NevAdo VDO Resources Corporation

FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Nevado Resources Corporation

Opinion

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

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Guy Thomas.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

April 28, 2021

NEVADO RESOURCES CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31,

		2020		2019
ASSETS				
Current				
Cash	$	536,599	$	38,319
Receivables		6,854		2,914
Marketable securities (Note 4)		974,775		-
Prepaid expenses		6,650		5,761
	$	1,524,878	$	46,994
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 9)	$	28,009	$	36,194
Part XII.6 tax payable (Note 6)		21,080		21,080
		49,089		57,274
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 8)		14,270,833		13,670,833
Deficit		(12,795,044)		(13,681,113)
		1,475,789		(10,280)
	$	1,524,878	$	46,994

Nature of operations and going concern (Note 1)

Approved on behalf of the Board:

/s/ "Tyson King"
Tyson King, Director

/s/ "Doug Walden"
Doug Walden, Director

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

NEVADO RESOURCES CORPORATION
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
For the year ended December 31,

		2020		2019
Expenses				
Administrative costs	$	22,000	$	15,750
Filing and regulatory fees		9,435		5,350
Insurance		5,698		5,558
Interest on promissory notes (Note 7)		-		4,932
Management fees (Note 9)		5,000		-
Office and miscellaneous		425		6,435
Part XII.6 tax (Note 6)		-		14,165
Professional fees (Note 9)		38,063		28,134
Shareholder communication		1,889		4,181
Transfer agent		6,196		14,449
Operating loss		(88,706)		(98,954)
Gain on sale of property previously written off (Note 5)		845,888		50,000
Gain on write-off of account payable and accrued liabilities		-		3,143
Unrealized gain on marketable securities (Note 4)		128,887		-
		974,775		53,143
Net income (loss) and comprehensive income (loss) for the year	$	886,069	$	(45,811)
Income (loss) per common share – basic and diluted	$	0.12	$	(0.01)
Weighted average number of common shares outstanding – basic and diluted		7,137,098		5,480,161

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

NEVADO RESOURCES CORPORATION
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Share Capital				
	Number of shares	Amount	Reserves	Deficit	Total
December 31, 2018	3,119,065	$ 11,158,085	$ 3,436,450	$ (14,866,640)	$ (272,105)
Issuance of common shares in private placement	3,100,000	310,000	-	-	310,000
Share issue costs	-	(2,364)	-	-	(2,364)
Allocation of expired warrants	-	2,205,112	(2,205,112)	-	-
Allocation of expired options	-	-	(1,231,338)	1,231,338	-
Loss for the year	-	-	-	(45,811)	(45,811)
December 31, 2019	6,219,065	13,670,833	-	(13,681,113)	(10,280)
Issuance of common shares in private placement	6,000,000	600,000	-	-	600,000
Net income for the year	-	-	-	886,069	886,069
December 31, 2020	12,219,065	$ 14,270,833	$ -	$ (12,795,044)	$ 1,475,789

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

NEVADO RESOURCES CORPORATION
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the year ended December 31,

		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the year	$	886,069	$	(45,811)
Adjust for items not involving cash:				
Gain on sale of property previously written off		(845,888)		(50,000)
Gain on write-off of accounts payable and accrued liabilities		-		(3,143)
Unrealized gain on marketable securities		(128,887)		-
Changes in non-cash working capital items:				
Receivables		(3,940)		(2,914)
Prepaid expenses		(889)		(1,195)
Accounts payable and accrued liabilities		(8,185)		(53,243)
Part XII.6 tax payable and mining tax credit		-		(26,698)
Net cash used in operating activities		(101,720)		(183,004)
CASH FLOWS FROM INVESTING ACTIVITY				
Proceeds from sale of exploration and evaluation assets		-		50,000
Net cash provided by investing activity		-		50,000
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares		600,000		310,000
Share issue costs		-		(2,364)
Funds received from promissory notes		-		47,897
Repayment of promissory notes		-		(188,866)
Net cash provided by financing activities		600,000		166,667
Change in cash		498,280		33,663
Cash, beginning of year		38,319		4,656
Cash, end of year	$	536,599	$	38,319

Supplemental cash flow information (Note 10)

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

1. Nature of Operations and Going Concern

Nevado Resources Corporation (the "Company") was incorporated on June 9, 2006 under the Canada Business Corporations Act and was continued into British Columbia under the Business Corporations Act (British Columbia) on July 5, 2019. The Company is listed on the NEX (a division of the TSX Venture Exchange ("TSX-V")) under the trading symbol VDO.H. The Company is an exploration and evaluation stage corporation and is in the business of acquiring, exploring, and evaluating mineral properties. The Company's head office is located at 23rd Floor - 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The Company's registered and records office is located at 40440 Thunderbird Ridge B1831, Garibaldi Highlands, BC, V0N 1T0.

These 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. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

The Company's continuation as a going concern is dependent upon the successful results from its business activities, its ability to obtain profitable operations and generate funds, and/or complete financings sufficient to meet current and future obligations. Any funding shortfall may be met in the future in a number of ways including, but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. The Company raised capital in the current reporting period through a private placement of its common shares, with the result that the current working capital balance is an amount that management estimates is sufficient to further operations for the upcoming twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations or its ability to raise funds.

2. Basis of Presentation

Statement of compliance

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

Approval of the financial statements

These financial statements were authorized by the Board of Directors of the Company on April 28, 2021.

Basis of measurement

These financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value as explained in the significant accounting policies set out in Note 3. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Functional and presentation currency

These financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

Significant estimates and judgments

Many of the amounts included in these financial statements require management to make judgments and estimates. These judgments and estimates are continually evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in these financial statements include, but are not limited to, the following:

Going concern - The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Marketable securities - The Company's marketable securities have hold periods outside the normal course of operations and cannot be actively traded. Accordingly, as part of the valuation a discount is applied based on a valuation model to account for the lack of marketability. The model requires the input of subjective assumptions including expected price volatility. Changes in the input assumptions can materially affect the fair value estimate.

3. Significant Accounting Policies

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets consist of cash and receivables, which are classified as amortized cost, and marketable securities which are classified as FVTPL.

Impairment of financial assets

An expected credit loss ("ECL") impairment model applies to financial assets classified and measured at amortized cost and contract assets and debt investments classified and measured at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

3. Significant Accounting Policies (cont'd…)

Financial liabilities (cont'd…)

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified as amortized cost.

Exploration and evaluation assets

Exploration and evaluation assets comprise mineral properties and deferred exploration and evaluation expenditures. Expenditures incurred on activities that precede exploration for and evaluations of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

Exploration and evaluation assets include rights in mineral properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to the obtainment of more information about existing mineral deposits.

Mineral rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mineral rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs when the payments are made or received. Amounts received in excess of the capitalized value of a property are recorded in profit or loss.

Exploration and evaluation expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore, such as topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. Exploration and evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through the drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permit activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

3. Significant Accounting Policies (cont'd…)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. When an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

Share-based payments

The fair values of share options granted to employees are recognized as an expense over the vesting period with a corresponding increase in reserves. 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 of options granted is measured at the grant date and recognized over the period in 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 financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. For consultants, all goods and services received in exchange for the grant of any share-based payment are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or service received, it shall measure their value indirectly by reference to the fair value of the equity instruments granted. When options expire unexercised or are forfeited, the related portion of share-based payments previously recorded in reserves is transferred to deficit.

3. Significant Accounting Policies (cont'd…)

Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period the transaction occurs. The Company uses a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Income tax

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

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to income tax payable with regard to previous years. Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is calculated by providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred income 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 and whose implementation is expected over the period in which the deferred income tax is realized or recovered.

A deferred income 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 used.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Significant Accounting Policies (cont'd…)

Income / Loss per share

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of shares outstanding for each year. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding at the end of the year.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the EPS. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants and share options.

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning after January 1, 2021. These have not been applied in preparing these financial statements. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on these financial statements.

4. Marketable Securities

During the year ended December 31, 2020, the Company received 1,500,000 common shares of Temas Resources Corp. ("Temas"), with a fair value of $845,888 (2019 - $nil), pursuant to the purchase agreements on the La Blanche property (Note 5). The fair value of the commons shares was calculated using the market price, adjusted for a discount using a valuation model assuming a volatility of 80% and a discount rate of 16% on 375,000 common shares, which become free trading effective March 23, 2021, and 25% on 1,125,000 common shares, which become free trading effective September 23, 2021.

As at December 31, 2020, the Company held 1,500,000 (2019 - nil) shares with a fair value of $974,775 (2019 - $nil). The discount rate on each tranche was reduced by 2% for the calculation as at December 31, 2020. The change in market value of the shares resulted in the recording of an unrealized gain on marketable securities for the year ended December 31, 2020 of $128,887 (2019 - $nil).

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

La Blache property

On May 20, 2019, the Company entered into a purchase agreement with Ridge Royalty Corp. (“Ridge”) to sell its 100% interest in and to the La Blache property, which is composed of mining claims in Northern Quebec for $50,000 and a contingently receivable 1,500,000 common shares of a third party to be received under certain terms and conditions (the “Terms”). During the year ended December 31, 2020, the Terms were met and the Company received 1,500,000 common shares of Temas (Note 4) and recorded a gain on sale of property previously written off of $845,888 (2019 - $50,000).

6. Part XII.6 Tax Payable

	2020	2019
Part XII.6 tax payable	$ 21,080	$ 21,080
	$ 21,080	$ 21,080

The Part XII.6 tax payable relates to tax owed as a result of Canada Revenue Agency reassessing tax years 2009 to 2011. During fiscal 2019, the Company increased the Part XII.6 tax payable by $14,165.

7. Promissory Notes

During the year ended December 31, 2020, the Company received $nil (2019 - $47,897) through the issuance of promissory notes. The promissory notes matured from May to December 2019 and bore interest at a rate of 12% per annum payable annually. During the year ended December 31, 2020, the Company recorded interest of $nil (2019 - $4,932). During the year ended December 31, 2019, the promissory notes and accrued interest were repaid in full.

8. Share Capital

Authorized share capital

Unlimited number of shares without par value.

(Expressed in Canadian Dollars)

8. Share Capital (cont'd…)

Issued share capital

During the year ended December 31, 2020, the Company issued 6,000,000 units at a price of $0.10 per unit by way of a non-brokered private placement, for total proceeds of $600,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 per common share, for a period of 12 months from the date of issue.

During the year ended December 31, 2019, the Company issued 3,100,000 units at a price of $0.10 per unit for total proceeds of $310,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.12 per common share, for a period of 12 months from the date of issue. Share issue costs of $2,364 were incurred.

Stock options

The Company has an incentive stock option plan in accordance with the policies of the TSX-V, which provides that the Board of Directors may, from time to time, at its discretion, grant to directors, officers, employees and other key personnel non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the stock option plan does not exceed 10% of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares that may be allocated to directors, officers, employees and consultants of the Company and all other terms and conditions of the options, subject to the policies of the TSX-V.

During the year ended December 31, 2020 and 2019, no options were granted.

As at December 31, 2020 and December 31, 2019, no options were outstanding.

Warrants

Warrant transactions are summarized as follows:

	Number of warrants		Weighted average exercise price
Balance as at December 31, 2018	-	$	-
Issued	3,100,000		0.12
Balance as at December 31, 2019	3,100,000		0.12
Issued	6,000,000		0.20
Expired	(3,100,000)		0.12
Balance as at December 31, 2020	6,000,000	$	0.20

(Expressed in Canadian Dollars)

8. Share Capital (cont'd…)

Warrants (cont'd…)

As at December 31, 2020, the Company had outstanding share purchase warrants enabling the holders to acquire common shares as follows:

Number of warrants		Exercise price	Weighted average remaining life (years)	Expiry date
6,000,000	$	0.20	0.85	November 6, 2021
6,000,000				

9. Related Party Transactions

The Company considers key management personnel to consist of its directors and officers. The following expenses were incurred in transactions with key management personnel:

		2020		2019
Management fees	$	5,000	$	-
Professional fees		22,000		13,000
	$	27,000	$	13,000

As at December 31, 2020, included in accounts payable and accrued liabilities was $5,250 (2019 - $3,150) owing to a director and an officer.

10. Supplemental Cash Flow Information

The significant non-cash financing and/or investing activities are as follows:

		2020		2019
Shares received for exploration and evaluation assets	$	845,888	$	-
Allocation of reserves on expiry of options	$	-	$	1,231,338
Allocation of reserves on expiry of warrants	$	-	$	2,205,112

(Expressed in Canadian Dollars)

11. Segmented Information

The Company operates in a single reportable operating segment being the acquisition and exploration of exploration and evaluation assets in Canada.

12. Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

		2020		2019
Net income (loss) before income taxes	$	886,069	$	(45,811)
Expected income tax (recovery)	$	239,000	$	(12,000)
Permanent differences and other		(17,000)		1,000
Discount on marketable securities		(34,000)		-
Share issue costs		-		(1,000)
Adjustment to prior year provision versus statutory tax returns		(156,000)		-
Change in unrecognized deferred tax assets		(32,000)		12,000
Income tax expense (recovery)	$	-	$	-

The significant components of the Company's unrecognized deferred income tax assets and liabilities are as follows:

		2020		2019
Marketable securities	$	16,000	$	-
Exploration and evaluation assets		243,000		224,000
Share issue costs		-		2,000
Non-capital losses		1,649,000		1,714,000
		1,908,000		1,940,000
Unrecognized deferred tax assets		(1,908,000)		(1,940,000)
Net deferred tax assets	$	-	$	-

(Expressed in Canadian Dollars)

12. Income Taxes (cont'd…)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

		2020	Expiry date range
Marketable securities	$	120,000	No expiry date
Exploration and evaluation assets	$	629,000	No expiry date
Share issue costs	$	1,000	2021 to 2023
Non-capital losses	$	6,106,000	2029 to 2040

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

13. Financial Risk Management Objectives and Policies, and Financial Risks

Fair value hierarchy

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

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 value 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 Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values. Marketable securities are measured at fair value using level 2 inputs with valuation assumptions as described in Note 4.

13. Financial Risk Management Objectives and Policies, and Financial Risks (cont'd…)

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

The main financial risks to which the Company is exposed are detailed below.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due.

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its operations. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments. The Company's ability to continue a going concern is dependent on management's ability to raise capital through future equity on debt issuances.

As at December 31, 2020, the Company had cash of $536,599 to settle current liabilities of $49,089.

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company's credit risk is primarily attributable to its liquid financial assets, being cash and receivables. Cash is held with a significant Canadian chartered bank, which mitigates the credit risk. Receivables are primarily due from a government agency.

Interest rate risk

The Company has cash balances, and its current policy is to invest excess cash in certificates of deposit or high-interest savings accounts with Canadian chartered banks. As at December 31, 2020, interest rate risk was nominal.

Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

14. Capital Management

The Company defines capital as being components of equity. The Company's capital management objectives are to ensure that it is able to pursue its operations, including the potential acquisition and evaluation and explorations assets. The Company manages its capital structure and makes adjustments to ensure that sufficient liquidity is available for operations. Accordingly, as necessary, it will attempt to obtain additional capital through equity markets. The Company is not subject to any externally imposed capital requirements. Changes in capital are described in the statements of changes in shareholders' equity (deficiency). There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended December 31, 2020.