
MURCHISON MINERALS LTD.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Murchison Minerals Ltd.

Opinion

We have audited the consolidated financial statements of Murchison Minerals Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of 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.

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. 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 comprises 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 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 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 judgement 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 of the audit resulting in this independent auditor's report is Koko Yamamoto.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
March 17, 2021

MURCHISON MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31,

	2020	2019
ASSETS		
Current Assets		
Cash	\$ 2,062,411	\$ 1,434,347
Amounts receivable and prepaid expenses (Note 6)	90,923	164,187
Total current assets	2,153,334	1,598,534
Investment (Note 7)	3,402	2,196
Property and equipment (Note 8)	71,580	11,056
Total assets	\$ 2,228,316	\$ 1,611,786
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 14)	\$ 100,439	\$ 35,769
Flow-through share premium liability (Notes 10 and 15)	130,459	330,349
Total liabilities	230,898	366,118
EQUITY		
Share capital (Note 10)	32,305,495	29,934,685
Reserves (Notes 11 and 12)	1,019,705	745,135
Deficit	(31,327,782)	(29,434,152)
Total equity	1,997,418	1,245,668
Total equity and liabilities	\$ 2,228,316	\$ 1,611,786

Nature and Continuance of Operations (Note 1)
Commitments and Contingencies (Note 15)
Subsequent Event (Note 16)

Approved on Behalf of the Board:

"signed"
Jean-Charles Potvin
Director

"signed"
Denis Arsenault
Director

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

MURCHISON MINERALS LTD.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

For the years ended December 31,

	2020	2019
EXPENSES		
Exploration expenses (Note 9)	\$ 1,781,549	\$ 894,935
Professional fees	41,309	34,589
Management fees and salaries (Note 14)	215,213	194,359
Office and general	63,380	55,804
Regulatory and transfer agent	10,396	15,753
Investor relations	127,054	145,561
Share-based payments (Notes 12 and 14)	301,170	305,380
Loss before the under noted	2,540,071	1,646,381
Interest income	(3,347)	(7,732)
Flow-through shares premium	(429,413)	(167,977)
Unrealized gain on marketable securities (Note 7)	(1,206)	(86)
Loss for the year	\$ 2,106,105	\$ 1,470,586
Loss per share - basic and diluted	\$ 0.03	\$ 0.03
Weighted average number of common shares outstanding - basic and diluted	71,316,783	47,443,350

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

MURCHISON MINERALS LTD.
CONSOLIDATED STATEMENTS OF EQUITY
(Expressed in Canadian Dollars)

		<u>Reserves</u>			
	Share Capital	Equity settled share-based payments reserve	Warrants reserve	Deficit	Total
Balance, December 31, 2018	\$ 28,895,886	\$ 808,011	\$ 458,456	\$ (29,002,753)	\$ 1,159,600
Net loss for the year	-	-	-	(1,470,586)	(1,470,586)
Issuance of common shares (net of issue costs)	1,038,799	-	-	-	1,038,799
Issuance of stock options	-	305,380	-	-	305,380
Expiry of stock options	-	(580,731)	-	580,731	-
Issuance of warrants	-	-	212,475	-	212,475
Expiry of warrants	-	-	(458,456)	458,456	-
Balance, December 31, 2019	\$ 29,934,685	\$ 532,660	\$ 212,475	\$ (29,434,152)	\$ 1,245,668
Balance, December 31, 2019	\$ 29,934,685	\$ 532,660	\$ 212,475	\$ (29,434,152)	\$ 1,245,668
Net loss for the year	-	-	-	(2,106,105)	(2,106,105)
Issuance of common shares (net of issue costs)	2,370,810	-	-	-	2,370,810
Issuance of stock options	-	301,170	-	-	301,170
Issuance of warrants	-	-	185,875	-	185,875
Expiry of warrants	-	-	(212,475)	212,475	-
Balance, December 31, 2020	\$ 32,305,495	\$ 833,830	\$ 185,875	\$ (31,327,782)	\$ 1,997,418

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

MURCHISON MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended December 31,

	2020	2019
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Loss for the year	\$ (2,106,105)	\$ (1,470,586)
Share-based payments	301,170	305,380
Flow-through shares premium	(429,413)	(167,977)
Unrealized gain on marketable securities	(1,206)	(86)
Amortization	16,163	3,160
Common shares issued for mineral property	-	65,000
	(2,219,391)	(1,265,109)
Net change in non-cash working capital items:		
Amounts receivable and prepaid expenses	73,264	(3,528)
Accounts payable and accrued liabilities	64,670	(102,430)
Net cash flows used by operating activities	(2,081,457)	(1,371,067)
INVESTING ACTIVITIES		
Purchase of property and equipment	(76,687)	(14,216)
Net cash flows used by investing activities	(76,687)	(14,216)
FINANCING ACTIVITIES		
Issuance of securities	2,960,703	1,711,070
Issue costs	(174,495)	(68,137)
Promissory note issuance	200,000	-
Promissory note repayment	(200,000)	-
Net cash flows provided by financing activities	2,786,208	1,642,933
NET CHANGE IN CASH	628,064	257,650
CASH, BEGINNING OF THE YEAR	1,434,347	1,176,697
CASH, END OF THE YEAR	\$ 2,062,411	\$ 1,434,347

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

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Murchison Minerals Ltd. (the "Company" or "Murchison") was incorporated under the Canada Business Corporations Act on July 25, 2001. The principal business of the Company is the acquisition, exploration and evaluation of mineral property interests. The primary office is located at Suite 100, 5063 North Service Road, Burlington, Ontario, Canada, L7L 5H6.

The consolidated financial statements were approved by the Board of Directors on March 17, 2021.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable mining operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and evaluation properties, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

As at December 31, 2020, the Company has a cumulative deficit of \$31,327,782 (December 31, 2019 - \$29,434,152), continuing losses and is not yet generating positive cash flows from operations. However, management believes that its current working capital position is sufficient to support planned operations for the next twelve months.

These consolidated financial statements were prepared on a going-concern basis in accordance with International Financial Reporting Standards ("IFRS"). Funding for operations has been obtained primarily through private share offerings. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all (See Note 16). These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for investment which has been presented at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The following companies have been consolidated within these consolidated financial statements:

Company	Registered	Principal activity
Murchison Minerals Ltd.	Ontario, Canada	Parent company
Flemish Gold Corp.	Ontario, Canada	Exploration company

Foreign currencies

The functional currency, as determined by management of the Company and each of its subsidiaries is the Canadian Dollar. For the purposes of the consolidated financial statements, the results and financial position are expressed in Canadian Dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period-end exchange rates are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Financial instruments

Financial assets at amortized cost are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured using the effective interest method, less any impairment losses.

A financial asset is classified as fair value through profit and loss ("FVPL") if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVPL if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Realized and unrealized gains and losses are reflected in the consolidated statement of loss. Transaction costs associated with FVPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company has designated its investments in marketable securities as FVPL.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial liabilities at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of a provision for expected credit losses. When an account receivable is considered uncollectible, it is written off against the provision for expected credit losses account. Changes in the carrying amount of the provision for expected credit losses are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As at December 31, 2020, the Company's *Investment* on the consolidated statement of financial position was recorded at Level 1 with a fair value of \$3,402 (December 31, 2019 - \$2,196).

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to a periodic impairment assessment. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Exploration and evaluation properties

The acquisition costs of exploration and evaluation properties are expensed the consolidated statements of loss in the period incurred, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources.

The acquisition costs of exploration and evaluation properties include the cash consideration and the estimated fair market value of share-based payments issued for such property interests.

Exploration costs are expensed in the period incurred. Option payments which are solely at the Company's discretion are recorded as acquisition costs as they are made. Administrative expenditures are expensed in the period incurred.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, on hand and short-term money market investments with original maturities of 90 days or less which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and are available on demand by the Company. When cash and cash equivalents include an amount to be incurred in relation to a flow-through commitment, an amount equal to the minimum commitment is kept in a separate bank account. As at December 31, 2020 and 2019, the Company had no cash equivalents.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at December 31, 2020 and December 31, 2019.

Property and equipment

Property and equipment are carried at cost, less accumulated amortization and accumulated impairment losses.

The cost of an item of property and equipment 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. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (continued)

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

An item of property and equipment 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.

Where an item of property and equipment consists of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Amortization is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Rate	Method
Exploration equipment	3 years	Straight-line
Buildings	20 years	Straight-line

Share-based payment transactions

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Unexercised expired and modified stock option values are transferred to deficit.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

Income taxes

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

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

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax is for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Equity

Share capital, stock options, warrants and broker units are classified as equity. Incremental costs directly attributable to the issuance of shares, warrants and broker units are recognized as a deduction from equity and allocated between share capital and warrants. Expired stock options and warrants are transferred to deficit.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference (“premium”) between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the consolidated statement of loss when the eligible expenditures are incurred. The amount recognized as a flow-through share related liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. The Company indemnifies the subscribers of flow-through shares for additional taxes payable by the subscribers if the Company does not meet its expenditure requirements.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax 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 a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as at December 31, 2020 and December 31, 2019 as the disturbance to date is minimal.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants, finders' warrants and stock options outstanding that may add to the total number of common shares. Diluted loss per share does not include the effect of stock options, warrants and finders' warrants as they are anti-dilutive. See Notes 11 and 12.

Warrants

Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model. Unexercised expired warrants are transferred to deficit.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the recoverable amount, being the higher of value in use and fair value less costs to sell in the case of non-financial assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Income and other taxes

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

- Share-based payments

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

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. Adoption of these pronouncements is mandatory for entities with year ends beginning on or after January 1, 2020.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The adoption of these amendments did not have any material impact on the Company’s consolidated financial statements.

Government grants

Government grants are transfers of resources to an entity by government in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government assistance is action by government designed to provide an economic benefit that is specific to an entity or range of entities qualifying under certain criteria.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized as an offset to the expenses to which they relate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognized in profit or loss of the period in which it becomes receivable.

Future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. Management is currently evaluating the impact of these new pronouncements on the consolidated financial statements.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

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

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to consist of equity, comprising share capital, reserves and deficit which at December 31, 2020 totalled \$1,997,418 (December 31, 2019 - \$1,245,668). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration and development activities. Selected information is regularly provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2020 and 2019. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2020 and 2019.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash balances and amounts receivable. Cash is held with reputable banks, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of sales tax receivable and refundable tax credits from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of \$2,062,411 (December 31, 2019 - \$1,434,347) to settle accounts payable and accrued liabilities of \$100,439 (December 31, 2019 - \$35,769). All of the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. FINANCIAL RISK FACTORS (Continued)

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks. Management believes that interest rate risk is minimal as cash and cash equivalents investments have maturities of three months or less.

Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar. Limited expenditures are transacted in foreign currencies. As a result, the Company purchases these foreign currencies as needed.

Commodity price risk

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of commodities. Commodity prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of base and/or precious metals may be produced in the future, a profitable market will exist for them. A decline in the market price of commodities may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value. As at December 31, 2020, the Company is not a commodities producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity analysis

Based on management's knowledge and experience, the Company believes the following movements are "reasonably possible" over a one-year period:

- (i) Based on cash balances earning interest at December 31, 2020, a 1% change in interest rates would result in a corresponding interest income change of approximately \$20,600 for the one-year period.

5. CATEGORIES OF FINANCIAL INSTRUMENTS

	December 2020	December 2019
Financial assets:		
Amortized cost		
Cash	\$ 2,062,411	\$ 1,434,347
FVTPL		
Investment	3,402	2,196
Financial liabilities:		
Amortized cost		
Accounts payable and accrued liabilities	\$ 100,439	\$ 35,769

As of December 31, 2020 and December 31, 2019, the fair value of all the Company's current financial instruments approximates the carrying value, due to their short-term nature.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

		December 2020	December 2019
Sales tax receivable	\$	81,703	\$ 20,478
Prepaid expenses and advances		9,220	143,709
	\$	90,923	\$ 164,187

7. INVESTMENT

The Company's investment is classified as fair value through profit and loss ("FVPL") and is carried at fair value. The balance is comprised of the following:

	Number of shares	December 2020	December 2019
First Mining Gold Corp.	8,612	\$ 3,402	\$ 2,196

The Company holds 8,612 (2019 – 8,612) common shares of First Mining Gold Corp. The unrealized gain of \$1,206 for the year ended December 31, 2020 (2019 – \$86) was recognized on the consolidated statement of loss.

8. PROPERTY AND EQUIPMENT

	Buildings	Exploration equipment	Total
Year ended December 31, 2019			
Opening net book amount	\$ -	\$ -	\$ -
Additions	-	14,216	14,216
Amortization for the period	-	(3,160)	(3,160)
Closing net book amount	\$ -	\$ 11,056	\$ 11,056
At December 31, 2019			
Cost	\$ -	\$ 14,216	\$ 14,216
Accumulated amortization	-	(3,160)	(3,160)
Net book amount	\$ -	\$ 11,056	\$ 11,056
Year ended December 31, 2020			
Opening net book amount	\$ -	\$ 11,056	\$ 11,056
Additions	48,866	27,821	76,687
Amortization for the period	(2,151)	(14,012)	(16,163)
Closing net book amount	\$ 46,715	\$ 24,865	\$ 71,580
At December 31, 2020			
Cost	\$ 48,866	\$ 42,037	\$ 90,903
Accumulated amortization	(2,151)	(17,172)	(19,323)
Net book amount	\$ 46,715	\$ 24,865	\$ 71,580

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION PROPERTIES

Canada

Brabant Lake Property – Saskatchewan

As at December 31, 2020, the Company holds a 100% interest in certain claims forming the Brabant Lake property in Saskatchewan.

HPM Property - Quebec

On February 28, 2019, the Company announced the acquisition of the other 50% interest held by joint venture partner Pure Nickel Inc. in the nickel-copper-cobalt HPM property. On March 5, 2019, as per the agreement and following the TSX Venture Exchange approval, the Company paid \$50,000 and issued 500,000 common shares of the Company valued at \$65,000 to Pure Nickel Inc. See Note 10. The Company now owns 100% of the HPM property in Québec.

The following table sets out the exploration expenses for the last two years:

	December 31, 2020	December 31, 2019
Brabant Lake		
Amortization	\$ 16,163	\$ 3,160
Drilling	868,116	-
General Administrative	2,000	3,425
Geology	292,709	519,173
Geophysics	371,275	225,641
Mineral Property and Staking	4,421	17,340
Total Brabant Lake	\$ 1,554,684	\$ 768,740
	December 31, 2020	December 31, 2019
HPM		
Geology	86,425	-
Geophysics	135,008	-
Mineral Property and Staking	5,432	116,857
Total HPM	\$ 226,865	\$ 116,857

Government Assistance

The Saskatchewan Targeted Mineral Exploration Incentive (“TMEI”) supports the diversification of Saskatchewan's mineral sector by encouraging exploration for base metals, precious metals, and diamonds as well as other components such as airborne geophysical data and complementary ground-based geoscience investigations.

The TMEI provides up to \$50,000 financial assistance in the form of a grant to eligible exploration companies that undertake exploration drilling for base metals, precious metals, or diamonds.

In 2020, the Company received \$50,000 under the TMEI in relation to the drilling completed in the winter 2020. This amount has been recorded as a reduction of the Brabant Lake exploration drilling expenses on the statement of loss for the year ended December 31, 2020.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

10. SHARE CAPITAL

(a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares.

(b) Issued

	Number		Amount
Balance - December 31, 2018	44,209,881	\$	28,895,886
Issuance of common shares for mineral property ⁽ⁱ⁾	500,000		65,000
Issuance of flow-through shares ^{(ii) (iii)}	15,811,901		1,461,070
Flow-through premium ^{(ii) (iii)}	-		(456,659)
Issuance of common shares ⁽ⁱⁱⁱ⁾	4,166,667		250,000
Warrants ⁽ⁱⁱⁱ⁾	-		(225,150)
Issue costs ^{(ii) (iii)}	-		(55,462)
Balance – December 31, 2019	64,688,449	\$	29,934,685
Balance - December 31, 2019	64,688,449	\$	29,934,685
Issuance of common shares ^(v)	6,614,600		429,949
Issuance of flow-through shares ^{(iv)(v)(vi)(vii)}	27,633,128		2,530,754
Flow-through premium ^{(iv)(v)(vi)}	-		(229,523)
Warrants ^{(v)(vii)}	-		(185,875)
Issue costs ^{(iv)(v)(vi)(vii)}	-		(174,495)
Balance – December 31, 2020	98,936,177	\$	32,305,495

⁽ⁱ⁾ On March 5, 2019, the Company completed the acquisition of the remainder 50% interest in the nickel-copper-cobalt HPM property held by joint venture partner Pure Nickel Inc. by making a cash payment of \$50,000 and issuing 500,000 common shares of the Company valued at \$65,000 to Pure Nickel Inc. based on the quoted market price of the Company's shares on the date of issuance. See Note 9.

⁽ⁱⁱ⁾ On June 19 and 27, 2019, the Company completed a non-brokered flow-through private placement and issued 3,714,545 flow-through common shares priced at \$0.11 per share for gross proceeds of \$408,600 of which \$130,009 was allocated to the flow-through premium. Finders' fees of \$3,000 were also paid. Officers of the Company acquired 260,000 flow-through common shares for gross proceeds of \$28,600. See Note 14.

⁽ⁱⁱⁱ⁾ On December 12, 2019, Murchison completed a non-brokered private placement and issued 4,166,667 common share units (the "Units") at a price of \$0.06 per Unit and 12,097,356 flow-through units (the "FT Units") at a price of \$0.087 per FT Unit for aggregate gross proceeds of \$1,302,470 of which \$326,650 was allocated to the flow-through premium. Each Unit consisted of one common share of the Company and one full common share purchase warrant. Each warrant entitles the holder to acquire one additional common share until December 12, 2020 at an exercise price of \$0.10 per Share. Each FT Unit consisted of one flow-through common share of the Company and one full non flow-through common share purchase warrant having the terms as the warrant issued as part of the Unit. All securities issued pursuant to the private placement are subject to a four month hold period from the date of issue.

The fair value of the warrants was estimated at \$225,150 using the Black-Scholes option model pricing with the following assumptions: expected dividend yield of 0%, expected volatility of 131%, risk-free interest rate of 1.70%, expected life of 1 year and share price of \$0.05. Issue costs of \$12,675 were allocated to the warrants.

Finder's fees totaling \$36,770 were paid under the private placement. A director of the Company participated in the private placement for a total of \$237,760. See Note 14.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(iv) On June 24, 2020, the Company completed a non-brokered flow-through private placement and issued 2,285,714 flow-through common shares priced at \$0.0875 per share for gross proceeds of \$200,000 of which, \$17,143 was allocated to the flow-through premium. Finders' fees of \$12,000 were also paid.

(v) On July 23 and August 13, 2020, the Company completed two tranches of a non-brokered private placement for gross proceeds of \$841,949. The Company issued 6,614,600 common share units at a price of \$0.065 per unit and issued 5,150,000 flow-through units at a price of \$0.08 per FT unit. Each common share unit consisted of one common share of the Company and one full common share purchase warrant. Each warrant entitles the holder to acquire one additional common share for a period of eighteen months at an exercise price of \$0.12 per warrant. Each FT unit consisted of one flow-through common share and one-half non flow-through common share purchase warrant with each full warrant being exercisable under the same terms. Finders' fees of \$29,910 were paid in relation to the private placement and \$128,170 was allocated to the flow-through premium.

The fair value of the warrants was estimated at \$182,760 using the Black-Scholes option model pricing with the following assumptions: expected dividend yield of 0%, expected volatility of 147% based on historical trading of the Company's shares, risk-free interest rate of 0.26%, expected life of 1.5 years and share price of \$0.045.

An officer and a director of the Company acquired, in aggregate, 4,000,000 units and 500,000 flow-through units for gross proceeds of \$300,000. See Note 14.

(vi) On December 9, 2020, the Company completed a non-brokered flow-through private placement and issued 4,210,525 flow-through common shares priced at \$0.095 per share for gross proceeds of \$400,000 of which, \$84,210 was allocated to the flow-through premium. Finders' fees of \$24,000 were paid.

(vii) On December 29 and 30, 2020, the Company completed a non-brokered flow-through private placement in tranches and issued 15,986,889 flow-through common shares priced at \$0.095 per share for gross proceeds of \$1,518,754. Finder's fees totalling \$76,402 were paid and an aggregate of 534,233 finders' warrants were issued. Each finder's warrant entitles the holder to acquire one common share of the Company at a price of \$0.12 per share until December 31, 2021. A director of the Company participated in the private placement for a total of \$427,500. See Note 14.

The fair value of the finders' warrants was estimated at \$12,855 using the Black-Scholes option model pricing with the following assumptions: expected dividend yield of 0%, expected volatility of 85%, risk-free interest rate of 0.20%, expected life of 1 year and share price of \$0.10.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

11. WARRANTS AND FINDERS' WARRANTS

The following summarizes the warrants and finders' warrants activity for the years ended December 31, 2020 and 2019:

	Number of Warrants	Grant Date Fair Value	Weighted Average Exercise Price
Balance - December 31, 2018	4,844,970	\$ 458,456	\$ 0.24
Expired	(4,844,970)	(458,456)	0.24
Issued	16,264,023	212,475	0.10
Balance – December 31, 2019	16,264,023	\$ 212,475	\$ 0.10
Balance - December 31, 2019	16,264,023	\$ 212,475	\$ 0.10
Expired	(16,264,023)	(212,475)	0.10
Issued	9,723,833	185,875	0.12
Balance – December 31, 2020	9,723,833	\$ 185,875	\$ 0.12

As at December 31, 2020, the Company had warrants and finders' warrants outstanding as follows:

Date of Grant	Number of Warrants	Exercise Price (\$)	Grant Date Fair Value (\$)	Expiry Date	Remaining Contractual Life (years)
July 23, 2020	8,552,100	0.12	161,012	January 23, 2022	1.07
August 13, 2020	637,500	0.12	12,008	February 13, 2022	1.12
December 30, 2020	534,233	0.12	12,855	December 31, 2021	1.00
	9,723,833		185,875		1.07

12. STOCK OPTIONS

The Company maintains a stock option plan whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that is issuable under the plan was fixed at 10% of the number of common shares issued and outstanding (a maximum of 5% of the number of common shares issued and outstanding may be held by any one person). Options expire after a maximum period of five years following the date of grant. Vesting provisions are determined at the time of each grant.

The following summarizes the stock option activity for the years ended December 31, 2020 and 2019:

	Number of Stock Options	Weighted Average Exercise Price
Balance - December 31, 2018	3,502,800	\$ 0.30
Granted ^{(i) (ii)}	3,965,000	0.09
Expired	(2,312,800)	0.35
Balance – December 31, 2019	5,155,000	0.12
Balance - December 31, 2019	5,155,000	\$ 0.12
Granted ^{(iii) (iv)}	4,100,000	0.10
Balance – December 31, 2020	9,255,000	0.11

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

12. STOCK OPTIONS (Continued)

(i) On March 6, 2019, the Company granted 665,000 stock options exercisable at \$0.095 for 5 years to directors, officers and consultants of the Company. The grant date fair value of these options of \$61,180 was estimated using the Black Scholes valuation model with the following weighted average assumptions: risk free interest rate – 1.69%, expected volatility – 186%, expected dividend yield – 0%, expected forfeiture rate of – 0% and expected life – 5 years. The options vested immediately and the \$61,180 fair value was recorded as share-based payment on the consolidated statement of loss for the year ended December 31, 2019.

(ii) On December 23, 2019, the Company granted 3,300,000 stock options exercisable at \$0.085 for 5 years to directors and officers of the Company. The grant date fair value of these options of \$244,200 was estimated using the Black Scholes valuation model with the following weighted average assumptions: risk free interest rate – 1.65%, expected volatility – 132%, expected dividend yield – 0%, expected forfeiture rate of – 0% and expected life – 5 years. The options vested immediately and the \$244,200 fair value was recorded as share-based payment on the consolidated statement of loss for the year ended December 31, 2019.

(iii) On July 20, 2020, the Company granted 400,000 stock options exercisable at \$0.10 for 5 years to an investor relations consultant of the Company. The grant date fair value of \$23,200 was estimated using the Black Scholes valuation model with the following weighted average assumptions: risk free interest rate – 0.34%, expected volatility – 116%, expected dividend yield – 0%, expected forfeiture rate of – 0% and expected life – 5 years. The options are vesting over 1 year with 25% every 3 months. The share-based compensation expense is recognized based on the vesting periods and \$16,270 was recorded on the consolidated statement of loss for the year ended December 31, 2020.

(iv) On December 31, 2020, the Company granted 3,700,000 stock options exercisable at \$0.10 for 5 years to directors and officers of the Company. The options grant date fair value of \$284,900 was estimated using the Black Scholes valuation model with the following weighted average assumptions: risk free interest rate – 0.39%, expected volatility – 116%, expected dividend yield – 0%, expected forfeiture rate of – 0% and expected life – 5 years. The options vested immediately and the \$284,900 fair value was recorded as share-based payment on the consolidated statement of loss for the year ended December 31, 2020.

As at December 31, 2020, the Company had incentive stock options issued to directors, officers, employees and key consultants of the Company outstanding as follows:

Date of Grant	Options Outstanding⁽¹⁾	Exercise Price (\$)	Grant Date Fair Value (\$)	Expiry Date	Weighted Average Remaining Contractual Life (years)
September 27, 2016	305,000	0.30	75,945	September 27, 2021	0.74
January 10, 2018	885,000	0.19	151,335	January 10, 2023	2.03
March 6, 2019	665,000	0.095	61,180	March 6, 2024	3.18
December 23, 2019	3,300,000	0.085	244,200	December 23, 2024	3.98
July 20, 2020	400,000	0.10	23,200	July 20, 2025	4.55
December 31, 2020	3,700,000	0.10	284,900	December 31, 2025	5.00
	9,255,000	0.11	840,760		4.06

⁽¹⁾ All options are exercisable, except for 300,000 granted on July 20, 2020 (100,000 vest on each of January 20, 2021, April 20, 2021 and July 20, 2021).

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

13. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax to differ from the combined Canadian federal and provincial statutory rate of 27% (2019 - 27%) were as follows:

	2020	2019
	\$	\$
Combined Canadian statutory income tax rate	27%	27%
Loss before income taxes	(2,106,105)	(1,470,586)
Expected income tax recovery based on the statutory rate	(564,000)	(394,000)
Adjustment to expected income tax benefit:		
Expiry of losses	-	-
Differences in tax rates and foreign exchange	-	2,000
Permanent differences and other	81,000	329,000
Deferred tax assets not recognized	483,000	63,000
Deferred income tax provision (recovery)	-	-

(b) Deferred income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2020	2019
	\$	\$
Capital losses	20,209,000	20,209,000
Non-capital losses	17,530,000	16,956,000
Resource properties	5,399,000	4,580,000
Share issue costs - Canada	236,000	201,000
Other	519,000	431,000
Total	43,893,000	42,377,000

(c) As at December 31, 2020, the Company had approximately \$5,399,000 (2019 - \$4,580,000) of Canadian development and exploration expenses and foreign exploration and development expenses, which, under certain circumstances, may be utilized to reduce taxable income of future years.

(d) Tax loss carry-forwards

As at December 31, 2020, the Company had approximately \$17,530,000 of non-capital losses in Canada, which may be used to reduce taxable income in future years. These losses expire from 2025 to 2040.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

a) *Remuneration of directors and officers was as follows:*

	2020	2019
Salaries and benefits	\$ 215,213	\$ 194,359
Share-based payments	284,900	278,700
	\$ 500,113	\$ 473,059

For the year ended December 31, 2020, the salaries and benefits amount above includes \$98,250 (2019 - \$91,407) for fees invoiced by a corporation controlled by the CFO of the Company for his services and \$116,963 (2019 - \$102,952) for fees invoiced by the CEO of the Company for his services as CEO. Included in accounts payable and accrued liabilities at December 31, 2020 is \$19,650 (2019 - \$ nil) owed to corporation controlled by the CFO and \$12,335 (2019 - \$15,013) owed to the CEO. The amounts payable are unsecured, non-interest bearing and have no fixed terms of repayment.

b) *Promissory Note*

On March 27, 2020, the Company issued a \$200,000 promissory note to Vyco Limited ("Vyco"). The amount owing under this promissory note bore interest at an annual rate of 5.0% and, in the event that the principal amount was not repaid in full by the due date of June 30, 2020, the interest accrued at the rate of 10% per annum from the due date until payment was effected. Vyco is a corporation controlled by a family trust. Mr. Donald K. Johnson, director of the Company, is a discretionary beneficiary of such trust and President of Vyco. The promissory note was repaid on September 9, 2020 along with interest of \$6,493.

c) *Private Placements*

As part of the private placement completed in June 2019, officers of the Company acquired 260,000 flow-through common shares for gross proceeds of \$28,600. As part of the private placement completed in December 2019, a director of the Company subscribed for 3,962,667 common share units for gross proceeds of \$237,760. See Note 10.

An officer and a director of the Company acquired, in aggregate, 4,000,000 units and 500,000 flow-through units for gross proceeds of \$290,000 in the private placement closed on July 23, 2020. As part of the private placement completed on December 30, 2020, a director of the Company subscribed for 4,500,000 flow-through common shares for gross proceeds of \$427,500. See Note 10.

See also Note 16.

15. COMMITMENTS AND CONTINGENCIES

Management Contracts

On April 9, 2020, the Company entered into consulting agreements for the services of its CEO and CFO. The agreements are effective April 1, 2020. Under the agreements, additional payments totaling \$400,000 are to be made upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. The commitment upon termination of the agreements is \$220,000, in aggregate. The minimum commitment due within one year under the terms of the agreements is \$146,400, in aggregate.

MURCHISON MINERALS LTD.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

15. COMMITMENTS AND CONTINGENCIES (Continued)

Flow-Through Obligation

As at December 31, 2020, the Company has to incur \$2,066,326 in qualifying exploration expenditures by December 31, 2021 to meet its flow-through commitments. At this time, management anticipates meeting that obligation and as a result, no additional provisions are required.

The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow-through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

Environmental

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

COVID-19

The Company's operations could be significantly adversely affected by the effects of the global spread of the contagious coronavirus causing the outbreak of COVID-19 respiratory disease, which was declared a pandemic by the World Health Organization in March 2020. The Company has followed the instructions and advice of Federal and Provincial health authorities, as well as industry-wide best practice guidelines, and has limited travel and field activities to help control the spread of COVID-19 and protect local communities. The Company cannot accurately predict the impact the COVID-19 pandemic will have on its operations, including uncertainties relating to the duration of the pandemic, the ultimate severity of the disease, the duration of travel and quarantine restrictions imposed by governmental authorities, and the impact on schedules and timelines for planned operations or exploration programs. In addition, this widespread health crisis and related business lockdowns have adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could affect the Company's operations and ability to finance its planned operations.

16. SUBSEQUENT EVENT

On March 5, 2021, the Company completed a non-brokered private placement for gross proceeds of \$800,000. The Company issued 10,000,000 common share units at a price of \$0.08 per unit. Each unit consisted of one common share and one-half common share purchase warrant with each full warrant entitling the holder to acquire one additional common share of the Company at an exercise price of \$0.12 for a period of eighteen months expiring on September 5, 2022. A director and officers of the Company subscribed for 4,150,000 units pursuant to this private placement.

End of Notes to Financial Statements