Territory, Canada and Nevada, USA. The properties have been grouped into wholly-owned, under option and royalty interests. Properties which are in close proximity and could be developed as a single economic unit are grouped into projects.

	Wholly-owned $	Under option $	Total $
January 1, 2019	111,907,084	-	111,907,084
Acquisitions/staking/assessments	60,753	-	60,753
Exploration and evaluation	3,504,056	-	3,504,056
Impairments	(20,272)	-	(20,272)
December 31, 2019	115,451,621	-	115,451,621
January 1, 2020	115,451,621	-	115,451,621
Acquisitions/staking/assessments	137,438	47,115	184,553
Exploration and evaluation	3,819,135	160,658	3,979,793
Proceeds from option	(38,500)	-	(38,500)
Gain on option	184	-	184
Impairments	(118,783,685)	-	(118,783,685)
December 31, 2020	**586,193**	**207,773**	**793,966**

Changes in the project carrying amounts for the years ended December 31, 2019 and December 31, 2020 are summarized as follows:

Year ended December 31, 2019	January 1, 2019 $	Acquisitions / staking / assessments $	Exploration and evaluation $	Impairments $	December 31, 2019 $
Wholly-owned projects					
Rackla Gold Property					
- Osiris and Orion	74,960,121	39,942	293,377	-	75,293,440
- Rau	36,512,210	16,730	3,137,390	-	39,666,330
	111,472,331	56,672	3,430,767	-	114,959,770
Connaught	190,130	-	67,921	-	258,051
Idaho Creek	19,548	-	4,633	-	24,181
Panorama	16,110	4,081	81	(20,272)	-
Rosy	208,965	-	654	-	209,619
Total	111,907,084	60,753	3,504,056	(20,272)	115,451,621

7. Mineral property interests (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

Year ended December 31, 2019	Osiris and Orion $	Rau $	Others $	Total $
Assays	83,500	126,549	35,147	245,196
Depreciation (note 9)	8,000	8,000	-	16,000
Drilling	-	613,275	-	613,275
Field	32,951	411,540	16,473	460,964
Helicopter and fixed wing	41,309	686,958	-	728,267
Labour	67,461	856,969	56,915	981,345
Resource, engineering and environmental studies	-	129,283	-	129,283
Surveys and consulting	56,956	161,282	-	218,238
Travel and accommodation	3,200	143,534	1,996	148,730
	293,377	3,137,390	110,531	3,541,298
Less: Yukon mineral exploration grant (note 7(a)(ii))	-	-	(37,242)	(37,242)
Total	293,377	3,137,390	73,289	3,504,056

Year ended December 31, 2020

	January 1, 2020 $	Acquisitions / staking / assessments $	Exploration and evaluation $	Proceeds from option $	Gain on option $	Impairments $	December 31, 2020 $
Wholly-owned projects							
Rackla Gold Property							
- Osiris and Orion	75,293,440	77,044	512,662	-	-	(75,883,145)	1
- Rau	39,666,330	893	3,233,318	-	-	(42,900,540)	1
	114,959,770	**77,937**	**3,745,980**	**-**	**-**	**(118,783,685)**	**2**
Connaught	258,051	58,991	56,030	-	-	-	373,072
Idaho Creek	24,181	127	14,008	(38,500)	184	-	-
Rosy	209,619	383	3,117	-	-	-	213,119
Total	**115,451,621**	**137,438**	**3,819,135**	**(38,500)**	**184**	**(118,783,685)**	**586,193**
Under option project							
East Goldfield	-	47,115	160,658	-	-	-	207,773
Total	**-**	**47,115**	**160,658**	**-**	**-**	**-**	**207,773**
Total all projects	**115,451,621**	**184,553**	**3,979,793**	**(38,500)**	**184**	**(118,783,685)**	**793,966**

7. Mineral property interests (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

Year ended December 31, 2020	Osiris and Orion $	Rau $	Others $	Total $
Assays	19,898	176,375	119,298	315,571
Depreciation (note 9)	16,000	16,000	-	32,000
Drilling	35,600	888,651	-	924,251
Field	41,840	434,132	15,017	490,989
Helicopter and fixed wing	178,590	834,202	-	1,012,792
Labour	18,296	566,003	86,862	671,161
Resource, engineering and enviromental studies	193,570	185,665	-	379,235
Surveys and consulting	1,260	13,645	52,051	66,956
Travel and accommodation	7,608	118,645	784	127,037
	512,662	**3,233,318**	**274,012**	**4,019,992**
Less: Yukon mineral exploration grant, net (note 7(a)(ii) and (iii))	-	-	(40,199)	(40,199)
Total	**512,662**	**3,233,318**	**233,813**	**3,979,793**

(a) Wholly-owned projects

The Company's wholly-owned projects are comprised of the rights to explore various mineral claims located in the Yukon Territory and Nevada, which are at various stages of exploration. They are not subject to any option or sale agreements, except as noted below.

(i) Rackla Gold property

The Rackla Gold property consists of a 100% interest in the various mineral properties located in the Mayo Mining District, Yukon Territory. Cash and common shares totaling $165,600 have been received under previous Rackla Gold property option agreements.

The Rackla Gold property has been divided into three separate projects, being the Rau, Osiris and Orion projects. The Osiris and Orion projects were previously described as the Nadaleen property.

The Rau project is located at the western end of the Rackla Gold property and hosts the Tiger Gold deposit.

The Osiris project is located at the eastern end of the Rackla Gold property and hosts Carlin-type gold mineralization.

The Orion project is located in the central one-third of the Rackla Gold property and was previously subject to a Joint Venture agreement with Barrick Gold Corporation. During the agreement Barrick incurred exploration expenditures of $10,000,000. The Agreement was terminated in December 2018.

As at December 31, 2020, the Company recorded an impairment provision of $118,783,685 on the Rackla Gold property as a result of certain impairment indicators being present under the accounting standards. The impairment indicators largely consisted of: (i) the Company's market capitalization being significantly lower than the net assets of the Company for a prolonged period of time; and (ii) the ongoing challenges that the Company has faced with respect to getting the road permitting in place to allow ground access to the property. In future periods, if the impairment indicators are no longer present (ie: the Company's market capitalization has improved and the Company is successful in the continued negotiations with respect to the road permitting), the Company, if it can provide a supportable estimate of the property's recoverable amount, may record a reversal of the impairment provision taken in the current year. Any impairment reversal shall be to the recoverable amount, not to exceed the carrying value of the property prior to its impairment.

7. Mineral property interests (continued)

(a) Wholly-owned projects (continued)

(ii) Connaught project

The Connaught project consists of a 100% interest in the CN, NC, OM and TN mineral claims located in the Dawson Mining District, Yukon Territory.

Cash and common shares totaling $252,500 were received in 2009 for a 50% sale of the project, which was repurchased in 2012 by issuing common shares having a value of $182,250.

The TN claims were acquired in August 2018 through the issuance of 60,000 common shares with a fair value of $30,000. The vendor retains a 1% net smelter return royalty ("NSR") on the claims.

In 2019, the Company was approved to receive financial assistance from the Yukon Government on 2019 qualified exploration expenditures on its CN claims, to a maximum of $37,242. As at December 31, 2019, the Company had earned the full $37,242, which was received during the year ended December 31, 2020.

In 2020, the Company was approved to receive financial assistance from the Yukon Government on 2020 qualified exploration expenditures on its Connaught project, to a maximum of $39,558. As at December 31, 2020, the Company has estimated that it has earned $33,070 of the amount, which has been recorded as a receivable as at December 31, 2020 (note 4).

See note 7(b) (ii) and (iii) for option agreements in respect of additional claims forming part of the Company's Connaught project.

(iii) Idaho Creek project

The Idaho Creek project consists of a 100% interest in the Idaho Creek mineral claims located in the Whitehorse Mining District, Yukon Territory. Prior to December 31, 2019, the project had been under previous option agreements whereby cash and common shares totaling $269,413 had been received.

On August 19, 2020, the Company signed a property option agreement (the "Option Agreement") with Makara Mining Corp. ("Makara"), whereby Makara has the option to earn a 100% interest in the Company's Idaho Creek project. Pursuant to the Option Agreement, Makara can earn the interest through completion of the following:

Cash payments of $150,000:

- $5,000 on execution of the Option Agreement (received);
- $10,000 on or before May 1, 2021;
- $20,000 on or before May 1, 2022;
- $25,000 on or before May 1, 2023; and
- $90,000 on or before May 1, 2024.

Issuance of 750,000 common shares:

- 25,000 common shares on execution of the Option Agreement (received at a fair value of $33,500);
- 50,000 common shares on or before May 1, 2021;
- 100,000 common shares on or before May 1, 2022;
- 250,000 common shares on or before May 1, 2023; and
- 325,000 common shares on or before May 1, 2024.

7. **Mineral property interests** (continued)

(a) **Wholly-owned projects** (continued)

(iii) **Idaho Creek project** (continued)

In addition, Makara is required to incur $2,000,000 in exploration expenditures on the project as follows:

- $50,000 on or before December 1, 2020 (incurred);
- An additional $100,000 on or before December 1, 2021;
- An additional $150,000 on or before December 1, 2022;
- An additional $500,000 on or before December 1, 2023; and
- An additional $1,200,000 on or before December 1, 2024.

Pursuant to the Option Agreement, the Company retains a 2% NSR from any commercial production of precious metals from the Idaho Creek project of which Makara can repurchase one-half (being 1%) for $1,000,000.

Further, in addition to the NSR, the Company shall be entitled to receive a one-time cash payment equal to $1 per ounce of gold (or the value equivalent in other metals) identified in the earlier of a National Instrument 43-101 *Standards of Disclosure for Mineral Property* compliant: (i) measured and indicated resource estimate applicable to the project; or (ii) a proven and probable reserve estimate applicable to the project.

During the year ended December 31, 2020, the Company recognized a gain of $184 in respect of option payments received in excess of the Company's carrying value of the project.

In 2020, the Company was approved to receive financial assistance from the Yukon Government on 2020 qualified exploration expenditures on its Idaho Creek project, to a maximum of $23,263. As at December 31, 2020, the Company has estimated that it has earned the full amount, which has been recorded as a receivable as at December 31, 2020 (note 4).

Expenditures on the project after the Option Agreement with Makara was signed have been recovered from Makara, therefore the financial assistance earned on these amounts are due to Makara. As at December 31, 2020, $18,536 has been accrued as owing to Makara and included in accounts payable and accrued liabilities.

(iv) **Panorama project**

The Panorama project consisted of a 100% interest in the Aussie mineral claims located in the Dawson Mining District, Yukon Territory. Cash and common shares totaling $328,400 were received under previous option agreements.

During the year ended December 31, 2019, the claims were returned to the original owners and all accumulated costs written off.

(v) **Rosy project**

The Rosy project consists of a 100% interest in the Rosy and Sam mineral claims located in the Whitehorse Mining District, Yukon Territory.

Cash and common shares totaling $167,000 were received under previous option agreements.

(b) **Projects under option**

(i) **East Goldfield project**

On February 20, 2020, the Company signed a Property Option Agreement with Silver Range Resources Ltd. ("Silver Range"), a company with common Directors and Officers, whereby the Company has the option to earn a 100% interest in Silver Range's East Goldfield property located in Nevada, USA. Pursuant to the Option Agreement, the Company has the right to earn an initial 75% interest in the property (the "Initial Option") by making cash payments to Silver Range based on the following schedule:

7. **Mineral property interests** (continued)

(b) **Projects under option** (continued)

(i) **East Goldfield project** (continued)

Cash payments of $400,000:

- $30,000 on execution of the Option Agreement (paid);
- $40,000 on or before April 1, 2021;
- $70,000 on or before April 1, 2022;
- $100,000 on or before April 1, 2023; and
- $160,000 on or before April 1, 2024.

In addition, the Initial Option requires the Company to incur exploration expenditures on the property as follows:

- $200,000 on or before April 1, 2021;
- An additional $200,000 on or before April 1, 2022; and
- An additional $9,600,000 on or before December 1, 2025.

The Company has the right at its sole election to make up 50% of all of the cash payments under the Initial Option through the issuance of common shares to Silver Range. The number of common shares to be issued as payment is to be calculated using a share price equal to the volume weighted average price of the Company's common shares for the 10 trading days immediately preceding the applicable payment date, subject to such price not being less than $0.05 per share. Silver Range is not required to accept any number of common shares where accepting the number of shares will result in Silver Range holding (directly or indirectly) more than an aggregate 19.9% of the issued and outstanding shares of the Company.

On completion of the Initial Option, the Company will have the right to acquire an additional 25% interest in the property (the "Second Option") by paying Silver Range an additional $10,000,000 on or before the date that is six months from the date that the Company gives notice to Silver Range confirming its exercise of the Initial Option.

Silver Range will retain a 2% NSR on all mineral production from the properties, of which up to 1% can be purchased for $1,000,000.

Silver Range will also be entitled to receive a one-time cash payment equal to US$2 per ounce of gold (or the value equivalent in other metals) on the first 1,000,000 ounces of gold, identified in a NI 43-101 compliant measured and indicated resource estimate application (or proven and probable reserves) to the property; and an additional one-time cash payment equal to US$1 per ounce of gold (or the value equivalent in other metals) on all ounces of gold in excess of 1,000,000 ounces of gold, identified in a NI 43-101 compliant proven or probable reserve estimate applicable (or proven and probable reserves) to the property.

(ii) **Blackbear claims**

On November 20, 2020, the Company signed a Property Option Agreement with two vendors whereby the Company has the option to earn a 100% interest in a series of claims contiguous to the Company's Connaught project (note 7(a)(ii)). Pursuant to the Option Agreement, the Company has the right to earn a 100% interest in the property by making cash payments to the vendors based on the following schedule:

Cash payments of $100,000:

- $10,000 on execution of the Option Agreement (paid);
- $10,000 on or before February 28, 2022;
- $10,000 on or before February 28, 2023;
- $15,000 on or before February 28, 2024;
- $25,000 on or before February 28, 2025; and
- $30,000 on or before February 28, 2026.

7. Mineral property interests (continued)

(b) Projects under option (continued)

(ii) Blackbear claims (continued)

In addition, the Option Agreement requires the Company to issue 200,000 common shares as follows:

- 20,000 common shares on Exchange acceptance (issued at a fair value of $4,000);
- 20,000 common shares on or before February 28, 2022;
- 20,000 common shares on or before February 28, 2023;
- 30,000 common shares on or before February 28, 2024;
- 50,000 common shares on or before February 28, 2025; and
- 60,000 common shares on or before February 28, 2026.

The vendors will retain a 2% NSR on all mineral production from the properties, of which up to 1% can be purchased for $500,000.

(iii) Mag claims

On November 20, 2020, the Company signed a Property Option Agreement with a vendor whereby the Company has the option to earn a 100% interest in a series of claims contiguous to the Company's Connaught project (note 7(a)(ii)). Pursuant to the Option Agreement, the Company has the right to earn a 100% interest in the property by making cash payments to the vendor based on the following schedule:

Cash payments of $70,000:

- $15,000 on execution of the Option Agreement (paid);
- $25,000 on or before December 31, 2021; and
- $30,000 on or before December 31, 2022.

In addition, the Option Agreement requires the Company to issue 120,000 common shares as follows:

- 60,000 common shares on Exchange acceptance (issued at a fair value of $12,000);
- 30,000 common shares on or before December 31, 2021; and
- 30,000 common shares on or before December 31, 2022.

The vendors will retain a 1% conventional royalty ("CNSR") and a 10% high-grade royalty on all mineral production from the properties The Company has the right to purchase 100% of the CNSR for $250,000.

(c) Royalty interests

The Company has a 1% NSR on the Golden Revenue, Nitro, Seymour and Dawson Gold properties located in the Dawson and Whitehorse Mining Districts, Yukon Territory.

8. Reclamation deposit

The reclamation deposit is comprised of a cashable guaranteed investment certificate with a one-year term. It is pledged to the Yukon Government to ensure specified properties are properly restored after exploration. Management has determined that the Company has no material reclamation work related to the properties requiring the deposit.

9. Equipment

	Exploration equipment $
Cost	
January 1, 2019	-
Additions	160,000
December 31, 2019	160,000
Accumulated depreciation	
January 1, 2019	-
Depreciation	16,000
December 31, 2019	16,000
Cost	
January 1, 2020 and December 31, 2020	**160,000**
Accumulated depreciation	
January 1, 2020	16,000
Depreciation	32,000
December 31, 2020	**48,000**
Net book value	
December 31, 2019	144,000
December 31, 2020	**112,000**

Depreciation is capitalized to the Company's exploration properties (note 7), as the equipment is used exclusively for the Company's exploration efforts. During the year ended December 31, 2020, the Company capitalized $32,000 in depreciation charges (2019 - $16,000) to mineral property interests.

10. Share capital

The authorized share capital of the Company consists of unlimited common shares without par value, and unlimited Class "A" preferred shares with a par value of $1.00 each. All issued shares are fully paid.

Transactions for the issue of share capital during the year ended December 31, 2020:

During the year ended December 31, 2020, the Company issued 275,000 common shares pursuant to the exercise of stock options for gross proceeds of $83,750. In connection with the stock options exercised, the original fair value of $50,539 was reversed from contributed surplus and credited to share capital.

On June 30, 2020, the Company completed a flow-through private placement consisting of the issue of 4,347,827 flow-through units at a price of $0.23 each for gross proceeds of $1,000,000. Each unit consists of one flow-through common share and one-half of a share purchase warrant, with each whole warrant being exercisable into a non-flow-through common share at an exercise price of $0.27 until June 30, 2022.

The flow-through share units were issued at a premium to the trading value of the Company's common shares, which is a reflection of the value of the income tax write-offs that the Company will renounce to the flow-through shareholders. The premium was determined to be $21,739 and was recorded as a reduction of share capital. An equivalent flow-through share premium liability was recorded and was reversed pro-rata as the required exploration expenditures were incurred (see note 16). No value was allocated to the warrant component of the unit.

10. Share capital (continued)

Transactions for the issue of share capital during the year ended December 31, 2020 (continued)**:**

Finders' fees totaling $82,745 were incurred in respect of the placement, including the issue of 260,870 finders' warrants having a fair value of $22,745. Legal and filing fees amounted to $5,000 and were recorded as a share issue cost and deducted from share capital net of deferred income tax benefits of $17,550.

On December 1, 2020, the Company issued 20,000 common shares with a fair value of $4,000 ($0.20 per share) in connection with the Option Agreement in respect of the Blackbear claims (note 7(b)(ii)) and 60,000 common shares with a fair value of $12,000 ($0.20 per share) in connection with the Option Agreement in respect of the Mag claims (note 7(b)(iii)).

Transactions for the issue of share capital during the year ended December 31, 2019:

On March 22, 2019, the Company completed a flow-through private placement consisting of the issue of 10,507,143 flow-through units at a price of $0.35 each for gross proceeds of $3,677,500. Each unit consisted of one flow-through common share and one-half of a share purchase warrant, with each whole warrant being exercisable into a non-flow-through common share at an exercise price of $0.425 until March 22, 2021 (expiry date was subsequently extended and exercise price amended – see note 17(c)).

The flow-through share units were issued at a premium to the trading value of the Company's common shares, which was a reflection of the value of the income tax write-offs that the Company renounced to the flow-through shareholders. The premium was determined to be $1,155,786 and was recorded as a reduction of share capital. An equivalent flow-through share premium liability was recorded and was reversed pro-rata as the required exploration expenditures were incurred (see note 16). No value was allocated to the warrant component of the unit.

Finders' fees totaling $149,108 were incurred in respect of the placement, including the issue of 382,500 finders' warrants having a fair value of $15,200. Legal and filing fees amounted to $46,262 and were recorded as a share issue cost and deducted from share capital net of deferred income tax benefits of $48,646.

Common share rights

The Company has a "Rights Plan" under which one right is issued for each issued and outstanding common share of the Company. Each right entitles the holder to purchase from the Company one common share at a price equal to one-half the market price for each common share of the Company, subject to certain anti-dilutive adjustments. The rights are exercisable only if the Company receives an unacceptable take-over bid as defined in the Rights Plan. The current Rights Plan was replaced with a new Rights Plan at the November 2020 annual shareholders' meeting and will remain in effect until the annual shareholders' meeting in 2023. As at December 31, 2020, there were 162,738,547 rights outstanding (December 31, 2019 – 158,035,720).

Stock options

The Company has an incentive stock option plan (the "Plan"), under which the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. The exercise period for any options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot be less than the "discounted market price" of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, or the date of grant in respect of options granted to consultants, less a discount of from 15% to 25%), unless otherwise agreed to by the Company and accepted by the TSX-V.

A participant who is not a consultant conducting investor relations activities, who is granted an option under the plan with exercise prices at or above "Market Price" will have their options vest immediately, unless otherwise determined by the Board of Directors. A participant who is granted an option under the plan with exercise prices below "Market Price" will become vested with the right to exercise one-sixth of the option upon conclusion of every three months subsequent to the grant date.

10. Share capital (continued)

Stock options (continued)

A participant who is a consultant conducting investor relations activities who is granted options under the plan will become vested with the right to exercise one-quarter of the options upon conclusion of every three months subsequent to the grant date.

A summary of the status of the Company's stock options as at December 31, 2020 and December 31, 2019 and changes during the years then ended is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of year	12,437,500	0.49	12,050,000	0.57
Granted	2,405,000	0.22	2,680,000	0.30
Exercised	(275,000)	0.30	-	-
Expired/cancelled	(2,332,500)	0.65	(2,292,500)	0.70
Options outstanding, end of year	**12,235,000**	**0.41**	12,437,500	0.49

As at December 31, 2020, the Company has stock options outstanding and exercisable as follows:

	Options outstanding #	Options exercisable #	Exercise price $	Expiry date
(1)	1,755,000	1,755,000	0.31	January 21, 2021
	250,000	250,000	0.76	June 7, 2021
	2,665,000	2,665,000	0.55	May 26, 2022
	2,940,000	2,940,000	0.55	February 1, 2023
	2,120,000	2,120,000	0.30	February 4, 2024
	100,000	100,000	0.30	February 4, 2024
	2,210,000	1,657,500	0.22	January 9, 2025
	195,000	97,500	0.20	April 28, 2025
	12,235,000	**11,585,000**		

(1) Subsequent to December 31, 2020, all of these stock options expired unexercised (note 17(b)).

The following table summarizes information about the stock options outstanding as at December 31, 2020:

Range of prices $	Options #	Weighted average remaining life (years)	Weighted average exercise price $
0.20 - 0.31	6,380,000	2.62	0.27
0.53 - 0.55	5,605,000	1.76	0.55
0.76	250,000	0.43	0.76
	12,235,000	**2.18**	**0.41**

10. Share capital (continued)

Stock options (continued)

During the year ended December 31, 2020, 2,405,000 stock options (2019 – 2,680,000) were granted to Officers, Directors, related company employees and consultants. The Company has recorded the fair value of all options granted using the Black-Scholes option pricing model. Share-based payment costs were calculated using the following weighted average assumptions: expected life of options - five years (2019 – five years), stock price volatility – 64.98% (2019 – 71.98%), no dividend yield (2019 – none), and a risk-free interest rate yield – 1.45% (2019 – 1.84%). The fair value is particularly impacted by the Company's stock price volatility, determined using data from the previous five years.

Using the above assumptions, the fair value of options granted during the year ended December 31, 2020 was $0.12 per option (2019 – $0.18), for a total of $287,627 (2019 - $480,948). The total share-based payment expense for the year ended December 31, 2020 was $312,989 (2019 - $503,255), which is presented as an operating expense, and includes only options that vested during the period.

During the year ended December 31, 2020, 1,450,000 options (2019 – 1,905,000) expired unexercised. As a result, the original share-based payments expense of $641,194 (2019 – $951,808) was reversed from contributed surplus and credited to deficit.

During the year ended December 31, 2020, 882,500 options (2019 – 387,500) were cancelled. As a result, the original share-based payments expense of $258,152 (2019 - $91,740) was reversed from contributed surplus and credited to deficit.

Warrants

As an incentive to complete private placements the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model. During the year ended December 31, 2020, the Company issued 2,173,914 warrants (2019 – 5,253,572) to subscribers of flow-through financings completed (note 10).

In addition, during the year ended December 31, 2020, 260,870 finders' warrants (2019 – 382,500) were issued in connection with the financing completed (note 10). The value of the finders' warrants was determined to be $22,745 (2019 – $15,200) using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of warrants - two years (2019 – two years), stock price volatility – 72.67% (2019 – 59.66%), no dividend yield (2019 – none), and a risk-free interest rate yield – 0.25% (2019 – 1.47%).

During the year ended December 31, 2019, 437,441 finders' warrants expired unexercised. As a result, the original fair value of $61,500 was reversed from contributed surplus and credited to share capital.

A summary of the status of the Company's warrants as at December 31, 2020 and December 31, 2019 and changes during the years then ended is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of year	5,636,072	0.425	437,441	0.60
Issued	2,434,784	0.27	5,636,072	0.425
Expired	-	-	(437,441)	0.60
Warrants outstanding, end of year	**8,070,856**	**0.38**	5,636,072	0.425

10. Share capital (continued)

Warrants (continued)

As at December 31, 2020, the Company has warrants outstanding and exercisable as follows:

	Warrants outstanding #	Warrants exercisable #	Exercise price $	Expiry date
(1)	5,253,572	5,253,572	0.425	March 22, 2021
	382,500	382,500	0.425	March 22, 2021
	2,173,914	2,173,914	0.27	June 30, 2022
	260,870	260,870	0.23	June 30, 2022
	8,070,856	**8,070,856**		

(1) Subsequent to December 31, 2020, the expiry date was extended to March 22, 2022 and the exercise price was amended from $0.425 to $0.28 (note 17(c))

Contributed surplus

Contributed surplus includes the accumulated fair value of stock options recognized as share-based payments and the fair value of finders' warrants issued on private placements completed. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants expire or are exercised or cancelled.

11. Loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2020 was based on the loss of $102,670,247 (2019 – $1,098,047) and a weighted average number of common shares outstanding of 160,339,272 (2019 – 155,703,998).

All stock options and warrants were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

12. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the years ended December 31, 2020 or December 31, 2019.

Graham Downs, the Company's President and CEO, receives a monthly salary and incentive stock options. Commencing May 2020, Andrew Carne and Adam Coulter, the Company's Vice-president of Corporate and Project Development and Vice-president of Exploration, respectively, receive monthly salaries and incentive stock options. Matthew Keevil was the Company's Vice-President of Corporate Affairs from March 3, 2018 to November 22, 2019, during which time he received a monthly salary and incentive stock options. No other key management personnel and Directors receive salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

During the year ended December 31, 2020, 1,695,000 stock options were granted to key management personnel and Directors having a fair value on issue of $201,802. 1,500,000 of the options granted are exercisable at $0.22 until January 9, 2025, and vest over a one-year period ending January 9, 2021. The remaining 195,000 options granted have an exercise price of $0.20 until April 28, 2025, and vest over a one-year period ending April 28, 2021.

12. Related party payables and transactions (continued)

During the year ended December 31, 2019, 1,750,000 stock options were granted to key management personnel and Directors having a fair value on issue of $314,052. The options are exercisable at $0.30 until February 4, 2024 and vested over a one-year period ended February 4, 2020.

During the year ended December 31, 2020, 950,000 management personnel and Director stock options (2019 – 1,150,000) having a fair value on issue of $420,093 (2019 - $574,582) expired unexercised.

During the year ended December 31, 2020, 425,000 management personnel and Director stock options (2019 – none) having a fair value on issue of $112,690 (2019 - $nil) were surrendered and cancelled.

The Company transacted with the following related parties:

(a) Archer Cathro is a geological consulting firm that is a related party through its management contracts, which confer significant influence over operations. Charges are for property location, acquisition, exploration, management, accounting, office rent and administration.

(b) Glenn Yeadon is a Director and the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp."), which provides the Company with legal services.

(c) Larry Donaldson is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services.

(d) Douglas Goss is a Director and the Company's Chairman of the Board. He controls Douglas O. Goss Professional Corporation ("D. Goss Corporation"), which provides consulting services to the Company.

(e) Ian Talbot is the Company's COO. He provides the Company with management services.

(f) Robert Carne is a Company Director. He controls Carvest Holdings Ltd. ("Carvest"), which provides geological consulting services to the Company.

(g) Graham Downs is the Company's President and CEO. He is paid a monthly salary and benefits for his services.

(h) Bruce Kenway is a Company Director and Chairman of the Audit Committee. He is a partner in Kenway Mack Slusarchuk Stewart LLP ("Kenway Mack"), which provides advisory services to the Company.

(i) Andrew Carne was appointed as the Company's Vice-president of Corporate and Project Development in May 2020. He is paid a monthly salary for his services.

(j) Adam Coulter was appointed as the Company's Vice-president of Exploration in May 2020. He is paid a monthly salary for his services.

(k) Matthew Keevil was the Company's Vice-president of Corporate Affairs until November 2019. He was paid a monthly salary and benefits for his services.

12. Related party payables and transactions (continued)

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

		Transactions Year ended December 31, 2020 $	Transactions Year ended December 31, 2019 $	**Balance outstanding December 31, 2020 $**	Balance outstanding December 31, 2019 $
	Archer, Cathro				
	- geological services	950,996	1,360,299	8,328	36,813
	- office and administration	72,025	59,683	8,611	10,266
		1,023,021	1,419,982	16,939	47,079
	Carvest - geological services	3,915	29,640	-	-
(1)	Yeadon Law Corp.	59,027	49,004	17,952	4,545
	DBM CPA	60,300	50,700	18,000	16,500
	D. Goss Corporation	31,500	42,000	-	-
	Graham Downs	229,248	229,101	-	-
	Ian Talbot	40,394	42,000	3,675	-
	Kenway Mack	9,300	12,000	-	-
(2)	Andrew Carne	84,230	-	-	-
(3)	Adam Coulter	85,534	-	-	-
	Matthew Keevil	-	136,750	-	-
		1,626,469	2,011,177	**56,566**	68,124

(1) Transactions for the year ended December 31, 2020 include $5,000 (2019 - $19,000) in share issue costs.
(2) Transactions for the year ended December 31, 2020 include $54,112 (2019 - $nil) in geological services.
(3) Transactions for the year ended December 31, 2020 include $75,011 (2019 - $nil) in geological services.

All related party balances are unsecured and are due within thirty days without interest.

The transactions with the key management personnel and Directors are included in operating expenses as follows:

(a) Consulting fees
- Includes the consulting fees of Director, Douglas Goss, charged to the Company by D. Goss Corporation.
- Includes the advisory services of Director, Bruce Kenway, charged to the Company by Kenway Mack.

(b) Management, administration and corporate development fees
- Includes the services of Company’s COO, Ian Talbot.
- Includes charges by Archer Cathro for administrative personnel.

(c) Office rent
- Charged by Archer Cathro.

(d) Professional fees
- Includes the legal services of the Company’s Secretary, Glenn Yeadon, charged to the Company by Yeadon Law Corporation.
- Includes the accounting and tax services of Company’s CFO, Larry Donaldson, charged to the Company by DBM CPA.

(e) Property examination costs
- Includes an allocation of salaries paid to Andrew Carne and Adam Coulter.

(f) Salaries and benefits
- Includes the salaries and benefits of the Company’s President and CEO, Graham Downs, as well as an allocation of salaries and benefits paid to Andrew Carne and Adam Coulter. The 2019 balance includes salaries and benefits paid to the Company’s former Vice-president of Corporate Affairs, Matthew Keevil.

13. Income Taxes

Income tax recovery for the years ended December 31, 2020 and December 31, 2019 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	December 31, 2020 $	December 31, 2019 $
Loss before income taxes	(119,674,761)	(1,477,138)
Statutory Canadian corporate tax rate	27.0%	27.0%
Anticipated income tax recovery	32,312,185	398,827
Change in tax resulting from:		
Unrecognized items for tax purposes and other	(65,902)	(163,329)
Tax benefits to be renounced/renounced on flow-through expenditures	(387,585)	(875,340)
Flow-through premium liability reduction	158,592	1,018,933
Impairments not deducted for tax purposes	(32,071,595)	-
Reversal of current and prior year tax liabilities and benefits	17,058,819	-
Net deferred income tax recovery	**17,004,514**	379,091

The significant components of the Company's unrecognized deferred income tax asset (recognized deferred income tax liability) are as follows:

	December 31, 2020 $	December 31, 2019 $
Unrealized losses on marketable securities	240,216	261,530
Mineral property interests	9,964,584	(21,666,638)
Equipment	12,960	4,320
Unclaimed investment tax credits	860,606	860,606
Non-capital loss carry forwards	3,811,621	3,527,791
Capital loss carry forwards	44,369	44,369
Share issue costs	78,420	104,549
Tax benefits unrecognized	(15,012,776)	-
Net deferred income tax asset (liability)	**-**	(16,863,473)

As at December 31, 2020, the Company has non-capital loss carry forwards of approximately $14,117,000 (December 31, 2019 - $13,066,000) of which $7,000 will expire in 2028, $471,000 in 2029, $1,175,000 in 2030, $1,666,000 in 2031 and $10,798,000 thereafter.

As at December 31, 2020, the Company has unused capital losses of approximately $329,000 (December 31, 2019 - $329,000), which have no expiry date and can only be used to reduce future income from capital gains.

As at December 31, 2020, the Company has unclaimed resource and other deductions of approximately $37,700,000 (December 31, 2019 - $35,205,000), which may be deducted against future taxable income.

As at December 31, 2020, there are share issue costs totaling approximately $290,000 (December 31, 2019 - $387,000), which have not been claimed for income tax purposes.

As at December 31, 2020, the Company has unused investment tax credits totaling approximately $1,179,000 (December 31, 2019 - $1,179,000), which have not been claimed for income tax purposes. Of the credits, $958,000 will expire in 2032 and $221,000 in 2033.

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

14. Supplemental cash flow information

Changes in non-cash operating working capital during the years ended December 31, 2020 and December 31, 2019 were comprised of the following:

	December 31, 2020 $	December 31, 2019 $
Receivables and prepayments	19,405	186,414
Joint Venture receivable	-	144,313
Accounts payable and accrued liabilities	25,709	(13,560)
Accounts payable to related parties	16,927	(19,230)
Net change	**62,041**	297,937

The Company incurred non-cash financing and investing activities during the years ended December 31, 2020 and December 31, 2019 as follows:

	December 31, 2020 $	December 31, 2019 $
Non-cash financing activities:		
Decrease in restricted cash payable	-	(144,339)
Contributed surplus on finders' warrants issued	22,745	15,200
Share issue costs on finders' warrants issued	(22,745)	(15,200)
Share capital reduced by flow-through share premium	21,739	1,155,786
	21,739	1,011,447
Non-cash investing activities:		
Option of mineral property interests by issue of share capital	(16,000)	-
Deferred exploration expenditures included in receivables	(33,070)	(37,242)
Marketable securities received on option of mineral property	(33,500)	-
Deferred exploration expenditures included in accounts payable and related party payables	78,625	80,069
Prepaid exploration expenditures remaining in accounts payable	25,361	-
	21,416	42,827

During the years ended December 31, 2020 and December 31, 2019 no amounts were paid for interest or income tax expenses.

15. Financial risk management

Capital management

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at December 31, 2020 is comprised of shareholders' equity of $7,294,464 (December 31, 2019 - $108,621,161).

15. Financial risk management (continued)

Capital management (continued)

The Company currently has no source of revenues. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional funds from equity markets.

Financial instruments - fair value

The Company's financial instruments consist of cash and cash equivalents, marketable securities, reclamation deposit, accounts payable and accrued liabilities, and accounts payable to related parties.

The carrying value of accounts payable and accrued liabilities and accounts payable to related parties approximates their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the consolidated statements of financial position are summarized into the following fair value hierarchy levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2020				
Cash and cash equivalents	5,901,360	-	-	5,901,360
Marketable securities	411,114	9,843	-	420,957
Reclamation deposit	125,744	-	-	125,744
	6,438,218	**9,843**	**-**	**6,448,061**
December 31, 2019				
Cash and cash equivalents	9,669,634	-	-	9,669,634
Marketable securities	213,593	15,981	-	229,574
Reclamation deposit	126,382	-	-	126,382
	10,009,609	15,981	-	10,025,590

Financial instruments - risk

The Company's financial instruments can be exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and market and currency risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash and cash equivalents. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal accounts receivable exposure as its refundable credits are due from the Canadian Government.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable feature of its cash equivalents. For the year ended December 31, 2020, every 1% fluctuation in interest rates up or down would have impacted loss for the year, up or down, by approximately $65,000 (2019 - $98,000) before income taxes.

15. Financial risk management (continued)

Financial instruments – risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

(d) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the December 31, 2020 value of marketable securities every 10% increase or decrease in the share prices of these companies would have impacted loss for the year, up or down, by approximately $42,000 (2019 - $23,000) before income taxes.

(e) Currency risk

The Company is exposed to currency risk because it holds funds and receivables in United States Dollars ("USD"), which, because of fluctuating exchange rates can create gains or losses at the time the funds are converted to Canadian dollars. The Company has no control over these fluctuations and does not hedge its foreign currency holdings. Based on its December 31, 2020 USD holdings, every 5% increase or decrease in the exchange rate would have had an insignificant impact on profit or loss before income taxes.

16. Commitments

On March 22, 2019, the Company completed a private placement of flow-through units for gross proceeds of $3,677,500 (note 10). The Company was required to spend the funds on qualified exploration programs no later than December 31, 2020. The expenditures and available income tax benefits were renounced to the flow-through shareholders effective December 31, 2019. As of December 31, 2020, all of the funds had been spent.

On June 30, 2020, the Company completed a private placement of flow-through units for gross proceeds of $1,000,000 (note 10). The Company was required to spend the funds on qualified exploration programs no later than December 31, 2021. The expenditures and available income tax benefits were renounced to the flow-through shareholders effective December 31, 2020. As of December 31, 2020, all of the funds had been spent.

In July 2020, the Canadian Government provided relief with respect to COVID-19 by providing companies with an additional 12 months in which they can spend eligible flow-through expenditures and provided interest relief on unspent funds.

A summary of the Company's flow-through premium liability as at December 31, 2020 and December 31, 2019 and changes during the years then ended is as follows:

	December 31, 2020	December 31, 2019
	$	$
Balance, beginning of year	136,852	-
Addition - March 22, 2019 private placement	-	1,155,786
Addition - June 30, 2020 private placement	21,739	-
Reduction - pro rata based on eligible expenditures	(158,591)	(1,018,934)
Balance, end of year	**-**	136,852

17. Events after the reporting period

(a) On January 14, 2021, the Company incorporated a new subsidiary company, Cascadia Minerals Ltd., to facilitate the exploration of the Company's East Goldfield project (note 7(b)(i)).

(b) On January 21, 2021, 1,755,000 stock options with an exercise price of $0.31 expired unexercised.

17. Events after the reporting period (continued)

(c) On March 5, 2021, the Company extended the expiry date on 5,253,572 warrants from March 22, 2021 to March 22, 2022 and amended the exercise price from $0.425 to $0.28.