



**SURGE**

BATTERY METALS



**Surge Battery Metals Inc.**

(Formerly Surge Exploration Inc.)

**Consolidated Interim Financial Statements  
For the Three Months Ended 31 March 2021 and 2020  
(Unaudited)**

(Expressed in Canadian dollars)

## **NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of consolidated interim financial statements by an entity's auditor.

**Surge Battery Metals Inc.** (Formerly Surge Exploration Inc)  
**Consolidated Interim Statements of Financial Position**  
**31 March 2021 and 31 December 2020**  
**(Unaudited)**  
(Expressed in Canadian dollars)

As at	Notes	March 31, 2021	December 31, 2020
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	5	2,827,242	6,626
Marketable securities	8	-	200,000
Amount receivable	6	9,831	15,652
		<b>2,837,073</b>	222,278
<b>Exploration and evaluation properties</b>	7	<b>74,457</b>	48,457
<b>Total assets</b>		<b>2,911,530</b>	270,735
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9,10	47,131	346,418
		<b>47,131</b>	346,418
<b>Equity</b>			
Share capital	11	19,770,241	17,574,829
Contributed surplus	11	2,528,399	1,718,331
Deficit		(19,434,241)	(19,368,843)
<b>Total equity</b>		<b>2,864,399</b>	(75,683)
<b>Total equity and liabilities</b>		<b>2,911,530</b>	270,735

**Nature of operations and going concern** (Note 1), **Commitments and contingencies** (Note 16) and **Subsequent events** (Note 19)

**APPROVED BY THE BOARD:**

*“Greg Reimer”*

Greg Reimer

*“Gordon Jung”*

Gordon Jung

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

**Surge Battery Metals Inc.** (Formerly Surge Exploration Inc)  
**Consolidated Interim Statements of Loss and Comprehensive Loss**  
**For the three months ended 31 March 2021 and 2020**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Notes	2021	2020
		\$	\$
<b>Administration expenses</b>			
Accounting and audit fees		21,839	-
Consulting	10	105,229	63,000
Legal		-	12,541
Marketing and communications		2,158	-
Office expenses		836	240
Rent		4,500	4,500
Share-based payments	11	589,480	-
Service charges		479	450
Transfer agent and regulatory fees		24,199	8,796
<b>Loss before other items</b>		<b>(748,720)</b>	<b>(89,527)</b>
<b>Other income (expense)</b>			
Foreign exchange gain (loss)		272	-
Gain on write-off of accounts payable		84,962	-
Gain from marketable securities	8	598,088	-
Impairment marketable securities	8	-	(22,750)
<b>Net loss and comprehensive loss for the year</b>		<b>(65,398)</b>	<b>(112,277)</b>
<b>Loss per share</b>			
Basic and diluted	12	<b>(0.00)</b>	<b>(0.01)</b>

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

**Surge Battery Metals Inc.** (Formerly Surge Exploration Inc)  
**Consolidated Interim Statements of Cash Flows**  
**For the three months ended 31 March 2021 and 2020**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Notes	2021	2020
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss for the year		(65,398)	(112,277)
Adjustment for:			
Share-based payments	11	589,480	-
Gain from marketable securities	8	(598,088)	-
Impairment marketable securities	8	-	22,750
Changes in operating working capital:			
Decrease (increase) in amounts receivable		5,821	(4,561)
(Decrease) increase in trade and other payables		(299,287)	23,309
<b>Cash used in operating activities</b>		<b>(367,472)</b>	<b>(70,779)</b>
<b>INVESTING ACTIVITIES</b>			
Exploration and evaluation properties expenditures	7	(10,000)	-
Proceeds from sale of marketable securities	8	798,088	-
<b>Cash from in investing activities</b>		<b>788,088</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from shares issued	11	2,400,000	-
<b>Cash from financing activities</b>		<b>2,400,000</b>	<b>-</b>
<b>Increase (decrease) in cash</b>		<b>2,820,616</b>	<b>(70,779)</b>
Cash, beginning of period		6,626	104,489
<b>Cash, end of period</b>		<b>2,827,242</b>	<b>33,710</b>

Supplemental cash flow information (Note 13)

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

**Surge Battery Metals Inc.** (Formerly Surge Exploration Inc)  
**Consolidated Interim Statements of Changes in Equity (Deficiency)**  
**For the three months ended 31 March 2021 and 2020**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Number of common shares	Common shares	Contributed Surplus	Deficit	Total
<b>Balances, 31 December 2019</b>	<b>9,934,426</b>	<b>17,611,974</b>	<b>1,718,331</b>	<b>(18,986,209)</b>	<b>344,096</b>
Net loss for the year	-	-	-	(112,277)	(112,277)
<b>Balances, 31 March 2020</b>	<b>9,934,426</b>	<b>17,611,974</b>	<b>1,718,331</b>	<b>(19,098,486)</b>	<b>231,819</b>
<b>Balances, 31 December 2020</b>	<b>9,841,564</b>	<b>17,574,829</b>	<b>1,718,331</b>	<b>(19,368,843)</b>	<b>(75,683)</b>
Shares issued for cash	40,000,000	2,400,000	-	-	2,400,000
Shares issued for mineral properties	200,000	16,000	-	-	16,000
Share-based payments	-	-	589,480	-	589,480
Share issue costs	3,950,000	(220,588)	220,588	-	-
Net loss for the year	-	-	-	(65,398)	(65,398)
<b>Balances, 31 March 2021</b>	<b>53,991,564</b>	<b>19,770,241</b>	<b>2,528,399</b>	<b>(19,434,241)</b>	<b>2,864,399</b>

See – Notes 7 and 11

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

**Surge Battery Metals Inc.** (Formerly Surge Exploration Inc)  
**Notes to the Consolidated Interim Financial Statements**  
**For the three months ended 31 March 2021 and 2020**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Surge Battery Metals Inc. (formerly Surge Exploration Inc.), (“Surge” or the “Company”) was incorporated under the Company Act (British Columbia) on 19 June 1987 and continued to the jurisdiction of the Canada Business Corporation Act on 13 August 1997. The Company trades on the TSX Venture Exchange (the “Exchange”) under symbol SUR. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties.

The address of the Company’s corporate office and principal place of business is Suite 1220, 789 West Pender Street, Vancouver B.C., V6C 1H2.

On 20 April 2018, the Company formed a wholly owned subsidiary called Surge Exploration Chile SpA. On 23 April 2019, the Company decided to refocus its corporate efforts on mineral exploration in North America. The Company is no longer pursuing the proposed Atacama Cobalto (cobalt) project and Incahuasi (lithium) projects, and the Company has decided to close its Santiago exploration office.

On 25 May 2020, the Company consolidated its share capital on a one (1) new common share without par value for every ten (10) existing common shares without par value. No fractional shares were issued as a result of the consolidation. Instead, all fractional shares equal or greater to one-half were rounded to the next whole share. The Company’s outstanding options and warrants were adjusted on the same basis. Unless otherwise stated, the number of shares, options, warrants and the exercise prices of options and warrants presented in these consolidated financial statements have been adjusted to include the effect of this share consolidation.

On 15 March 2021, the Company changed its name to “Surge Battery Metals Inc.”. The Company’s shares started trading under the new name and new trading symbol “NILI”.

**1.1 Going concern**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At 31 March 2021, the Company had cash of \$2,827,242 (31 December 2020: \$6,626) and incurred accumulated losses of \$19,434,241 (31 December 2020: \$19,368,843) since inception. Management cannot provide assurance that the Company will ultimately achieve profitable operations or raise additional debt and/or equity capital.

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the carrying amounts for exploration and evaluation property interests and related deferred exploration and development costs are entirely dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and achievement of future profitable production from or proceeds from the disposition of its mineral property interests. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

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**1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)**

**1.1 Going concern (continued)**

These consolidated interim financial statements do not include any additional adjustments to the recoverability and classification of certain recorded assets amounts, classification of certain liabilities and changes to the statement of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This is causing significant financial market and social dislocation. This has also resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.

**2. BASIS OF PREPARATION**

**2.1 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Name	Country of Incorporation	% Equity interest at	
		31 March 2021	31 December 2020
Surge Exploration Chile SpA	Chile	100%	100%
Minera Arroyo Cobra	Mexico	98%*	98%*

\*Two former officers of the Company owns 1% each of Minera Arroyo Cobra

As of 31 March 2021 and 31 December 2020, the Company's Mexican and Chilean subsidiaries were inactive.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is obtained to the date control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

**2.2 Basis of presentation**

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value (Note 14).

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, except where otherwise indicated and all values are rounded to the nearest dollar.



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**2. BASIS OF PREPARATION**

**2.3 Statement of compliance**

The consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standards (“IAS”) 34, ‘Interim Financial Reporting’ using accounting policies consistent 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”).

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Change in accounting policy**

The IASB issued a number of new and revised IASs, IFRSs, amendments and related IFRIC interpretations, which are effective for the Company’s financial year beginning on 1 January 2020. For the purpose of preparing and presenting the consolidated financial statements, the Company has consistently adopted all these new standards for the year ended 31 December 2020.

*IFRS 3 – Definition of a Business*

In October 2018, the IASB issued amendments to IFRS 3, “Definition of a Business”, which:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an option concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occurred on or after the beginning of that period. The Company adopted IFRS 3 with no material impact on the financial statements.

**3.2 Foreign currency transactions**

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect on that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Exploration and evaluation properties**

Following the acquisition of a legal right to explore a property, all direct costs related to the acquisition of the property are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. Once commercial production has commenced, the net costs of the applicable property, will be charged to operations using the unit-of-production method based on reserves. Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

- i) The Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
- iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, the carrying value will be written-down to net recoverable amount. When the carrying value of the property exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use, the asset is written down accordingly. As a result, the direct costs related to the acquisition of mineral property interests in excess of estimated recoveries are written off to impairment of exploration and evaluation properties in the statement of comprehensive loss.

The Company may occasionally enter into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as a gain on disposal.

**3.4 Impairment of long-lived assets**

The recoverability of long-lived assets is assessed when an event occurs that indicates impairment. Recoverability is based on factors such as future asset utilization and the future discounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time, the carrying amount is written down to the recoverable amount, which equals the higher of fair value less costs to sell and value in use. Impairment losses are recognized in profit or loss.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Impairment of long-lived assets (continued)**

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**3.5 Property and equipment**

*Recognition and measurement*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Any corresponding liabilities are recorded as provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not amortized.

When major components of an item of equipment have different useful lives, they are accounted for as separate items of equipment.

*Subsequent costs*

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

*Major maintenance and repairs*

Maintenance and repair costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

*Gains and losses*

Gains and losses on disposal of property or equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized on a net basis within other income in profit or loss.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Property and equipment (continued)**

*Amortization*

Property and equipment are amortized over their estimated useful lives.

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**3.6 Financial instruments**

At initial recognition, financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”). Financial assets are recognized initially at fair value, unless they are trade receivables that do not contain a significant financing component in accordance with IFRS 15, which shall be measured at their transaction price. The subsequent measurement of financial assets depends on their classification based on both the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as follows:

*Financial Assets at Amortized Cost*

The financial asset is subsequently measured at amortized cost if the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset.

*Financial Assets at FVTOCI*

The financial asset is subsequently measured at FVTOCI if the financial asset is held within a business model whose objectives are achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding or if an irrevocable election was made for certain equity instruments at initial recognition. After initial recognition, the financial assets are measured at fair value with gains or losses recognized within other comprehensive income. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. Transaction costs are included in the initial carrying amount of the asset.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Financial instruments (continued)**

*Financial Assets at FVTPL*

A financial asset shall be measured at FVTPL if it is not measured at amortized cost or at FVTOCI. If the financial asset that would otherwise be measured at FVTPL is not acquired or incurred principally for the purpose of selling or repurchasing it in the near term, not part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or a derivative, the Company may make an irrevocable election at initial recognition to present subsequent fair value changes of the equity instrument in OCI. Transaction costs associated with financial assets at FVTPL are expensed as incurred. These assets are carried at fair value with gains or losses recognized in profit or loss. Cash is included in this category of financial assets.

*Derivatives designed as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

**3.7 Impairment of financial assets**

The Company shall recognize a loss allowance for expected credit losses on financial assets measured at amortized cost or FVTOCI, a lease receivable, a contract asset or a loan commitment. If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance shall be measured at an amount equal to the lifetime expected credit losses, otherwise, it shall be measured at an amount equal to the 12-month expected credit losses.

**3.8 Financial liabilities**

At initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost unless they are financial liabilities at FVTPL (including derivatives that are liabilities). Financial liabilities are recognized initially at fair value. Transaction costs directly attributable to the issue of a financial liability are included in the initial carrying value of financial liabilities if they are not measured at FVTPL. The subsequent measurement of financial liabilities depends on their classification, as follows:

*Financial liabilities measured at amortized cost*

Financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade and other payables are included in this category of financial liabilities.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Financial liabilities (continued)**

*Financial liabilities at FVTPL*

Financial liabilities are carried at fair value with gains or losses recognized in net income (loss). Where the financial liability is designed as at FVTPL, only the amount of change in the fair value of the financial liability that is attributable to the changes in the credit risk of that liability shall be presented in OCI and the remaining amount of changes in fair value presented in profit or loss. Transaction costs on financial liabilities at FVTPL are expensed as incurred.

**3.9 De-recognition of financial assets and liabilities**

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or, the financial assets are transferred, and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Where a transfer does not result in a derecognition due to continuing involvement, the Company shall continue to recognize the transferred asset and recognize a financial liability of the consideration received.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

**3.10 Decommissioning, restoration and similar liabilities**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.11 Income taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income 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 year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except 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.

**3.12 Share capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

**3.13 Flow-through shares**

The Company, from time to time, issues flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium reversal is recognized as a reduction in the deferred tax expense and the related deferred tax is recognized as a tax provision.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Flow-through shares (continued)**

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures, within the prescribed period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada income tax regulations. When applicable, this tax is accrued as a financial expense until paid.

**3.14 Loss per share**

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

**3.15 Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, 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.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

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. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.



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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.15 Share-based payments (continued)**

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus 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 accounts for the cancellation as an acceleration of vesting and 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 the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**3.16 Leases**

On January 2016, the IASB issued IFRS 16 which replaces IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company does not have any leases that would be applicable to this standard and the implementation of these amendments did not have an impact on the consolidated financial statements.

**3.17 Standards, amendments and interpretations issued but not yet effective**

At the date of authorization of these Consolidated Financial Statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been early adopted by the Company.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. The Company is evaluating the impact of these standards. Certain other new standards, amendments, and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

*IFRS 10 Consolidated Financial Statements*

This is an amendment to sale or contribution of assets between an investor and its associate or joint venture. The effective date for the amendment of IFRS 10 is for annual periods beginning on or after a date to be determined by IASB. Earlier application is permitted.

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates 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 assumptions.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern.

Information about critical judgments 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 consolidated financial statements within the next financial year are discussed below:

*Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the point at which a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized into development assets. The determination may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year when new information becomes available.

Determining whether to test for impairment of mineral exploration properties and deferred exploration assets requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a

specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

*Impairment of financial assets*

At each reporting date the Company assesses financial assets not carried at fair value through profit or loss to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events occurred during the period that negatively affected the estimated future cash flows of the financial asset.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or the disappearance of an active market for a security. If the Company determines that a financial asset is impaired, judgment is required in assessing the available information in regards to the amount of impairment; however the final outcome may be materially different than the amount recorded as a financial asset.

*Decommissioning and restoration costs*

Management is not aware of any material restoration, rehabilitation and environmental provisions as at 31 March 2021 and 31 December 2020. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the exploration and evaluation property. Such estimates are subject to change based on laws, regulators and negotiations with regulatory authorities.

*Share based payments*

Management assesses the fair value of stock options granted in accordance with the accounting policy states in note 3.15. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. Under the residual method, one component is measured first and the residual amount is allocated to the remaining component. The Company measures the value of the common shares first. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as reserves.

*Deferred income taxes*

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its subsidiaries operate could limit the ability of the Company to obtain tax deductions in future periods.

**5. CASH**

The Company's cash is denominated in the following currencies:

<b>As at</b>	<b>31 March 2021</b>	31 December 2020
	\$	\$
Denominated in Canadian dollars	<b>2,788,383</b>	5,174
Denominated in U.S. dollars	<b>38,859</b>	1,452
<b>Total cash</b>	<b>2,827,242</b>	6,626

As at 31 March 2021, the Company has \$109,521 (31 December 2020 \$109,521) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Note 17).

**6. AMOUNT RECEIVABLE**

The Company qualifies for the Goods and Sales Tax (GST) input tax credits in the amount of \$9,831 (31 December 2020: \$15,652), which may change pursuant to an audit by the taxation authorities.

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**7. EXPLORATION AND EVALUATION PROPERTIES**

Exploration and evaluation properties includes the following amounts for the period ended 31 March 2021:

	Quatse Lake	Total
	\$	\$
<b>ACQUISITION COSTS</b>		
Balance, 1 January 2021	48,457	48,457
Additions	26,000	26,000
Write-down	-	-
Disposition	-	-
<b>Balance, 31 March 2021</b>	<b>74,457</b>	<b>74,457</b>
<b>EXPLORATION AND EVALUATION COSTS</b>		
Balance, 1 January 2021	-	-
Disposition	-	-
<b>Balance, 31 March 2021</b>	<b>-</b>	<b>-</b>
<b>Total costs</b>	<b>74,457</b>	<b>74,457</b>

Exploration and evaluation properties includes the following amounts for the year ended 31 December 2020:

	Glencore Bucke	Teledyne Cobalt	Quatse Lake	Total
	\$	\$	\$	\$
<b>ACQUISITION COSTS</b>				
Balance, 1 January 2020	106,991	106,992	48,457	262,440
Disposition	(106,991)	(106,992)	-	(213,983)
<b>Balance, 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>48,457</b>	<b>48,457</b>
<b>EXPLORATION AND EVALUATION COSTS</b>				
Balance, 1 January 2020	3,555	7,463	-	11,018
Disposition	(3,555)	(7,463)	-	(11,018)
<b>Balance, 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total costs</b>	<b>-</b>	<b>-</b>	<b>48,457</b>	<b>48,457</b>

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**7. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)**

*Quatse Lake*

On 17 October 2019 the Company entered into a property option agreement to acquire a 100-per-cent interest in three mineral claims known as the Caledonia, Cascade and Bluebell, subject to a 2-per-cent net smelter return (NSR). The claims are located in the Nanaimo mining district of northern Vancouver Island. Finder's fee of 80,000 shares (with a fair value of \$2,800) (Note 11) were issued. The terms of the option agreement are:

- (a) By making cash payments to the Optionor as follows:
  - (i) \$10,000 upon TSX Venture Exchange approval (paid);
  - (ii) \$10,000 on the first anniversary of TSX Venture Exchange approval (paid);
  - (iii) \$15,000 on the second anniversary of TSX Venture Exchange approval;
  - (iv) \$20,000 on the third anniversary of TSX Venture Exchange approval; and
  - (v) \$45,000 cash on the fourth anniversary of TSX Venture Exchange approval.
  
- (b) Completing the issuance to the Optionor of 1,000,000 fully paid and non-assessable common shares in the capital of the Optionee (the "Consideration Shares") as follows:
  - (i) 200,000 Consideration Shares upon receipt of TSX Venture Exchange approval (issued with a fair value of \$7,000) (Note 11);
  - (ii) 200,000 Consideration Shares on or before the one (1) year anniversary of TSX Venture Exchange approval (issued with a fair value of \$16,000) (Note 11);
  - (iii) 200,000 Consideration Shares on or before the two (2) year anniversary of TSX Venture Exchange approval;
  - (i) 200,000 Consideration Shares on or before the three (3) year anniversary of TSX Venture Exchange approval; and
  - (ii) 200,000 Consideration Shares on or before the four (4) year anniversary of TSX Venture Exchange approval.
  
- (c) incurring cumulative minimum expenditures of \$200,000 in exploration expenditures on the property on or before the (4) year anniversary of Exchange Approval.

On 1 November 2019, the Company entered into a purchase and sale agreement with John Malcolm Bell (Vendor) to acquire four mineral claims comprising 1,786 hectares located near Quatse Lake, in the Nanaimo Mining Division of British Columbia. The Company made cash payment of \$3,657 upon signing the agreement and issued the Vendor 1,000,000 fully paid and non-assessable common shares with a fair value of \$25,000 (Note 11) upon acceptance of the agreement by TSX Venture Exchange.

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**8. MARKETABLE SECURITIES**

On 7 January 2020, the Company received 350,000 shares of Brixton with a fair value of \$61,250 at issuance in relations to the sale of its Trapper Lake property (Note 7). During the year ended 31 December 2020, the Company sold all Brixton shares for \$61,560, and recorded a gain from sale of marketable securities of \$310 (2019 - \$Nil).

On 25 February 2020, the Company received 2,500,000 pre-split shares from Fuse in relations to the early termination of the Glencore Bucke and Teledyne Cobalt Project option agreement (Note 7 and 11). The shares had a fair value of \$0.09 per share at issuance.

During the year ended 31 December 2020, Fuse underwent a two for one share split, so that the Company now holds 5,000,000 common shares that has a fair value of \$0.04 per share at 31 December 2020. The Company recognized recorded an unrealized loss on marketable securities of \$25,000 for the year ended 31 December 2020.

During the period ended 31 March 2021, the Company sold all Fuse shares for \$798,088, and recorded a gain from sale of marketable securities of \$598,088 (2020 - \$Nil).

**9. TRADE AND OTHER PAYABLES**

The Company's trade payables and accrued liabilities are principally comprised of amounts for administrative activities. These are broken down as follows:

<b>As at</b>	<b>31 March 2021</b>	31 December 2020
	\$	\$
Trade payables	42,131	306,088
Accrued liabilities	5,000	40,330
<b>Total trade and other payables</b>	<b>47,131</b>	346,418

Included in trade payables is \$14,152 (2020: \$163,978) due to related parties (Note 10).

**10. RELATED PARTY TRANSACTIONS**

For the period ended 31 March 2021 and 2020, the Company had transactions with the following companies related by way of directors, officers or shareholders in common:

- Fuse, a company with certain directors and former officers in common with the Company; and
- Nickel Rock Resources Inc. (formerly Nevada Energy Metals Inc.), a company with certain directors, officers, and former officers in common with the Company.

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**10. RELATED PARTY TRANSACTIONS (CONTINUED)**

**10.1 Key management personnel compensation**

The remuneration of directors and other members of key management for the period ended 31 March 2021 and 2020 as follows:

<b>Period ended 31 March</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Short-term benefits – consulting and management fees	<b>26,000</b>	48,000
<b>Total related party expenses</b>	<b>26,000</b>	48,000

**10.2 Related party transactions are summarized as follows:**

Related party transactions for the period ended 31 March 2021 and 2020 summarized as follows:

<b>31 March</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Consulting fees to Company controlled by former CEO	-	18,000
Consulting fees to Company controlled by CFO	<b>11,000</b>	12,000
Consulting fees to the Corporate Secretary	<b>15,000</b>	18,000
<b>Total related party expenses</b>	<b>26,000</b>	48,000

**10.3 Due from/to related parties:**

The liabilities of the Company include the following amounts due to related parties (Note 9):

<b>As at</b>	<b>31 March 2021</b>	<b>31 December 2020</b>
	\$	\$
Former CFO	<b>1,076</b>	1,076
Former Director and Vice President	-	60,576
Tina Whyte	-	89,254
Nickel Rock Resources Inc.	<b>13,072</b>	13,072
<b>Total amount due to related parties</b>	<b>14,152</b>	163,978

These amounts are unsecured, interest-free and payable on demand.



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**11. SHARE CAPITAL**

**11.1 Authorized share capital**

The Company has an authorized share capital of an unlimited number of common shares with no par value.

As at 31 March 2021, the Company had 53,991,564 common shares issued and outstanding (31 December 2020: 9,841,564).

**11.2 Share issuance**

a) Private Placements

- On 4 February 2021, the Company issued 40,000,000 units at \$0.06 per unit for cash proceeds of \$2,400,000. Each Unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share at \$0.08 per share during the five years following the date of closing. The Company also paid finder fees in the amount of 3,950,000 common shares valued at \$0.115 per share for a total of \$454,250.

b) Exploration and Evaluation Property Acquisition

- On 1 January 2021, the Company issued 200,000 common shares valued at \$16,000 in relation to the Quatse Lake property (Notes 7 and 13).

c) Issuance and Exercise of Options

- During the period ended 31 March 2021, the Company issued 4,000,000 options for a term of five years at an exercise price of \$0.105 per share.
- During the period ended 31 March 2021, the Company issued 850,000 options for a term of five years at an exercise price of \$0.06 per share.

d) Issuance and Exercise of Warrants

- During the period ended 31 March 2021, the Company issued 40,000,000 warrants at an exercise price of \$0.08 per share. The warrant term to expiry is five years.
- During the period ended 31 March 2021, the Company paid finder fees in the amount of 1,975,000 finder warrants in connection with the private placement. The finder's warrants have an exercise price of \$0.08 per share. The warrant term to expiry is five years.

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**11. SHARE CAPITAL (CONTINUED)**

**11.3 Stock option**

The Company's incentive stock option plan allows for the grant of options to employees, consultants, officers and directors providing the number of shares that may be purchased under the option plan and all previously granted options, does not exceed 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares (subject to a minimum of \$0.05) and the maximum term of the options is ten years.

The following is a summary of the changes in the Company's stock option activities for the period ended 31 March 2021 and 31 December 2020:

	31 March 2021		31 December 2020	
	Number of options	Number of options exercisable	Number of options	Weighted-average exercise price
Outstanding, beginning	153,000	153,000	383,000	\$ 0.67
Granted	4,850,000	4,850,000	-	-
Exercised	-	-	-	-
Expired / Cancelled	-	-	(230,000)	0.67
<b>Outstanding, ending</b>	<b>5,003,000</b>	<b>5,003,000</b>	153,000	0.67

The following table summarizes information regarding stock options outstanding and exercisable as 31 March 2021:

Exercise price	Number of options outstanding	Number of options exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price
<b>Options</b>				\$
11 December 2022	33,000	33,000	1.70	0.40
10 January 2023	120,000	120,000	1.52	0.70
08 January 2026	850,000	850,000	4.78	0.06
08 February 2026	4,000,000	4,000,000	4.86	0.105
<b>Total</b>	<b>5,003,000</b>	<b>5,003,000</b>	<b>4.63</b>	<b>0.11</b>

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**11. SHARE CAPITAL (CONTINUED)**

**11.4 Share purchase warrants**

The following is a summary of the changes in the Company's share purchase warrants for the period ended 31 March 2021 and 31 December 2020:

	31 March 2021		31 December 2020	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning	800,000	\$ 0.50	1,591,391	\$ 0.08
Granted	41,975,000	0.08	-	-
Exercised	-	-	-	-
Cancelled/Expired	-	-	(791,391)	1.16
<b>Outstanding, ending</b>	<b>42,775,000</b>	<b>0.09</b>	<b>800,000</b>	<b>0.50</b>

The following table summarizes information regarding share purchase warrants outstanding and exercisable as at 31 March 2021:

Exercise price	Number of warrants outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price
<b>Share purchase warrants</b>			\$
10 September 2021	800,000	0.45	0.50
03 February 2026	41,975,000	4.85	0.08
<b>Total</b>	<b>42,775,000</b>	<b>4.18</b>	<b>\$0.09</b>

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**12. LOSS PER SHARE**

The calculation of basic and diluted loss per share is based on the following data:

	<b>31 March 2021</b>	<b>31 March 2020</b>
Net loss for the period	\$ (65,398)	\$ (264,521)
Weighted average number of shares – basic and diluted	<b>53,991,564</b>	7,545,977
<b>Loss per share, basic and diluted</b>	<b>\$ (0.00)</b>	\$ (0.00)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants were anti-dilutive for the period ended 31 March 2021 and 31 December 2020.

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

During the period ended 31 March 2021 and 2020, the Company did not have any non-cash investing and financing activities.

**14. FINANCIAL INSTRUMENTS**

**14.1 Categories of financial instruments**

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>FINANCIAL ASSETS</b>	\$	\$
<b>FVTPL, at fair value</b>		
Cash	<b>2,827,242</b>	6,626
<b>Total financial assets</b>	<b>2,827,242</b>	6,626
<b>Other liabilities, at amortized cost</b>		
Trade and other payables	<b>47,131</b>	346,418
<b>Total financial liabilities</b>	<b>47,131</b>	346,418

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

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**14. FINANCIAL INSTRUMENTS (CONTINUED)**

**14.1 Categories of financial instruments (continued)**

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

**14.2 General objectives, policies and processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

**14.3 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of two types of risk: interest rate risk and equity price risk.

**14.4 Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. This risk is considered minimal.

**14.5 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

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**14. FINANCIAL INSTRUMENTS (CONTINUED)**

**14.6 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by maintaining adequate cash and restricted cash balances. The Company continuously monitors both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities.

As at 31 March 2020, the Company had a cash balance of \$2,827,242 (31 December 2020: \$6,626) and gross receivables of \$9,894 (31 December 2020: \$15,652) to settle current liabilities due in twelve months or less of \$80,917 (31 December 2020: \$346,418) and carry out its planned exploration program in the coming year. Management seeks additional financing through the issuance of equity instruments and liquidation of its marketable securities, either partial or in full, to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

**14.7 Currency risk**

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

**14.8 Determination of fair value**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The carrying amounts for cash, amount receivable, and accounts payable approximate fair value due to their short-term nature.

**15. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to maintain an appropriate capital base in order to:

1. Advance the Company's corporate strategies to create long-term value for its stakeholders;
2. Sustain the Company's operations and growth throughout metals and materials cycles; and
3. Ensure compliance with the covenants of any applicable credit facility and other financing facilities used from time to time.

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**15. CAPITAL DISCLOSURES (CONTINUED)**

The Company monitors its capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term strategic objectives. Management primarily funds the Company's exploration by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. Management closely monitors its cash balance. The balance of cash as at 31 March 2021 was \$2,827,242 (31 December 2020: \$6,626). The Company does not currently have significant debt outstanding and there are presently no formal capital requirements with which the Company has not complied.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period ended 31 March 2020.

**16. SEGMENTED INFORMATION**

The Company's only business activity is exploration and development of exploration and evaluation properties carried out in Canada.

**17. COMMITMENTS AND CONTINGENCIES**

- a) As at 31 March 2021, the Company has \$109,521 (31 December 2020: \$109,521) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Notes 5 and 11).
- b) As at 31 March 2021, the Company owns various exploration and evaluation properties (Note 7). Management does not consider that any amounts related to decommissioning liabilities are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these obligations in the future.
- c) The Company has indemnified the subscribers of flow-through shares of the Company issued in prior years against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.
- d) The Company's exploration activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the government. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.
- e) The Company has certain commitments to make payments or issue common shares related to various exploration and evaluation property agreements (Note 7).

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**18. DEBT SETTLEMENT AND MUTUAL RELEASE AGREEMENT**

In 2018, the Company commenced legal action against the former CFO and his company (the “Creditor”) for the former CFO’s breach of common law and statutory fiduciary duties owed to the Company during the year ended 2018.

The Creditor filed a counterclaim against the Company in relation to the settlement of his prior year debts owed to him by the Company. Initially during year ended 31 December 2018, the Company and the Creditor entered into an agreement to settle an aggregate balance of \$56,395 (the “Debts”) by the issuance of the Company’s shares subject to certain terms of the agreement. The Company issued 92,862 common shares to settle a portion of the Debts as a result of regulatory restriction. The Creditor did not accept the settlement.

During the year ended 31 December 2020, the Company reached a debt settlement and mutual release agreement with the Creditor, in which the Creditor returned 92,862 common shares previously issued and to be returned to treasury, and the Company paid a sum of \$45,000 to settle the Debts claimed by the Creditor, realizing a gain of \$11,395. The Company and Creditor further mutually agreed to not take any further legal action against each other in relation to the subject matter of the settlement agreement.

**19. SUBSEQUENT EVENTS**

Subsequent to 31 March 2021, the Company has the following events:

On 13 April, 2021, the Company granted to an officer of the Company, options to purchase up to 200,000 shares of the Company, with an exercise price of \$0.19 per share for a term of five years from the date of grant.

On 14 April, 2021, the Company entered into an option agreement with Green River Gold Corp. for the acquisition of an 80% interest in 8 mineral claims comprising 2,219.34 hectares located near Quesnel, British Columbia, subject to a 2% NSR. To exercise the option, the Company is to issue a total of 1,400,000 Common Shares and incur \$800,000 in work commitments over four years. The option agreement is subject to the Exchange approval. On 11 May, 2021 the Company terminated the Option Agreement with Green River Gold Corp.

**20. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The financial statements of the Company for the period ended 31 March 2021 were approved and authorized for issue by the Board of Directors on 17 May 2021.