PROVIDENCE GOLD MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Stated in Canadian Dollars)

Baker Tilly WM LLP
900 – 400 Burrard Street
Vancouver, British Columbia
Canada V6C 3B7
T: +1 604.684.6212
F: +1 604.688.3497

vancouver@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Providence Gold Mines Inc.:

Opinion

We have audited the consolidated financial statements of Providence Gold Mines Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, consolidated statements of changes in 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 audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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 audits 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 audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 26, 2021

(Stated in Canadian Dollars)

		December 31, 2020		December 31, 2019
ASSETS				
Current assets				
Cash	**$**	**514,455**	$	27,829
Accounts receivable		**4,340**		24,117
Prepaid expenses and advances		**54,287**		60,368
Total current assets		**573,082**		112,314
Non-current assets				
Equipment, net		**5,720**		7,678
Right-of-use asset – Note 6		**36,708**		-
Exploration and evaluation assets – Note 5		**2,323,383**		2,028,347
Total non-current assets		**2,365,811**		2,036,025
Total Assets	**$**	**2,938,893**	$	2,148,339
LIABILITIES				
Current liabilities				
Trade and other payables – Note 8	**$**	**35,704**	$	189,664
Lease liability – Note 6		**34,450**		-
Total current liabilities		**70,154**		189,664
Non-current liabilities				
Lease liability – Note 6		**2,934**		-
Total liabilities		**73,088**		189,664
EQUITY				
Share capital – Note 7		**5,834,604**		4,442,522
Equity reserves – Note 7		**748,224**		479,974
Advance share subscriptions received		**-**		10,000
Accumulated deficit		**(3,717,023)**		(2,973,821)
Total Equity		**2,865,805**		1,958,675
Total Liabilities and Equity	**$**	**2,938,893**	$	2,148,339

Nature of Operations and Going Concern – Note 1
Subsequent Event – Note 13

APPROVED ON BEHALF OF THE DIRECTORS:

*“**Ronald Coombes**”*	Director	*“**Thomas Kennedy**”*	Director
Ronald Coombes		Thomas Kennedy	

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

(Stated in Canadian Dollars)

		Year Ended December 31, 2020		2019
Expenses:				
Accounting and audit fees – Note 8	**$**	**75,454**	$	23,250
Amortization – Note 6		**33,018**		1,951
Consulting fees – Note 8		**108,500**		16,000
Foreign exchange loss		**7,148**		5,875
Legal and corporate services – Note 8		**41,362**		49,410
Management fees – Note 8		**48,000**		53,822
Marketing		**15,000**		51,369
Office, rent and administration		**29,727**		41,552
Shareholder communications		**123,857**		179,684
Stock-based payments – Notes 7 and 8		**243,800**		284,548
Transfer agent and filing fees		**15,340**		17,319
Total expenses		**(741,206)**		(724,780)
Other Items:				
Interest on lease liabilities		**(1,996)**		-
Settlement of debt		**-**		6,458
Total Other Items		**(1,996)**		6,458
Net loss and comprehensive loss for the year	**$**	**(743,202)**	$	(718,322)
Basic and diluted loss per share	**$**	**(0.02)**	$	(0.02)
Weighted average shares outstanding – basic and diluted		**45,912,665**		35,261,818

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

PROVIDENCE GOLD MINES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

		Year Ended December 31, 2020		2019
Operating Activities:				
Net loss for the year	$	**(743,202)**	$	(718,322)
Items not involving cash:				
Amortization		**33,018**		1,951
Interest on lease liabilities		**(1,996)**		-
Settlement of debt		**-**		6,458
Stock-based payments		**243,800**		284,548
Changes in non-cash working capital items:				
Accounts receivable		**19,777**		(22,801)
Prepaid expenses and advances		**6,081**		217,600
Trade and other payables		**(145,839)**		125,223
Cash outflows from operating activities		**(588,361)**		(105,343)
Investing Activity:				
Investment in exploration and evaluation assets		**(181,161)**		(797,246)
Cash outflows from investing activities		**(181,161)**		(797,246)
Financing Activities:				
Shares issued for cash		**1,321,560**		424,104
Share issue costs		**(35,028)**		(15,378)
Shares subscriptions received		**-**		10,000
Payments on lease liability		**(30,384)**		-
Cash inflows from financing activities		**1,256,148**		418,726
Change in cash		**486,626**		(483,863)
Cash, beginning		**27,829**		511,692
Cash, end	$	**514,455**	$	27,829
Supplemental cash flow information:				
Interest paid	$	**-**	$	-
Non-cash investing and financing activities:				
Allocated from share capital to equity reserves relating to unit warrants from a private placement	$	**4,250**	$	101,526
Shares issued for debt settlement	$	**-**	$	24,000
Shares issued for property acquisition	$	**120,000**	$	202,500
Shares and warrants issued for finder's fees	$	**20,200**	$	66,959
Fair value of options cancelled and expired	$	**-**	$	36,127
Exploration and evaluation assets additions in accounts payable	$	**-**	$	6,125

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

PROVIDENCE GOLD MINES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian Dollars)

	Number of Shares Outstanding	Share capital	Equity reserves	Advance share subscriptions received	Accumulated deficit	Total equity
Balance – December 31, 2018	30,216,518	$ 3,645,023	$ 89,800	$ 205,040	$ (2,255,499)	$ 1,684,364
Common shares issued pursuant to:						
- debt settlement	200,000	24,000	-	-	-	24,000
- private placement	5,242,866	523,518	105,626	(205,040)	-	424,104
- property acquisition	1,965,620	265,359	-	-	-	265,359
Stock-based payments	-	-	284,548	-	-	284,548
Advance share subscriptions	-	-	-	10,000	-	10,000
Share issue costs	-	(15,378)	-	-	-	(15,378)
Net loss for the year	-	-	-	-	(718,322)	(718,322)
Balance – December 31, 2019	37,625,004	4,442,522	479,974	10,000	(2,973,821)	1,958,675
Common shares issued pursuant to:						
- private placements	16,432,000	1,327,310	4,250	(10,000)	-	1,321,560
- property acquisition	1,000,000	120,000	-	-	-	120,000
Stock-based payments	-	-	243,800	-	-	243,800
Share issue costs	-	(55,228)	20,200	-	-	(35,028)
Net loss for the year	-	-	-	-	(743,202)	(743,202)
Balance – December 31, 2020	**55,057,004**	**$ 5,834,604**	**$ 748,224**	**$ -**	**$ (3,717,023)**	**$ 2,865,805**

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

Note 1 **Nature of Operations and Going Concern**

Providence Gold Mines Inc. (the "Company") was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia. It commenced operations on April 18, 2011. The Company is in the process of exploring and evaluating its mineral property located in California, United States.

The Company's principal business activity is mineral exploration. It is a public company which trades on the TSX Venture Exchange ("TSX-V") under the trading symbol "PHD" as a Tier 2 issuer. The address of the Company's corporate office and principal place of business is 501 – 595 Howe Street, Vancouver, British Columbia, Canada.

These consolidated financial statements have been prepared on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2020, the Company has an accumulated deficit of $3,717,023 and has experienced negative cash flows from operations. Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive or raise additional funds via equity issuances or debt instruments. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. To date, the potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures introduced and being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and physical distancing) have not had a material impact on the Company's operations. Nevertheless, going forward these measures could have a material impact on the Company or the Company's suppliers. The extent of the impact of this outbreak and related containment measures on the Company's future operations cannot be reliably estimated at the date of these consolidated financial statements.

These events and conditions create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures.

There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statements of financial position. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Note 2 Basis of Preparation

a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These consolidated financial statements were approved for issue by the Board of Directors on April 26, 2021.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. The Company's subsidiary is Providence Gold Mines (US) Inc., which was incorporated in the United States of America. A subsidiary is any entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity; is exposed to variable returns in connection with its interest in the entity; and a linkage exists between this power and exposure to variable returns. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.

b) Basis of presentation

The Company and its subsidiary each have a functional currency of Canadian dollars, which is also the presentation currency for the consolidated financial statements.

These consolidated financial statements have been prepared using the historic cost convention, except for financial instruments measured at fair value. These consolidated financial statements are also prepared using the accrual basis of accounting, except for cash flow information.

Note 3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently during the years ended December 31, 2020 and 2019, unless otherwise indicated.

a) Foreign Currency Transactions

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the functional currency by the use of the exchange rate in effect at that date. At the year end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the year end and the related translation differences are recognized in the Company's profit or loss.

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

Note 3 Summary of Significant Accounting Policies (cont'd)

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less at inception, that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For the consolidated cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts. As of December 31, 2020 and 2019, the Company had no cash equivalents on hand or bank overdrafts.

c) Pre-Exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

d) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been obtained, costs directly related to active exploration and evaluation expenditures ("E&E"), including borrowing costs related to the acquisition, construction or production of qualifying assets, are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying and sampling costs, drilling costs, payments made to contractors, geologists, consultants, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the Company's profit or loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". E&E assets are tested for impairment before the assets are transferred to mines under construction.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets including E&E assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Note 3 **Summary of Significant Accounting Policies (cont'd)**

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has no cash generating unit for which impairment testing is performed. An impairment loss is charged to the Company's profit or loss, except to the extent that it reverses gains previously recognized in other comprehensive loss/income.

f) Financial Instruments

Recognition

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i. those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
ii. those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

Note 3 Summary of Significant Accounting Policies (cont'd)

f) Financial Instruments (cont'd)

Classification and Measurement (cont'd)

After initial recognition at fair value, financial liabilities are classified and measured at either:

i. amortized cost;
ii. FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
iii. FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

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

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or at FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL or loss are expensed in profit or loss.

The Company's financial asset consists of cash, which is classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in profit or loss. The Company's financial liabilities consist of trade and other payables, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Impairment

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

Note 3 Summary of Significant Accounting Policies (cont'd)

g) Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use ("ROU") asset and corresponding lease liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and an interest expense in profit or loss. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in profit or loss. Short-term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of the lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

h) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by E&E activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include: restoration, reclamation and revegetation of the affected exploration sites.

When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related E&E assets. Over time, the discounted liability is increased for the changes in present value based on the passage of time, current market discount rates and liability specific risks. Adjustments to the liability as a result of changes in estimates are recognized as a corresponding change to the E&E asset, while accretion of the liability over the passage of time is recognized in profit or loss for the period.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. The Company did not have any significant future rehabilitation provisions as at December 31, 2020 or 2019.

Note 3 Summary of Significant Accounting Policies (cont'd)

i) Income Tax

Current tax and deferred tax are recognized in the Company's profit or loss, except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss. Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share Capital

Financial instruments issued by the Company are classified as equity, only to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares, share purchase warrants and stock options are classified as equity instruments. Common shares issued are recorded within the consolidated statements of changes in equity as share capital. The fair values of warrants and stock options issued are recorded to equity reserves, and are transferred to share capital on exercise of the associated warrants or stock options.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds. The residual value method is used to calculate the fair value of the warrant component of units issued, whereby the residual of the private placement proceeds less the fair value of the share component is assigned as the fair value of the warrants.

k) Profit or Loss Per Share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted profit per share is computed by dividing the Company's profit applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period. Diluted loss per share is equal to basic loss per share, as the potentially dilutive instruments would be anti-dilutive.

Note 3 Summary of Significant Accounting Policies (cont'd)

l) Share-Based Payments

Where equity-settled stock options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to the Company's profit or loss, E&E assets, or share capital over the vesting period. The number of equity instruments expected to vest at each reporting date, are taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss, E&E assets, or share capital, as applicable, over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares or E&E assets. Amounts related to the issuance of shares are recorded as a reduction of share capital and amounts related to the properties are capitalized. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Unless otherwise stated, the valuation model used is the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the purchase date. Any such excess is recognized as an expense.

Note 4 Critical Accounting Estimates and Judgments

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

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

Information about critical estimates and judgments made in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Critical Estimates and Judgments

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on estimates and assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available.

b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Functional Currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiary. The functional currency was determined based on the currency in which funds are sourced and the degree of dependence on the Company, by the subsidiary, for financial support.

d) Going Concern

Management makes a judgment about the Company's ability to continue as a going concern by taking into account the consideration of the various factors discussed in Note 1.

(Stated in Canadian Dollars)

Note 5 **Exploration and Evaluation Assets**

		Tuolumne Property
Acquisition Costs:		
Balance, December 31, 2018	$	513,687
Mineral Lease & Joint Venture Agreement		67,280
1,500,000 common shares at $0.135		202,500
465,620 common shares at $0.135		62,859
Cash payments		4,629
Balance, December 31, 2019		850,955
1,000,000 common shares at $0.12		120,000
Balance, December 31, 2020		970,955
Exploration Costs:		
Balance, December 31, 2018	$	445,930
Geological costs – Note 8		118,532
Field costs – Note 8		542,068
Mapping and reports		55,365
Permits and taxes		5,466
Sample analysis		10,031
Balance, December 31, 2019		1,177,392
Claims maintenance		4,742
Geological costs – Note 8		119,359
Field costs		48,096
Sample analysis		2,839
Balance, December 31, 2020		1,352,428
Exploration and evaluation assets, December 31, 2019	**$**	**2,028,347**
Exploration and evaluation assets, December 31, 2020	**$**	**2,323,383**

Tuolumne Property

On March 28, 2017, the Company entered into an agreement (the “Agreement”) with a group of owners, (collectively the “Assignors”) whereby the Company can acquire by way of assignment all of the contractual interests held by the Assignors in various patented and located mineral claims in Tuolumne County, California, USA (the “Property”) with a history of gold mineralization (the “Transaction”).

The Property includes six parcels and thirteen 20-acre mining claims. The Assignors have also staked a further 9 claims contiguous to the existing claims for a total of 6 patented and 22 located mining claims.

Note 5 **Exploration and Evaluation Assets (cont'd)**

Tuolumne Property (cont'd)

As consideration for the assignment, the Company will assume all obligations of the Assignors to the Property owner, enter into a Lease/Purchase Agreement with the Property owner, and has agreed to pay the following to the Assignors:

a) Following regulatory approval, the Company will make a cash payment of US$25,000 (paid) and issue 1,500,000 common shares (issued);
b) After completing the recommended first year work program of at least $250,000 (completed), the Company will issue an additional 1,500,000 common shares (issued);
c) After completing the recommended second year work program of at least $750,000 (completed), the Company will issue an additional 1,500,000 common shares (issued); and
d) In the event the Company elects to acquire the Property for US$5,000,000 the Company will issue an additional 1,500,000 common shares.

One of the Assignors above, accounting for 50% of the share issuances, is a company controlled by an individual who subsequently was appointed director and officer of the Company.

The Company has negotiated the general terms and provisions whereby it can earn a 50% joint venture interest in the Property, or alternatively buy a 100% interest in the Property. To earn a 50% interest in the Property, the Company is required to pay the Property owners US$150,000, incur $2,000,000 of expenditures on the Property over the course of three years, and issue 4,500,000 shares of the Company as follows:

a) payment of US$25,000 following regulatory approval (paid);
b) payment of US$25,000 (paid) and incurring $250,000 (incurred) of expenditures by March 28, 2018;
c) payment of US$100,000 (US$53,500 paid – amended below) and incurring an additional $750,000 of expenditures by March 28, 2019 (incurred); and
d) incurring an additional $1,000,000 of expenditures by March 28, 2020 (amended below).

During the year ended December 31, 2019, the Company received letters of extension regarding its year 2 property commitments as follows: (i) exploration expenditures of $750,000 (incurred) required to be incurred on or before March 28, 2019 are now required to have been incurred by October 31, 2019; (ii) share issuances of 1,500,000 common shares (issued) after completing the recommended second year work program of at least $750,000 are required to be issued on or before October 31, 2019; (iii) the required payment of US$100,000 to the Property owners has been amended such that US$50,000 (paid US$53,500) was paid upon the execution of the extension agreement and the remaining US$50,000 is due on or before October 15, 2019 (amended below); and (iv) the issuance of 465,620 finder's fee shares (issued) to be issued after the Company meets its commitments in year 2 on or before May 31, 2019.

During the year ended December 31, 2020, the Company entered into a second amended agreement whereby the Company will issue 1,000,000 common shares for all past due lease payments (issued at a fair value of $120,000) and will issue a further 200,000 common shares upon the commencement of the Company's planned 3,900m drill program on the property. The Company will also be committed to incur $500,000 each year for 5 years beginning in 2021. If the Company does not incur the committed expenditures in any such one-year period, the Company can pay US$25,000 in lieu of the committed expenditures.

(Stated in Canadian Dollars)

Note 5 **Exploration and Evaluation Assets (cont'd)**

Tuolumne Property (cont'd)

Having earned a 50% interest, a joint venture would be formed with the Property owner. Alternatively, a 100% interest in the Property can be acquired for US$5,000,000, at any time, of which one-half can be paid in shares of the Company.

The Property owner will retain a 2.5% net smelter returns royalty ("NSR"), of which 1.5% NSR can be acquired for US$1,000,000 at any time up to 90 days following commencement of commercial production on the Property.

The Company issued 230,000 shares as a finder's fee during the year ended December 31, 2017, with a further 465,620 shares issued during the year ended December 31, 2019.

During the year ended December 31, 2019, the Company entered into an agreement permitting the re-processing of stockpiles on its Providence Mines. The Company will pay a net profit interest (NPI) of 10% to the Ellers Family Trust for such processing or reprocessing of stockpiles.

During the year ended December 31, 2019, the Company recorded a gain on settlement of debt of $6,458, related to debt associated with property exploration costs.

Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental disturbances be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental matters related to any of its current or former properties that may result in a material liability to the Company.

Note 6 **Lease**

Lease

The Company leases office space on a term of 24 months, which commenced on February 1, 2020. The leased office has been recorded as a ROU asset with a corresponding lease liability as follows:

ROU Asset

ROU asset is presented in the consolidated statements of financial position under non-current assets.

		Office Lease
Balance at January 1, 2019 and December 31, 2019	$	-
Additions		**67,768**
Amortization		**(31,060)**
Balance at December 31, 2020	**$**	**36,708**

(Stated in Canadian Dollars)

Lease Liability

Lease liability is presented in the statement of financial position as follows:

		Office Lease
Balance at January 1, 2019 and December 31, 2019	$	-
Additions		67,768
Lease payments		(30,384)
Balance at December 31, 2020	**$**	**37,384**

$1,996 of interest expense is included in the lease payments, and classified as interest expense in profit and loss.

		2020
Current liabilities	$	34,450
Non-current liabilities		2,934
	$	37,384

Note 7 **Share Capital and Equity Reserves**

a) Common Shares

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time.

No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

Shares issued during the year ended December 31, 2020 were as follows:

Issuances for Cash

On March 6, 2020, the Company closed a non-brokered private placement of 850,000 units at $0.10 per unit for gross proceeds of $85,000. Each unit consists of one common share and one non-transferable share purchase warrant which entitles the holder to purchase one additional common share for a period of twelve months at a price of $0.15. Cash share issuance costs were paid on filing of $1,175. A fair value of $4,250 was allocated from share capital to equity reserves relating to the unit warrants of the private placement.

(Stated in Canadian Dollars)

Note 7 Share Capital and Equity Reserves (cont'd)

a) Common Shares (cont'd)

On May 19, 2020, the Company closed $100,000 in the first tranche of a private placement from the sale of 1,250,000 units at $0.08 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of one year to purchase an additional common share of the Company at the price of $0.15 per common share. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants.

On July 22, 2020, the Company closed $1,146,560 in the second tranche of a private placement offering from the sale of 14,332,000 units at $0.08 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of one year to purchase an additional common share of the Company at the price of $0.15 per common share. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. Finder's fees paid in connection with the financing were comprised of cash of $27,600 and 477,750 finder's warrants entitling the holder to purchase one common share of the Company for a period of one year at a price of $0.15 per common share. Share issue costs include the cash finder's fees of $27,600, $20,200 calculated as the fair value of the finder's warrants and additional cash share issuance costs of $6,253.

The fair value of finder's warrants above was determined to be $0.04 per warrant using the Black-Scholes option pricing model with the following assumptions:

Stock price	$0.105
Exercise price	$0.15
Dividend rate	0%
Expected life	1 Year
Expected annual volatility	132.56%
Risk-free rate	0.27%

Issued for Property Acquisition

During the year ended December 31, 2020, the Company issued 1,000,000 common shares at a fair value of $120,000 pursuant to the Tuolumne Property acquisition.

Shares issued during the year ended December 31, 2019 were as follows:

Issuances for Cash

On January 3, 2019, the Company closed the second tranche of a non-brokered private placement for proceeds of $223,040 through the issuance of 1,858,666 Units at a price of $0.12 per Unit. Each Unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company for a period of three years, at a price of $0.15 in year one, $0.20 in year two and $0.25 in year three. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants.

(Stated in Canadian Dollars)

Note 7 Share Capital and Equity Reserves (cont'd)

a) Common Shares (cont'd)

On May 29, 2019, the Company closed a non-brokered private placement for proceeds of $406,104 through the issuance of 3,384,200 Units at a price of $0.12 per Unit. Each Unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company for a period of three years, at a price of $0.15 in year one, $0.20 in year two and $0.25 in year three. A fair value of $101,526 was allocated from share capital to equity reserves relating to the unit warrants of the private placement. Finder's fees paid in connection with the financing were comprised of cash of $8,006 and 66,720 finder's warrants entitling the holder to purchase one common share of the Company for a period of two years at a price of $0.15 per common share. Share issue costs include $4,100 calculated as the fair value of the finder's warrants and additional cash share issuance costs on filing of $3,272.

The fair value of finder's warrants above was determined to be $0.06 per warrant using the Black-Scholes model with the following assumptions:

Dividend rate	0%
Expected life	2 Years
Expected annual volatility	176.12%
Exercise price	$0.15
Share price	$0.105
Risk-free rate	1.53%

Issued for Property Acquisition

During the year ended December 31, 2019, the Company issued 1,500,000 common shares at a fair value of $202,500 pursuant to the Tuolumne Property acquisition. 750,000 of these shares were issued to a company controlled by an individual who is a director and officer of the Company.

During the year ended December 31, 2019, an aggregate of 465,620 common shares were issued as a finder's fee to a finder for their efforts to complete the Tuolumne Property acquisition transaction (Note 3). Exploration and evaluation assets include $62,859 of cost for the fair value of the shares based on the market value on the date of issue.

Issued for Debt Settlement

During the year ended December 31, 2019, the Company settled $24,000 in debt with a third party through the issuance of 200,000 common shares of the Company at $0.12 per share.

(Stated in Canadian Dollars)

Note 7 Share Capital and Equity Reserves (cont'd)

b) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants is presented below:

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	11,586,077	$ 0.20	6,276,491	$ 0.20
Issued	16,909,750	0.15	5,309,586	0.20
Expired	(42,664)	0.15	-	-
Ending balance	**28,453,163**	**$ 0.17**	**11,586,077**	**$ 0.20**

At December 31, 2020, the following share purchase warrants were outstanding:

	Expiry Date	Number of Warrants	Weighted Average Exercise Price ($)
Warrants*	March 6, 2021	850,000	0.15
Warrants	May 19, 2021	1,250,000	0.15
Finder's warrants	May 29, 2021	66,720	0.15
Warrants	July 22, 2021	14,332,000	0.15
Finder's warrants	July 22, 2021	477,750	0.15
Warrants	December 11, 2021	6,056,627	0.20
Finder's warrants	December 11, 2021	177,200	0.20
Warrants	January 3, 2022	1,858,666	0.20
Warrants	May 29, 2022	3,384,200	0.20
Total		28,453,163	

*expired subsequent to the year ended December 31, 2020, unexercised.

c) Stock Options

The Company, in accordance with the policies of the TSX-V, is authorized to grant stock options to directors, officers, employees and service providers to acquire up to 10% of common shares outstanding (the "Plan").

Under the Plan, options may be granted at, not less than the discounted market price of the Company's common shares as defined by the TSX-V on the day preceding the grant for a maximum term of 5 years. No amounts are paid or payable by the recipient upon the grant of options and the options are not dependent on any performance-based criteria. Vesting of stock options is at the discretion of the Board but generally options will vest when granted except where granted for investor relations activities which vest, and may be exercised, in accordance with the Plan's vesting provisions as to ¼ of the options each 3 months.

(Stated in Canadian Dollars)

Note 7 **Share Capital and Equity Reserves (cont'd)**

c) Stock Options (cont'd)

Stock option transactions are summarized below:

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	3,350,000	$ 0.15	950,000	$ 0.16
Granted	2,625,000	0.13	2,900,000	0.15
Expired/cancelled	(800,000)	0.15	(500,000)	0.15
Ending balance	**5,175,000**	**$ 0.14**	**3,350,000**	**$ 0.15**

Weighted Average Exercise Price ($)	Expiry Date	Number Outstanding	Number Exercisable
0.16	August 1, 2022	600,000	600,000
0.12	July 13, 2023	1,400,000	1,400,000
0.14	August 6, 2023	1,225,000	1,225,000
0.15	February 7, 2024	1,150,000	1,150,000
0.15	May 2, 2024	300,000	300,000
0.15	July 18, 2024*	500,000	500,000
		5,175,000	5,175,000

*cancelled subsequent to the year ended December 31, 2020.

During the year ended December 31, 2020, the Company granted 1,400,000 stock options to directors, officers and consultants exercisable at $0.12 for a period of three years and granted 1,225,000 stock options to directors, officers and consultants exercisable at $0.14 for a period of three years. During the year ended December 31, 2020, the Company recorded stock-based payments totaling $243,800 (2019 - $293,548) in relation to the stock options, which was expensed as stock-based payments in operations.

The weighted average measurement date fair value of stock options granted during the year ended December 31, 2020 has been estimated at $0.09 (2019 - $0.12) per option using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2020	**2019**
Dividend rate	0%	0%
Expected life	3 Years	5 Years
Expected annual volatility	133.85%	168.47%
Exercise price	$0.13	$0.15
Share price	$0.12	$0.12
Risk-free rate	0.28%	1.68%

(Stated in Canadian Dollars)

Note 8 Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

These transactions were agreed upon by the Board of Directors and were measured at the consideration established and agreed to by the related parties.

During the years ended December 31, 2020 and 2019, the Company incurred:

- accounting fees of $58,750 (2019 - $nil) and corporate services of $13,393 (2019 - $nil) to an accounting firm of which an officer of the Company is a partner.
- accounting fees of $nil (2019 - $12,000) and legal and corporate services of $nil (2019 - $6,000) to a former officer of the Company.
- legal and corporate services of $nil (2019 - $23,429) to a former director of the Company.
- consulting fees of $86,000 (2019 - $16,000) to a director of the Company.
- management fees of $48,000 (2019 - $24,000) to a director of the Company.
- geological costs of $111,540 (2019 - geological and field costs of $173,587) capitalized as exploration costs. The amounts were paid to directors and officers of the Company.
- share-based payments of $99,246 (2019 - $263,411) for its key management personnel.

As at December 31, 2020, trade and other payables included $12,269 (2019 - $80,393) owing to officers and directors and to a company controlled by a director and officer for management activities and operational expenses.

Note 9 Segmented Reporting

The Company is organized into business units based on exploration and evaluation assets and has one reportable operating segment spread across two geographic locations, being that of acquisition and exploration and evaluation in Canada and in the United States. A summary of the segmented assets as at December 31, 2020 and December 31, 2019, and the Company's loss and comprehensive loss for the years ended December 31, 2020 and December 31, 2019 is as follows:

	United States	Canada	December 31, 2020 Total
Net loss for the year	$ (2,640)	$ (740,562)	$ (743,202)
Exploration and evaluation assets	2,323,383	-	2,323,383
Total segment assets	2,340,824	598,069	2,938,893

	United States	Canada	December 31, 2019 Total
Net loss for the year	$ (22,405)	$ (695,917)	$ (718,322)
Exploration and evaluation assets	2,028,347	-	2,028,347
Total segment assets	2,044,237	104,102	2,148,339

Note 10 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

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

Note 11 Financial Instruments

As at December 31, 2020, the Company's financial instruments consist of cash and trade and other payables.

a) Fair Value

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 **-** Fair value measurements are derived from quoted prices in active markets or identical assets or liabilities;

Level 2 **-** Fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 **-** Fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

The fair value of the Company's trade and other payables approximate their carrying amount, which is the amount on the consolidated statements of financial position, due to their short-term maturities. The Company's cash is measured at its fair value in accordance with level 1 of the fair value hierarchy.

b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2020. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(Stated in Canadian Dollars)

Note 11 Financial Instruments (cont'd)

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate fair value risk.

The Company's exposure to interest rate fluctuations is minimal.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at December 31, 2020 is $514,455 (2019 - $27,829). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant. The Company's exposure to credit risk has not changed significantly from the prior year.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. Additional cash requirements could be met with the issuance of additional share capital; however, there is no assurance the Company will be able to raise funds in this manner in the future. As at December 31, 2020, the Company was holding cash of $514,455 (2019 - $27,829) and had trade and other payables of $35,704 (2019 - $189,664). The Company's trade and other payables are due within twelve months of year end.

Note 12 Income Taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual combined federal and provincial income tax rate for the full financial year applied to the pre-tax income. The Company's effective tax rate for the year ended December 31, 2020 was 27% and 27% for the year ended December 31, 2019.

The differences between the tax expense for the years ended December 31, 2020 and 2019 and the expected income taxes based on the statutory rate are as follows:

December 31,		**2020**		2019
Loss before income taxes	**$**	**(743,202)**	$	(718,322)
Basic statutory income tax rate		**27.00%**		27.00%
Expected income tax recovery		**(200,665)**		(193,950)
Differences due to recognition of items for tax purposes and items not recognized:				
Change in statutory, foreign tax, foreign exchange rates and other		**150**		700
Permanent differences and other		**66,200**		500
Share issue costs		**(14,900)**		(5,300)
Tax benefits not recognized		**149,215**		198,050
Total income tax expense/(recovery)	**$**	**-**	$	-

(Stated in Canadian Dollars)

Note 12 Income Taxes (cont'd)

The nature and tax effect of the temporary differences giving rise to deferred income tax assets and liabilities at December 31, 2020 and 2019 are summarized as follows:

	Non-capital losses carried forward	Share issue costs	Exploration and evaluation assets	Less: Unrecognized deferred income tax asset	Deferred income tax liability
Balance December 31, 2018	$ 565,600	$ 23,100	$ 43,600	$ (632,300)	$ -
Temporary difference	200,100	(2,800)	750	(198,050)	-
Balance December 31, 2019	765,700	20,300	44,350	(830,350)	-
Temporary difference	145,865	3,800	(450)	(149,215)	-
Balance December 31, 2020	**$ 911,565**	**$ 24,100**	**$ 43,900**	**$ (979,565)**	**$ -**

Note 13 Subsequent Event

Subsequent to the year ended December 31, 2020, the Company granted 475,000 stock options to directors, officers and consultants exercisable at $0.12 for a period of three years.