Liberty One Lithium Corp.

Consolidated financial statements

For the years-ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Liberty One Lithium Corp.

Opinion

We have audited the consolidated financial statements of Liberty One Lithium Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information is comprised of 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 & 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 in this auditor's report. 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 IFRSs, 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.

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 Robert Troy Jubenvill.

Ernst & Young LLP

Calgary, Canada
April 29, 2021

Liberty One Lithium Corp.
Consolidated Balance Sheets
(Expressed in Canadian dollars)

	Notes		December 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash and cash equivalents	14	$	5,777,342	$	7,186,377
Amounts receivable	4		62,093		112,222
Prepaids and deposits			108,655		98,356
Total current assets			5,948,090		7,396,955
Non-current assets					
Property and equipment	5		228,806		316,339
Exploration and evaluation assets	6		45,000		-
Total non-current assets			273,806		316,339
TOTAL ASSETS		$	6,221,896	$	7,713,294
LIABILITIES					
Current liabilities					
Trade and other payables	7	$	171,760	$	198,988
Lease obligation	8		56,990		48,618
Total current liabilities			228,750		247,606
Non-current liabilities					
Lease obligation	8		89,584		142,402
TOTAL LIABILITIES			318,334		390,008
SHAREHOLDERS' EQUITY					
Share capital	9		25,904,129		25,874,129
Contributed surplus			3,598,065		3,598,065
Accumulated deficit			(23,598,632)		(22,148,908)
TOTAL SHAREHOLDERS' EQUITY			5,903,562		7,323,286
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	6,221,896	$	7,713,294

Nature and continuance of operations - Note 1
Commitments – Note 6 and 16

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

Liberty One Lithium Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes		Year-ended December 31, 2020		Year- ended December 31, 2019
Expenses					
Consulting and management fees	10	$	893,600	$	933,600
Depreciation	5		92,103		94,820
Director fees, salaries, and expenses			38,913		21,000
Foreign exchange			19		1,237
General and office			229,447		230,247
Interest on lease obligation	8		16,376		20,363
Investor relations and marketing			72,000		76,000
Professional and administrative services			102,983		58,997
Public exchange costs			13,814		25,226
Regulatory and transfer agent fees			27,313		34,284
Travel			41,177		112,758
Total expenses			1,527,745		1,608,532
Other items					
Interest income			78,021		105,296
Total other items			78,021		105,296
Loss and comprehensive loss for the year		$	(1,449,724)	$	(1,503,236)
Loss and comprehensive loss per share – basic and diluted	9[e]	$	(0.19)	$	(0.21)

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

Liberty One Lithium Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance - December 31, 2018	$ 24,893,127	$ 3,598,065	$ (20,645,672)	$ 7,845,520
Share issued pursuant to a private placement (note 10)	1,000,312	-	-	1,000,312
Share issuance costs	(19,310)	-	-	(19,310)
Loss for the year	-	-	(1,503,236)	(1,503,236)
Balance – December 31, 2019	$ 25,874,129	$ 3,598,065	$ (22,148,908)	$ 7,323,286
Shares issued pursuant a property option payment (note 6)	30,000	-	-	30,000
Loss for the year	-	-	(1,449,724)	(1,449,724)
Balance – December 31, 2020	$ 25,904,129	$ 3,598,065	$ (23,598,632)	$ 5,903,562

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

(Expressed in Canadian dollars)

	Notes	Year-ended December 31, 2020	Year-ended December 31, 2019
Operating activities			
Loss for the year		$ (1,449,724)	$ (1,503,236)
Items not affecting cash:			
Depreciation		92,103	94,820
Change in non-cash working capital items:			
Amounts receivable		50,129	59,489
Prepaids and deposits		(10,299)	(14,441)
Trade and other payables		(27,228)	14,856
Net cash used in operating activities		(1,345,019)	(1,348,512)
Investing activities			
Property and equipment expenditures	5	(4,570)	(13,062)
Exploration and evaluation expenditures	6	(15,000)	-
Net cash used in investing activities		(19,570)	(13,062)
Financing activities			
Proceeds from shares issuances, net of issuance costs	9	-	981,002
Lease repayments	8	(44,446)	(38,221)
Net cash used in financing activities		(44,446)	942,781
Change in cash and cash equivalents		(1,409,035)	(418,793)
Cash and cash equivalents, beginning of the year		7,186,377	7,605,170
Cash and cash equivalents, end of the year		$ 5,777,342	$ 7,186,377

Supplemental disclosure with respect to cash flows - Note 14

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

1. Nature and continuance of operations

Liberty One Lithium Corp. (the "Company") is a development stage company incorporated in Canada, focused on the acquisition and development of resource deposits. The address of the Company's registered office and its head office is 1500, 1055 West Georgia Street, Vancouver, BC, V6E 4N7.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Management uses judgment to assess the Company's ability to continue as a going concern and the conditions that cast doubt upon the use of the going concern assumption. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

At December 31, 2020, the Company had working capital of $5,719,340 (December 31, 2019 - $7,149,349) and has an accumulated deficit of $23,598,632 since inception. The Company has not yet reached a profitable level of production from its exploration activities. While the Company has been successful in obtaining financing in the past, there is no assurance that it will be able to continue to do so in the future. Additional financing will be required by the Company to explore and develop its mineral properties and to carry out the business development required to achieve a self-sustaining level of revenue.

In December 2020, the Board of Directors approved a 10 for 1 share consolidation (see note 9). All common share, stock option and per share amounts for all periods presented have been restated to reflect this consolidation.

2. Significant accounting policies

(a) Basis of presentation and measurement

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

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value.

These consolidated financial statements were authorized for issue on April 29, 2021 by the directors of the Company.

(b) Basis of consolidation

These consolidated financial statements include the accounts of Liberty One Utah Inc. a 100% wholly owned US subsidiary controlled by the Company. Control exists when the Company has the power to, directly or indirectly; to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

Certain comparative information in the consolidated balance sheet has been reclassified to conform to the current period presentation. Specifically:

- $19,126 formerly classified as due from related party has been reclassified to amounts receivable.

All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

(c) Significant judgments

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment in applying the Company's consolidated financial statements is the determination of discount rates, and terms related to the Company's lease obligations.

(d) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and is determined for each entity within the Company. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit and loss for the year.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

(e) Cash and cash equivalents

Cash is comprised of cash on held in a low-risk Canadian bank. Cash equivalents include short-term highly liquid investments with original maturities or restrictions of three months or less at the date of purchase that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Property and equipment

Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided annually at rates calculated to write off the cost of property and equipment, less the estimated residual value over the useful life, using the following methods and rates:

Asset	Basis	Rate
Computer equipment	Declining balance	55%
Furniture and fixtures	Straight-line over the useful life of the asset	5 years
Leasehold improvements	Straight-line over the term of the lease	5 years
ROU assets	Straight-line over the term of the lease	4.5 years

Depreciation on assets used in exploration activities are capitalized to exploration and evaluation assets.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

(g) Exploration and evaluation expenditures

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and evaluation of mineral properties incurred subsequent to the acquisition of legal rights to explore, including property maintenance costs, are capitalized by property. Mineral properties acquired from entities under common control are recorded at the same carrying value which the common control entity carried the mineral properties at. If economically recoverable mineral reserves are determined to exist, capitalized costs of the related property will be reclassified as mineral assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off or derecognized. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that asset is written down to its estimated net realizable value. Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In circumstances where indicators of impairment exist, an impairment test is required to determine if the carrying amount of the exploration and evaluation asset exceeds its estimated recoverable amount. The estimated recoverable amount is the greater of fair value less costs of disposal ("FVLCD"), and value in use ("VIU"). If the exploration and evaluation asset is determined to be impaired, the exploration and evaluation asset is written down to the estimated recoverable amount.

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

Once technical feasibility and commercial viability of a mineral property has been established, the property is considered to be a development property and is classified as mineral development assets in property, plant and equipment. The carrying value of the mineral property is tested for impairment before the expenditures are transferred. General and administrative costs are expensed as incurred.

(h) Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: the contract involves the use of an identified asset; the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and, the Company has the right to direct the use of the asset.

The Company has elected not to recognize right of use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. Leases to explore for or use crude oil, natural gas, minerals and similar non regenerative resources are also exempt from the standard. The Company treats lease payments for these types of leases as an expense when incurred, over the lease term.

The Company recognizes a right of use asset and a lease liability at the commencement date of the lease contract, which is the date that the lease asset is available to the Company. The lease asset is initially measured at cost. The cost of a lease asset includes the amount of the initial measurement of the lease liability, lease payments made at or before to the commencement date less any incentives received, initial direct costs and estimates of the decommissioning liability, if any. Subsequent to initial recognition, the lease asset is depreciated using the straight-line method over the earlier of the end of the useful life of the lease asset or the lease term. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date discounted using the rate implicit in the lease or the Company's incremental borrowing rate if the implicit rate is not readily available. Lease payments that are present valued include fixed payments, less any lease incentives receivable, variable lease payments that are based on index or rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option that is reasonably certain of exercise and payment of penalties for terminating a lease if the lease term reflects exercising that option. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. Optional renewal periods, or periods which are cancellable by the Company, are included in the lease payments if the Company is reasonably certain to exercise the renewal option or not cancel the lease. The lease liability is measured at amortized cost using the effective interest method. The lease liability is re-measured when there is a change in the Company's assessment of the expected lease term or is there is a lease modification.

(i) Share capital

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

(j) Share-based payments

The Company makes periodic grants of stock options to selected directors, officers, and others providing a similar service. The fair value of the options is determined at the date of the grant using the Black-Scholes option pricing model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of loss and comprehensive loss with a corresponding entry to contributed surplus. No expense is recognized for awards that do not ultimately vest.

The Company recognizes equity-settled share-based payment transactions for goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

(k) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares or units. Each unit may be comprised of a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

(l) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are generally measured at fair value except for transactions between entities which are under common control, which are recorded at the carrying value of the related party transaction.

(m) Per share amounts

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(n) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the instruments have expired, or when the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the instruments have expired, or when the Company has transferred substantially all risks and rewards of ownership.

Financial instruments are measured at fair value upon initial recognition. Measurement in subsequent periods is dependent on the financial instrument's classification, as described below:

- *Fair value through profit or loss ("FVTPL")*
  Financial assets and liabilities designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with subsequent changes in fair value charged to the consolidated statement of loss. The Company currently has no financial instruments in this category.
- *Amortized cost*
  Amortized cost and other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, net of any impairment. The Company includes cash and cash equivalents, amounts receivable, and trade payable and other payables, within this category.
- *Fair value through other comprehensive income ("FVTOCI")*
  Financial assets designated at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. The Company does not currently have any financial assets classified as FVTOCI.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Any subsequent reclassification of financial assets and liabilities from their initial recognition will be reclassified on the first day of the reporting period.

i. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime of the expected credit losses. The Company does not have any financial assets that contain a financing component since all amounts receivable are due within one year or less.

ii. Commodity price contracts

Commodity price contracts may be used by the Company to manage exposure to market risks related to commodity prices, exchange rates and interest rates. The Company does not intend to use derivative contracts for speculative purposes. The Company will not designate its derivative contracts as hedges and, as such, will not apply hedge accounting. All derivative contracts would be classified at FVTPL.

(o) Income taxes

i. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

(Expressed in Canadian dollars)

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

ii. Deferred income tax

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

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

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

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

3. Accounting standard adopted in 2020

Below is a new accounting policy that was adopted by the Company on January 1, 2020.

IFRS 3 – Business Combinations sets out the principles in accounting for the acquisition of a business. The amendments to this standard, include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business.

The definition of a business under the amendment is now that a business consists of inputs and process applied to those inputs that have the ability to contribute to the creation of outputs.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

The Company did not need to apply this new standard during the year.

4. Amounts receivable

		December 31, 2020		**December 31, 2019**
Taxes recoverable	$	57,462	$	59,637
Other receivables		4,631		33,459
Total	$	62,093	$	93,096

(Expressed in Canadian dollars)

5. Property and equipment

	Computer equipment	Furniture and fixtures	Leasehold improvements	ROU assets	Total
Cost					
Balance, December 31, 2018	$ 32,916	$ 60,628	$ 102,803	$ -	$ 196,347
Adoption of IFRS 16 [(1)]	-	-	-	229,241	229,241
Balance, January 1, 2019	32,916	60,628	102,803	229,241	425,588
Expenditures	13,062	-	-	-	13,062
Balance, December 31, 2019	45,978	60,628	102,803	229,241	438,650
Expenditures	4,570	-	-	-	4,570
Balance, December 31, 2020	$ 50,548	$ 60,628	$ 102,803	$ 229,241	$ 443,220
Accumulated depreciation					
Balance, December 31, 2018	$ 14,212	$ 4,712	$ 8,567	$ -	$ 27,491
Depreciation	12,120	12,124	20,560	50,016	94,820
Balance, December 31, 2019	26,332	16,836	29,127	50,016	122,311
Depreciation	9,403	12,124	20,560	50,016	92,103
Balance, December 31, 2020	$ 35,735	$ 28,960	$ 49,687	$ 100,032	$ 214,414
Net carrying value					
December 31, 2019	$ 19,646	$ 43,792	$ 73,676	$ 179,225	$ 316,339
December 31, 2020	$ 14,813	$ 31,668	$ 53,116	$ 129,209	$ 228,806

[(1)] represents the non-cash amount recognized on the adoption of IFRS 16 on January 1, 2019

6. Exploration and evaluation assets

	Jackfish Lake, Project
Balance, December 31, 2019 and 2018	$ -
Acquisition costs	45,000
Balance, December 31, 2020	$ 45,000

Jackfish Lake Project, Ontario, Canada

Pursuant to an option agreement, with an effective date of June 15, 2020, between the Company and a certain optionor (the "Optionor"), the Company can earn a 100% interest in certain gold claims comprising the Jackfish Lake Property located in Thunder Bay, Ontario.

To exercise the option, the Company is required to make the following payments to the Optionor:

- Cash payments totaling $110,000, payable over four years as follows:
  - $15,000 within 5 days of June 15, 2020
  - $15,000 on or before each of the first, second and third anniversaries of the date the TSX Venture Exchange approves the option agreement, being November 9, 2020 (the "Exchange Approval Date"); and
  - $50,000 on or before the fourth anniversary of the Exchange Approval Date.

- 160,000 common shares of the Company, issuable over four years as follows:
  - 50,000 common shares within 10 business days of the Exchange Approval Date;
  - an additional 20,000 common shares on or before each of the first, second and third anniversary of the Exchange Approval Date; and

(Expressed in Canadian dollars)

- an additional 50,000 common shares on or before the fourth anniversary of the Exchange Approval Date.

The Company has paid the above noted $15,000 in June 2020 and issued the 50,000 common shares to the Optionor in November 2020. The common shares were valued at $0.60 per share, being the value of the shares on the date for this portion of option exercise, for a total cost of $30,000.

If the property or an ore deposit contained within the property is sold or optioned to a third party by the Company, the Company, in its sole discretion, shall make a payment to the Optionor equal to five percent of the net sale price in cash or shares of the Company.

The Company must conduct sufficient exploration work to keep the claims in good standing during the earn-in period and file applicable assessment reports with authorities.

In addition, the Optionor will retain a 2% Net Smelter Royalty (the “NSR”), subject to the Company’s right to purchase half of the NSR by paying $1,000,000 to the Optionor.

The number of common shares issuable pursuant to this option agreement have been adjusted for the 10 for 1 share consolidation as per note 9.

7. Trade and other payables

		December 31, 2020		December 31, 2019
Trade payables	$	137,689	$	149,653
Accrued liabilities		34,071		49,335
Total	$	171,760	$	198,988

8. Lease obligation

The lease obligation relates to a right of use (“ROU”) liability recognized pursuant to an office lease agreement. Pursuant to the office lease agreement, which started in August 2018 and ends in July 2023, the Company and an unrelated party are jointly and severally liable for the office space. The Company has agreed to be responsible for 40% of the lease costs and as such has only recognized the 40% share of the ROU liability. However, if the unrelated third party fails to meet its obligations, the Company would be liable for the remaining 60%.

Interest on the lease obligation during the year-ended December 31, 2020 was $16,376 (year-ended December 31, 2019 - $20,363). The amount expensed and included in general and office expenses in the consolidated statement of loss, during the year-ended December 31, 2020, relating to short-term leases was $9,000 (December 31, 2019 - $9,000) and relating to variable lease payments was $43,008 (December 31, 2019 – $41,496). The Company expects variable payments for future periods to be consistent with those realized in the year-ended December 31, 2020.

The following table reconciles total undiscounted contractual cash flows to the lease obligation:

		Undiscounted amount	Less effect of discounting	Current		Non-current
As at December 31, 2021	$	63,954	(6,964)	56,990	$	-
As at December 31, 2022		63,954	(5,704)	-		58,250
As at December 31, 2023		37,306	(5,972)	-		31,334
Total	$	165,214	(18,640)	56,990	$	89,584

(Expressed in Canadian dollars)

9. Share capital

(a) Authorized share capital

Preferred shares
500,000 non-participating, voting preferred shares.
Issued: Nil.

Common shares
Unlimited number of common shares with no par value

(b) Issued and outstanding

Common Shares	Number of Shares[3]		Stated Value
Balance, December 31, 2018	6,662,833	$	24,893,127
Issue of common shares pursuant to a private placement [1]	1,111,458		1,000,312
Share issuance costs	-		(19,310)
Balance, December 31, 2019	7,774,291	$	25,874,129
Issue of common shares pursuant to an option payment [2]	50,000		30,000
Share consolidation rounding adjustment[3]	106		-
Balance, December 31, 2020	7,824,397		25,904,129

[1] On June 4, 2019, the Company closed a non-brokered private placement of 11,114,576 pre-consolidation units at a price of $0.09 per unit for gross proceeds of $1,000,312. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.12 per share until June 4, 2021. Each warrant was valued at $nil using the residual value method.

[2] The Company issued 50,000 common shares as per the Jackfish lake option agreement (note 6), which were recorded at $0.60, being the value of the shares on issuance, for a total value of $30,000.

[3] In December 2020, the Company completed a 10 for 1 share consolidation. All historical share numbers have been adjusted to reflect this consolidation.

(c) Warrants

	Number[2]		Weighted average exercise price[2]
Balance, December 31, 2018	-	$	-
Issued[1]	1,111,458		1.20
Balance, December 31, 2019 and December 31, 2020	1,111,458	$	1.20

1. The warrants expire on June 4, 2021 and are exercisable into one common share at $1.20 per share.
2. Adjusted for the 10 for 1 share consolidation in December 2020.

(Expressed in Canadian dollars)

*(d) **Stock-based compensation***

Stock option plan

The Company has a rolling stock option plan (the "Plan") to provide incentive for the directors, officers, and consultants of the Company. The maximum number of shares which may be set aside for issuance under the Plan is 10% of the issued and outstanding common shares of the Company.

The exercise price of options granted under the Plan will be fixed by the Board at the time of grant, provided that such exercise price may not be less than the discounted market price of the common shares. The options granted under the Plan will vest and be exercisable on a basis determined by the board at the time of the grant and will be exercisable for a period not exceeding ten years.

There were no stock option transactions during the years-ended December 31, 2020 or 2019.

Information about the stock options outstanding and exercisable at December 31, 2020 are as follows:

Number of options – outstanding [(1)]	Number of options - exercisable [(1)]	Exercise price [(1)]	Expiry date
50,000	50,000	$ 1.50	August 15, 2023
100,000	100,000	$ 1.55	August 16, 2023
150,000	150,000		

1. Adjusted for the 10 for 1 share consolidation in December 2020.

*(e) **Per share amounts***

Number	Year-ended December 31, 2020	Year-ended December 31, 2019
Weighted average number of common shares outstanding - basic and diluted	7,781,091	7,302,302

All options and warrants have been excluded from the calculation of diluted loss per share as they would be anti-dilutive due to the Company being in a loss position, for the years-ended December 31, 2020 and 2019. The share numbers have been adjusted for the 10 to 1 share consolidation in December 2020.

10. Related party transactions

(a) Related party transactions

The Company had the following transactions with related parties:

i. For the year-ended December 31, 2020, the Company incurred $120,000 of consulting fees (2019 - $120,000) in provision of CEO, engineering, and director services from FiveN Consulting Inc., of which the Company's CEO is the principal shareholder. These fees are included in consulting and management fees in the consolidated statement of loss. As at December 31, 2020, $10,500 is included in prepaids with respect to these fees.

ii. For the year-ended December 31, 2020, the Company incurred $144,000 of consulting fees in consideration of the provision of services by the Company's CFO (2019 - $144,000). These fees are included in consulting and management fees in the consolidated statement of loss. As at December 31, 2020, $12,600 is included in prepaids with respect to these fees.

(Expressed in Canadian dollars)

iii. For the year-ended December 31, 2020, the Company incurred $144,000 of consulting fees (2019 - $144,000) in provision of Corporate development and director services from Backcountry Capital Corp., of which the director is the principal shareholder. These fees are included in consulting and management fees in the consolidated statement of loss.

iv. For the year-ended December 31, 2020, the Company paid $11,324 (2019 - $13,642) on behalf of a private company that shares certain directors and officers of the Company. The amounts paid result from office space expenses that the two companies share. At December 31, 2020, $980 is included in amounts receivable with respect to the amounts paid.

(b) Key management compensation

The remuneration of directors, management, and key consultants of the Company is set out below:

		Year- ended December 31, 2020		**Year- ended December 31, 2019**
Consulting fees and other short-term benefits	$	408,000	$	797,000
Director fees and salaries		38,000		21,000
Total	$	446,000	$	818,000

11. Financial risk management

The Company's activities expose it to certain financial risks, including credit risk, liquidity risk, and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for managing risk.

a. Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's primary exposure to credit risk relates to its cash and cash equivalents held with a major financial institution and its accounts receivable which primarily consist of amounts to be received from the government.

Cash and cash equivalents consist of cash bank balances and term deposits. In order to manage credit risk, the Company holds cash balances and term deposits only with financial institutions with high credit ratings.

The Company's receivables are aged as follows:

Aging		**December 31, 2020**		**December 31, 2019**
Current (less than 90 days)	$	62,093	$	83,096
Past due (more than 90 days)		-		10,000
	$	62,093	$	93,096

Since the Company's receivables primarily consist of amount due from the government, the Company does not have an allowance for doubtful accounts as at December 31, 2020 or December 31, 2019, and believes all amounts will be collected in due course. The Company's historical expected credit loss is $Nil. At December 31, 2020, the amount subject to credit risk relating to amounts receivable equates to their carrying value.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2020:

	Within one year	Between one and five years	Total
Trade payables and accrued liabilities	$ 171,760	$ -	$ 171,760
Lease obligation	$ 56,990	$ 89,584	$ 146,574

c. Market risk

i. Foreign currency risk and sensitivity analysis

The Company is minimally exposed to foreign currency risk on fluctuations related to cash and trade payables and accrued liabilities that are denominated in USD. As at December 31, 2020, financial assets less financial liabilities totaling $3,700 (December 31, 2019- $6,000) were held in USD. The Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this minimal exposure.

Based on the above net exposure as at December 31, 2020 and assuming all other variables remain constant, a 2% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately $75 (December 31, 2019 - $115) in the Company's loss and comprehensive loss.

ii. Commodity price risk

The nature of the Company's operations may expose the Company to commodity price risks when the Company begins production.

As at December 31, 2020, the Company has no derivative financial instruments. It may in the future enter into derivative financial instruments in order to manage price risk, and it will only enter into derivative financial instruments with highly rated investment grade counterparties.

iii. Interest rate risk

Interest rate risk is the risk the future cash flows will fluctuate as a result of changes in market interest rate. The Company is not exposed to interest rate risk as the Company had no interest-bearing debt as December 31, 2020.

12. Fair value determination of financial instruments

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of cash and cash equivalents approximate its fair value. The Company does not have any financial instruments classified as level 3 and there were no transfers between levels within the fair value hierarchy for the years-ended December 31, 2020 and 2019.

13. Capital management

The primary capital management objective of the Company is to ensure adequate working capital is available to fund both its exploration and development projects and its working capital requirements, while also seeking to minimize the risk-adjusted cost of capital.

Capital is raised and retained for the purposes and to the extent necessary to fund exploration and corporate overhead costs, subject to the availability of financing on acceptable terms. Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of its planned exploration activities and management's assessment of the expected availability of acceptably priced capital in future periods.

The Company defines capital as share capital. The Company's targeted capital structure at December 31, 2020 is 100% shareholders' equity. Management believes that such a capital structure is the most suitable for a pre-production exploration company.

The chief source of working capital is equity financing obtained through the sale of common shares and any related warrants. The Company from time to time may receive loans from related parties and trade credit, but such financial instruments are typically only supplementary to equity financings. In any case, the Company does not consider debt to be a sustainable source of capital, as in the absence of positive cash flows from operations; any debt obtained must be retired with funds raised through equity financing.

A significant measure used in assessing capital adequacy is the expected number of days of operations that can be funded from current working capital. Capital levels are deemed sufficient if they can fund the balance of the annual exploration and development goals and fund corporate overhead expenses in the near term. Management believes there is insufficient capital to carry out its planned activities over the next twelve months and thus, additional capital will need to be raised.

Equity financings will generally be limited to the extent that capital is available on acceptable terms. The acceptability of financing terms is generally determined by reference to the prevailing market price of the Company's shares. The terms on which the Company obtains financings are furthermore subject to the guidelines of the TSX-V.

There were no changes in the Company's approach to capital management during the year-ended December 31, 2020.

14. Supplemental disclosure with respect to cash flows

There was no cash paid or received with respect to income taxes for the years-ended December 31, 2020 and 2019.

There was no interest paid during the years-ended December 31, 2020 and 2019.

During the three and twelve-month periods-ended December 31, 2020, the Company had no significant non-cash transactions.

As at December 31, 2020, cash and cash equivalents represents cash on deposit and term deposits of $251,558 and $5,525,784 respectively, with the Company's bank which has a high-quality credit rating. The term deposits all have a maturity date of 3 months or less.

(Expressed in Canadian dollars)

15. Taxes

(a) Deferred tax asset

At December 31, 2020 and 2019, the Company has determined it is currently not probable that future taxable profits will be available against which the tax benefits will be utilized. At December 31, 2020, the Company has approximately $17.1 million of total tax pools, including resource tax pools and non-capital losses, available to reduce future years' income for tax purposes. The non-capital losses of $11.5 million expire between 2026 and 2040 and the resource pools have no expiry dates.

The components of the unrecognized deferred tax asset are as follows:

	Year-ended December 31, 2020	Year-ended December 31, 2019
Property and equipment	$ 1,457,791	$ 1,508,972
Share issuance costs	21,976	46,410
Non-capital losses	3,108,938	2,646,088
Tax assets not recognized	(4,588,705)	(4,201,470)
Deferred tax asset (liability)	$ -	$ -

(b) Deferred tax asset

The actual income tax provision differs from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes.

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

	Year-ended December 31, 2020	Year-ended December 31, 2019
Loss before income taxes	$ (1,449,724)	$ (1,503,236)
Corporate tax rate	27%	27%
Expected income tax recovery at statutory rates	(391,425)	(405,874)
Differences resulting from:		
Other items	4,192	12,391
Unrecognized tax benefits	387,233	393,483
Total income tax expense (recovery)	$ -	$ -

16. Commitment

In December 2020, pursuant to a binding letter of intent ("LOI"), the Company has agreed to purchase a 100% interest in Victory Exploration Inc., which holds certain gold mining claims in Quebec, Canada in exchange for $250,000 in cash and 1,500,000 common shares of the Company. The LOI indicates that a definitive agreement would be completed by February 28, 2021, however both parties have mutually agreed to extend this date until further notice. The closing of this transaction is still subject to due diligence by the Company, receipt of all necessary regulatory, corporate, and third-party approvals, compliance with all applicable regulatory requirements, and all requisite board and shareholder approvals being obtained.