Cartier Iron Corporation

Financial Statements
December 31, 2020 and 2019
(expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cartier Iron Corporation

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a loss of $440,686 and had negative cash flows from operations of $864,461 during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit of $10,401,538. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate 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 Management's Discussion and Analysis (MD&A).

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Stephen McCourt.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2021
Toronto, Ontario

Cartier Iron Corporation

Statements of Financial Position

(expressed in Canadian dollars)

	Notes	As at December 31, 2020 $	2019 $
Assets			
Current			
Cash	17	943,051	19,614
Receivables	5	68,833	15,854
Due from Eloro Resources Ltd.		-	65,804
Prepaid expenses		127,746	33,008
		1,139,630	134,280
Investment in associate	6	415,390	430,272
Right-of-use asset	7	42,325	84,653
Exploration and evaluation	8	1,342,801	978,410
		2,940,146	1,627,615
Liabilities			
Current			
Accounts payable and accrued liabilities	16	632,737	710,053
Due to a related party		-	25,000
Current portion of lease liabilities	9	44,884	42,276
Unrenounced flow-through share premium		16,630	91,734
		694,251	869,063
Canada Emergency Business Account loan	10	40,000	-
Lease liabilities	9	-	44,884
		734,251	913,947
Shareholders' equity			
Share capital	11	11,357,434	10,107,371
Contributed surplus	11	42,999	196,149
Warrants	11	1,207,000	371,000
Deficit		(10,401,538)	(9,960,852)
		2,205,895	713,668
		2,940,146	1,627,615

	Notes
Going concern	2
Commitments	17
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Approved by the Board:

Thomas G. Larsen
Director

Francis Sauve
Director

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

Cartier Iron Corporation
Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars)

	Notes	Years ended December 31, 2020 $	2019 $
Expenses			
Professional fees		41,796	38,951
Consulting fees	16	312,000	320,100
Financing bonus	16	38,850	-
General and administrative		215,615	183,827
Investor relations		26,722	22,788
Travel		20,768	25,845
Interest		4,080	6,535
Depreciation	7	42,328	42,328
Loss on sale of marketable securities		-	5,846
Gain on sale of investment in associate	6	(185,422)	-
Increase in fair value of marketable securities		-	(8,570)
Impairment of exploration and evaluation		560	18,627
Gain on settlement of accounts payable		(1,379)	(36,254)
Other recoveries		(22,600)	(17,837)
Part XII.6 tax		3,578	-
		496,894	602,186
Loss before loss on investment of an associate		(496,894)	(602,186)
Dilution gain on change in interest in associate	6	60,332	29,551
Share of loss of an associate	6	(91,728)	(60,745)
Loss before income taxes		(528,290)	(633,380)
Deferred income tax recovery	15	87,604	6,871
Loss and comprehensive loss		(440,686)	(626,509)
Loss per common share-basic and diluted		(0.006)	(0.010)
Weighted average number of common shares-basic and diluted		71,988,773	62,045,153

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

Cartier Iron Corporation
Statements of Changes in Equity
(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Warrants $	Deficit $	Total $
Balance, December 31, 2019	10,107,371	196,149	371,000	(9,960,852)	713,668
Private placement of units	1,295,000	-	-	-	1,295,000
Fair value of warrants issued	(1,172,000)	-	1,172,000	-	-
Fair value of finder warrants issued	(35,000)	-	35,000	-	-
Private placement of flow-through shares	350,000	-	-	-	350,000
Unrenounced flow-though premium	(12,500)	-	-	-	(12,500)
Exercise of warrants	217,410	-	-	-	217,410
Fair value of exercised warrants	39,189	-	(39,189)	-	-
Fair value of expired warrants	331,811	-	(331,811)	-	-
Share issue costs	(61,997)	-	-	-	(61,997)
Exercise of stock options	130,000	-	-	-	130,000
Fair value of exercised stock options	91,541	(91,541)	-	-	-
Fair value of expired stock options	61,609	(61,609)	-	-	-
Option payment	15,000	-	-	-	15,000
Loss	-	-	-	(440,686)	(440,686)
Balance, December 31, 2020	11,357,434	42,999	1,207,000	(10,401,538)	2,205,895
Balance, December 31, 2018	9,201,955	256,000	624,000	(9,334,343)	747,612
Private placement of units	325,000	-	-	-	325,000
Private placement of flow-through units	400,000	-	-	-	400,000
Fair value of warrants issued	(78,000)	-	78,000	-	-
Fair value of broker warrants issued	(4,000)	-	4,000	-	-
Flow-through unit premium	(98,605)	-	-	-	(98,605)
Fair value of expired warrants	335,000	-	(335,000)	-	-
Fair value of cancelled stock options	59,851	(59,851)			
Share issue costs	(33,830)	-	-	-	(33,830)
Loss	-	-	-	(626,509)	(626,509)
Balance, December 31, 2019	10,107,371	196,149	371,000	(9,960,852)	713,668

Cartier Iron Corporation
Statements of Cash Flows
(expressed in Canadian dollars)

	Years ended December 31, 2020 $	2019 $
Cash provided by (used in)		
Operating activities		
Loss	(440,686)	(626,509)
Items not affecting cash		
Depreciation	42,328	42,328
Gain on sale of investment in associate	(185,422)	-
Loss on sale of marketable securities	-	5,846
Increase in fair value of marketable securities	-	(8,570)
Impairment of exploration and evaluation	560	18,627
Dilution gain on change in interest in associate	(60,332)	(29,551)
Gain on settlement of accounts payable	(1,379)	(36,254)
Share of loss of an associate	91,728	60,745
Deferred income tax recovery	(87,604)	(6,871)
Changes in non-cash working capital		
Receivables	(52,978)	55,997
Prepaid expenses	(94,739)	3,491
Accounts payable and accrued liabilities	(75,937)	215,057
	(864,461)	(305,665)
Financing activities		
Repayment of due to Eloro Resources Ltd.	-	(261,421)
Advance (repayment) of due to a related party	(25,000)	25,000
Canada Emergency Business Account loan	40,000	-
Repayment of lease liabilities	(42,276)	(39,820)
Private placement of units	1,295,000	325,000
Private placement of flow-through units	-	400,000
Private placement of flow-through shares	350,000	-
Share issue costs	(61,997)	(33,830)
Exercise of warrants	217,410	-
Exercise of stock options	130,000	-
	1,903,137	414,929
Investing activities		
Proceeds on sale of marketable securities	-	48,440
Purchase of marketable securities	-	(9,215)
Junior Exploration Assistance grant	5,000	63,839
Purchase of investment in associate	(152,362)	(92,911)
Proceeds on sale of investment in associate	321,270	-
Repayment of advances to Eloro	65,804	-
Exploration and evaluation	(354,951)	(118,292)
	(115,239)	(108,139)
Net increase in cash	923,437	1,126
Cash, beginning of period	19,614	18,489
Cash, end of period	943,051	19,615
Non-cash transactions		
Common shares issued for option payment for exploration and evaluation	15,000	-
Supplementary information		
Interest paid	4,080	6,535
Income taxes paid	-	-

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

1. Nature of operations
Cartier Iron Corporation (the "Company") is a public company engaged in the acquisition, exploration and development of iron ore properties in Québec and a gold property in Newfoundland. The Company is incorporated under the laws of Ontario and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

2. Going concern
The Company is in the exploration stage and does not generate revenue. As at December 31, 2020, the Company had an accumulated deficit of $10,401,538 (2019 - $9,960,851) and for the year ended December 31, 2020, Company incurred a cashflow deficit from operations of $864,461 (2019 - $305,665). The accumulated deficit and cashflow deficit limit the Company's ability to fund its operations and the acquisition, exploration and development of its mineral properties. As a result, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The outbreak of the COVID-19 pandemic and the measures adopted by governments to mitigate the spread of the pandemic have not significantly impacted the Company. To date, there has been no significant impact on the Company, however, there is significant uncertainty over the impact of the pandemic on the Company's ability to secure funds in the future.

The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption is inappropriate, and these adjustments could be material.

3. Basis of presentation

Statement of compliance
The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

The financial statements were approved and authorized for issue by the Board of Directors on April 30, 2021.

Basis of measurement
These financial statements have been prepared on the historical cost basis.

Functional and presentation currency
These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgments
The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Going concern
The Company applied judgment in assessing its ability to continue as a going concern for at least 12 months.

Determination of significant influence over investment in associate
The Company applied judgment in assessing the level of influence that it has over Eloro Resources Ltd. ("Eloro") and determined that it has significant influence over Eloro. The Company has a 4.43% interest (2019 - 7.76%) in the voting rights of Eloro and three directors of the Company are also directors of Eloro. The Company concluded that it does not control Eloro as it does not have sufficient rights to exercise control over Eloro.

Impairment of exploration and evaluation
Expenditures on exploration and evaluation are initially capitalized with the intent to establish commercially viable reserves. The Company makes estimates and applies judgment about future events and circumstances in determining whether the carrying amount of exploration and evaluation exceeds its recoverable amount, including the ability to renegotiate option agreements.

Valuation of warrants and broker warrants
The Company uses the Black-Scholes option pricing model in determining the fair value of warrants, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. See note 11.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 15.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Financial instruments
Financial assets are required to be initially measured at fair value and subsequently classified at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets includes cash and due from Eloro which are classified at amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows consisting solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities include accounts payable and accrued liabilities, due to Eloro, due to related party and Canada Emergency Business Account loan, which were initially measured at fair value and subsequently classified as amortized cost.

Investment in associate
Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights of the associate. The Company accounts for its investment in associate using the equity method, under which, the investment in associate was initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the associate. Dilution gains and losses arising from changes in the interest in investment in associates where significant influence is retained are recognized in the statement of loss and comprehensive loss.

At each reporting date, the Company determines whether there is any objective evidence that the investment in associate is impaired. If impairment is determined to exist, the amount of the impairment is recognized in the statement of income (loss). The amount of impairment is calculated as the difference between the recoverable amount of the investment in associate and its carrying value.

Leases

On January 1, 2019, the Company adopted *IFRS 16, Leases* (“IFRS 16”). According to IFRS 16, a contract is, or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. With exceptions for certain short-term leases and leases of low-value assets, IFRS 16 requires a lessee to recognize lease contracts as a right-of-use asset representing its right to use an identified asset for a period of time and a lease liability representing its obligation to make lease payments.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are subsequently depreciated from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee’s applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

Exploration and evaluation

Recognition and measurement

Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation. The costs are accumulated by property pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

Refundable mining tax credits earned in respect of costs incurred in Quebec are recorded as a reduction to exploration and evaluation when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits.

The recoverability of amounts shown for exploration and evaluation is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company’s ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist and the necessary permits have been received to commence production. A review of the technical feasibility and commercial viability of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property, plant and equipment and/or intangibles or expensed to the statement of loss and comprehensive loss to the extent of any impairment. As at December 31, 2020 and 2019, the Company had no property, plant and equipment.

Impairment

Exploration and evaluation is assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation is the greater of its value in use (“VIU”) and its fair value less costs of disposal (“FVLCTS”). VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property. FVLCTS refers to the price that would be received to sell the property in an orderly transaction between market participants. For a property that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the property belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the property's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Decommissioning liabilities
The Company’s activities may give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management’s best estimate of expenditures required to settle the present obligation at the date of the statement of financial position. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. As at December 31, 2020 and 2019, the Company had no decommissioning liabilities.

Share capital
Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. In situations where the Company issues units, the value of the warrants is included as a separate reserve of the Company’s equity. The value of the warrants is calculated using the Black-Scholes option pricing model with the residual being allocated to shares.

Flow-through shares
Canadian tax legislation permits the Company to issue flow-through shares. Flow-through shares are securities whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by the investors rather than the Company, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through shares are issued, eligible expenditures are then incurred and renouncement occurs subsequently).

The issue of flow-through shares is treated as an issue of shares and the sale of tax deductions. The Company uses the residual method to measure the sale of tax deductions. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as unrenounced flow-through share premium on the statements of financial position. When the Company fulfills its obligation to pass on the tax deduction to the investors, the sale of tax deductions is recognized as a reduction of deferred tax expense in the statement of loss and comprehensive loss and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

Share-based payments
The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation or asset and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. No provisions were recorded as at December 31, 2020 and 2019.

Income tax
Income tax expense comprises current and deferred taxes. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(expressed in Canadian dollars)

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted and warrants issued.

5. Receivables

The Company files a Québec Corporation Income Tax Return claiming a refundable tax credit on eligible exploration expenditures incurred in Québec ("Refundable Tax Credits") and a Québec Mining Duties Return claiming a credit on duties refundable for losses ("Credit on Duties"). It is the Company's policy to record an estimate of amounts to be received for unassessed claims for Refundable Tax Credits and Credits on Duties as a receivable and a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. The amounts of the unassessed claims are subject to audit by Revenu Québec and Ressources naturelles de la Faune Québec.

	In respect returns filed for years ended December 31,			
	2018	2017	2016	2015
		$	$	$
Refundable Tax Credits				
As filed	–	166,069	22,476	251,079
As assessed	–	–	–	251,079
Received	–	–	–	(251,079)
Included in receivables at December 31, 2020 and 2019	–	–	–	–
Credit on Duties				
As filed	–	34,162	4,641	71,699
As assessed	–	–	–	–
Received during the period	–	–	–	–
Included in receivables at December 31, 2020 and 2019	–	–	–	–

Notices of assessment

On November 8, 2018, the Company received notices of assessments from Revenu Québec for the repayment of $135,750 ("Notices") for the return of refunds of $79,754 and $34,818 received by the Company for the refundable tax credit on eligible exploration expenditures incurred in Québec in respect of 2014 and 2015, respectively and interest thereon of $21,178.

The Company has filed notices of objection with respect to the Notices and it is not yet possible for the Company to make any realistic prediction about the outcome of the Notices. Accordingly, no amount has been recorded as a liability in these consolidated financial statements.

6. Investment in associate

As at December 31, 2020, the Company held 2,115,000 Eloro common shares (2019 - 3,000,000) with a fair value of $4,378,050 (2019 - $650,900), representing 4.43% of the outstanding Eloro common shares (2019 - 7.76%). The Company continues to account for its investment in Eloro as an investment in associate. Although the Company holds less than 20% of the voting rights of Eloro, the Company continues to have significant influence in Eloro as three directors (2019 - three directors) of the Company are also directors of Eloro.

(expressed in Canadian dollars)

	Number of Eloro common shares held	$
Balance at December 31, 2018	2,543,500	368,562
Purchases	456,500	92,904
Dilution gain	–	29,551
Share of loss	–	(60,745)
Balance at December 31, 2019	3,000,000	430,272
Purchases	112,500	152,362
Dispositions	(997,500)	(135,848)
Dilution gain	–	60,332
Share of loss	–	(91,728)
Balance at December 31, 2020	2,115,000	415,390

The following is a summary of the balance sheet of Eloro and a reconciliation to carrying amounts as at December 31, 2020:

	$
Assets	
Cash	23,754
Other current assets	268,647
	292,401
Right-of-use asset	42,635
Exploration and evaluation	6,835,813
	7,170,849
Liabilities and shareholders' equity	
Current liabilities	508,374
Advances from officers	270,000
Shareholders' equity	6,392,475
	7,170,849

Reconciliation to carrying value:

Share percentage ownership of Eloro	4.43%

	$
Company's share of net assets of Eloro	283,187
Difference between the Company's share of net assets of Eloro and carrying value	132,203
Carrying value of investment in Eloro	415,390

(expressed in Canadian dollars)

The following is a summary of the statement of loss of Eloro for the 9 months ended December 31, 2020:

	$
Expenses	
Expenses	623,416
Stock-based compensation	356,000
Depreciation	31,977
Foreign exchange loss	49,086
Interest	2,877
Financing fee	30,000
Loss on sales of marketable securities	(5,805)
Unrealized gain on marketable securities	(19,800)
Impairment of exploration and evaluation	528
	1,068,279
Loss	(1,068,279)
Other comprehensive loss	5,555
Comprehensive loss	(1,062,724)

7. Right-of-use asset

	2020 $	2019 $
Right-of-use asset	126,981	126,981
Accumulated depreciation	(84,656)	(42,328)
	42,325	84,653

8. Exploration and evaluation

Property	December 31, 2019 $	Acquisition costs $	Exploration expenditures $	Junior Exploration Assistance Program grant received $	Writedowns $	December 31, 2020 $
Gagnon	–	–	560	–	(560)	–
Big Easy	978,410	15,000	354,391	(5,000)	–	1,342,801
	978,410	15,000	354,951	(5,000)	(560)	1,342,801

Property	December 31, 2018 $	Acquisition costs $	Exploration expenditures $	Junior Exploration Assistance Program grant received $	Writedowns $	December 31, 2019 $
Gagnon	—	–	18,627	–	(18,627)	–
Big Easy	942,584	–	99,665	(63,839)	–	978,410
	942,584	–	118,292	(63,839)	(18,627)	978,410

Gagnon, Quebec

The Company owns a 55% interest in Round Lake (formerly known as Penguin Lake, Black Dan and Aubrey-Ernie) and Jeannine, consisting of 126 claims covering 66.73 square kilometres in the Fermont Iron Ore District in the Labrador Trough in northeastern Québec (“Gagnon”).

(expressed in Canadian dollars)

A joint venture was formed between the Company and Champion to incur additional exploration expenditures. If a joint venture partner does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. The other joint venture partner will have the option to reduce the royalty from 1% to 0.5% by making a payment of $3,000,000.

In the event that a joint venture partner proposes to acquire any property within 10 kilometres of Gagnon, the acquirer must offer the property at cost to the other party for inclusion in Gagnon.

As at December 31, 2020, facts and circumstances suggested that the carrying amount of Gagnon may exceed its recoverable amount. As required by International Financial Reporting Standard 6, *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), the Company assessed Gagnon for impairment. The Company concluded that there were a number of indicators of impairment, and accordingly, recorded an impairment of exploration and evaluation of $560 (2019 - $18,627).

The Company has incurred the following cumulative exploration and evaluation expenditures on Gagnon:

	$
Balance, December 31, 2018	3,877,545
Expenditures	18,627
Balance, December 31, 2019	3,896,172
Expenditures	560
Balance, December 31, 2020	3,896,732

As at December 31, 2020, Champion held 14,644,971 common shares of the Company (2019 - 14,644,971), representing 16.25% of the outstanding common shares of the Company (2019 – 22.35%). Pursuant to a standstill agreement, Champion may not sell or transfer more than 2,000,000 common shares during any 30-day period.

Big Easy, Newfoundland and Labrador
Pursuant to a definitive agreement dated October 26, 2017, ("Definitive Agreement"), the Company acquired a 100% interest in Big Easy consisting of 507 mining claims covering 127 square kilometres located in Newfoundland and Labrador. On October 6, 2020, the Company staked an additional 256 claims to hold 763 mining claims covering 191 square kilometres.

On April 24, 2019, the Company and the vendors of Big Easy amended the terms of the Definitive Agreement so that the Company's commitments were waived and postponed for the length of the period from the dates set forth in the Definitive Agreement and the date on which permitting issues related to the Big Easy watershed encumbrances are resolved to the Company's satisfaction.

On February 10, 2020, the Company resolved permitting issues related to the Big Easy watershed encumbrances and received a permit for development. The deadline to issue 500,000 common shares and incur exploration expenditures of $800,000 was extended from November 21, 2019 to September 6, 2020.

On May 1, 2020, the Company and the vendors of the Big Easy amended the terms of the Definitive Agreement. Pursuant to the amendment, in order to complete the acquisition of Big Easy, the Company must issue common shares and incur exploration expenditures, as follows:

	Common shares		Exploration
	Number	Fair value	expenditures
			$
Upon signing of definitive agreement (issued)	500,000	12,500	–
November 21, 2018 (issued and incurred)	500,000	56,000	500,000
May 15, 2020 (issued)	500,000	15,000	–
September 6, 2021	500,000	15,000	500,000
September 6, 2022	500,000	–	500,000
September 6, 2023	–	–	500,000
	2,500,000	98,500	2,000,000

(expressed in Canadian dollars)

Upon completion of the acquisition, the Company agreed to issue 100,000 common shares as a finder's fee, of which, 50,000 common shares with a fair value of $4,500 have been issued and 50,000 common shares will be issued.

In the event that the Company does not issue common shares or incur exploration expenditures, the definitive agreement will terminate and the Company will transfer the mining licences and claims to the vendor.

With respect to the common shares issued or to be issued to the vendor:

a) the vendor will not grant a security interest in the common shares;
b) the vendor has the right to sell tranches of less than 300,000 common shares;
c) until November 21, 2021, the Company has a right of first refusal in the event that the vendor receives a third party offer to acquire any tranche of more than 300,000 common shares; and
d) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote against any resolution put before the shareholders of the Company upon the recommendation of the Board of Directors
e) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote in favour of:
   (i) the election of board nominees that have not been proposed by the then Board of Directors, or
   (ii) any shareholder resolution or proposal unless the Board of Directors recommends voting in favour of such shareholder resolution or proposal.

Big Easy is subject to a 3% net smelter royalty ("NSR"). On November 21, 2017, the Company exercised an option to reduce the NSR from 3% to 2% by electing to make a payment of $200,000, as follows:

Due date	**$**
November 21, 2017 (paid)	25,000
December 31, 2017 (paid)	25,000
February 21, 2019 (extended from November 21, 2018 in consideration of the issue of 50,000 common shares)	75,000
November 21, 2019	75,000

The Company did not make the payment of $75,000 due on February 21, 2019 and the option terminated.

The Company has options to further reduce the NSR by:

a) 0.25% by making a payment of $250,000 by November 21, 2021; and
b) a further 0.25% by making a payment of $250,000 by November 21, 2022.

9. Lease liabilities

	$
Balance, January 1, 2019	126,981
Accretion of interest	6,535
Lease payments	(46,356)
Balance, December 31, 2019	87,160
Accretion of interest	4,080
Lease payments	(46,356)
Balance, December 31, 2020	44,844
Current portion of lease liabilities	44,844
Long-term lease liabilities	–
	44,844

The lease for premises is a joint and several commitment with Eloro. The remaining lease term is 1 year.

(expressed in Canadian dollars)

10. Canada Emergency Business Account loan

The Government of Canada announced that it will be providing the Canada Emergency Business Account ("CEBA") to support Canadian businesses that have been adversely affected by COVID-19. On April 20, 2020, the Company received a $40,000 CEBA term loan. The term loan is government guaranteed, interest-free until December 31, 2022, and if not repaid by December 31, 2022, it will be extended for an additional 3-year term bearing interest at the rate of 5%. The term loan can be repaid at any time without penalty, and if, $30,000 is repaid by December 31, 2022, the remaining $10,000 will be forgiven.

11. Share capital

Authorized

An unlimited number of common shares.

An unlimited number of Class A preferred shares 5% voting, redeemable, convertible, non-cumulative dividend, which are redeemable at $0.10 per share and convertible on the basis of one common share for each Class A preferred share.

Issued

	Number of common shares	$
Balance, December 31, 2018	57,472,721	9,201,955
Private placement of units	4,062,500	325,000
Private placement of flow-through units	4,000,000	400,000
Unrenounced flow-through share premium	–	(98,605)
Fair value of cancelled stock options	–	59,851
Fair value of warrants issued	–	(78,000)
Fair value of broker warrants issued	–	(4,000)
Fair value of expired warrants	–	335,000
Share issue costs	–	(33,830)
Balance, December 31, 2019	65,535,221	10,107,371
Private placement of units	18,500,000	1,295,000
Fair value of warrants issued	–	(1,172,000)
Fair value of finder warrants issued	–	(35,000)
Private placement of flow-through shares	2,500,000	350,000
Unrenounced flow-through premium	–	(12,500)
Exercise of warrants	1,811,750	217,410
Fair value of exercised warrants	–	39,189
Fair value of expired warrants	–	331,811
Share issue costs	–	(61,997)
Exercise of stock options	1,300,000	130,000
Fair value of exercised stock options	–	91,541
Fair value of expired stock options	–	61,609
Option payment	500,000	15,000
Balance, December 31, 2020	90,146,971	11,357,434

Private placement of units

On September 10, 2020, the Company completed the first tranche of a private placement which consisted of 7,142,858 units at a price of $0.07 per unit for proceeds of $500,000. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share for $0.10 until September 10, 2023. In connection with the private placement, the Company paid a finder's fee of $30,000 and issued 428,571 finder's warrants with the same terms as the unit warrants.

(expressed in Canadian dollars)

On September 17, 2020, the Company completed the second tranche of a private placement which consisted of 11,357,142 units at a price of $0.07 per unit for proceeds of $795,000. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share for $0.10 until September 17, 2023. In connection with the private placement, the Company paid a finder's fee of $8,364 and issued 119,490 finder's warrants with the same terms as the unit warrants. Directors and officers acquired 2,793,000 units.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

	Unit warrants	Finder's warrants	Unit warrants	Finder's warrants
Issue date	September 10, 2020	September 10, 2020	September 17, 2020	September 17, 2020
Expiry date	September 10, 2023	September 10, 2023	September 17, 2023	September 17, 2023
Warrants issued	7,142,858	428,571	11,357,142	119,490
Exercise price	$0.100	$0.100	$0.100	$0.100
Share price	$0.095	$0.095	$0.090	$0.090
Risk-free interest rate	0.27%	0.27%	0.27%	0.27%
Expected volatility based on historical volatility	120%	120%	120%	120%
Expected life of warrants	3 years	3 years	3 years	3 years
Expected dividend yield	0%	0%	0%	0%
Forfeiture rate	0%	0%	0%	0%
Fair value	$471,000	$28,000	$701,000	$7,000
Fair value per warrant	$0.07	$0.07	$0.06	$0.06

Private placement of flow-through common shares
On December 18, 2020, the Company completed a private placement of 2,500,000 flow-through common shares at a price of $0.14 per share for gross proceeds of $350,000. Officers of the Company subscribed for 714,287 flow-through common shares. In connection with the private placement, the Company paid a finder's fee of $17,500.

Private placement of units and flow-through units
On June 7, 2019, the Company completed a private placement of 4,062,500 units at a price of $0.08 per unit for gross proceeds of $325,000. Each unit consisted of one common share and one-half of warrant, with each whole warrant entitling the holder to purchase one common share for $0.12 until December 7, 2020. If the closing price of the common shares is over $0.25 for 20 consecutive trading days following the expiry of the 4-month hold period, the warrants must be exercised within 10 business days of the Company providing written notice, or they will be cancelled.

On June 7, 2019, the Company completed a private placement of 4,000,000 flow-through units at a price of $0.10 per unit for gross proceeds of $400,000. Each unit consisted of one common share and one-half of warrant, with each whole warrant entitling the holder to purchase one common share for $0.15 until December 7, 2020. If the closing price of the common shares is over $0.25 for 20 consecutive trading days following the expiry of the 4-month hold period, the warrants must be exercised within 10 business days of the Company providing written notice, or they will be cancelled.

In connection with the private placements, the Company paid cash commissions and share issue costs of $33,830 and issued 95,375 broker warrants entitling the holder to purchase one common share for $0.12 until December 7, 2020 and 91,000 broker warrants entitling the holder to purchase one common share for $0.15 until December 7, 2020. In the absence of a reliable measure of services received, services in respect of the private placements have been measured at the fair value of the broker warrants issued.

(expressed in Canadian dollars)

The fair values of the warrants and broker warrants were calculated using the Black-Scholes option pricing model with the following assumptions:

	Warrants		Broker warrants	
	Units	**FT Units**	**Units**	**FT Units**
Date of issue	June 7, 2019			
Expiry date	December 7, 2020			
Warrants issued	2,031,250	2,000,000	95,375	91,000
Exercise price	$0.12	$0.15	$0.12	$0.15
Share price	$0.08			
Risk-free interest rate	1.47%			
Expected volatility based on historical volatility	82%			
Expected life of warrants	1.5 years			
Expected dividend yield	0%			
Fair value	$44,000	$34,000	$2,000	$2,000
Fair value per warrant	$0.02	$0.02	$0.02	$0.02

Of the private placements, one director acquired 100,000 units for gross proceeds of $8,000.

Stock options

The Company may grant options to its directors, officers, employees and consultants for up to 10% of the number of common shares outstanding. Options granted vest immediately and the maximum term of each option is 5 years. The exercise price shall not be less than the closing price of the common shares on a stock exchange in Canada on the last trading day immediately preceding the date of the grant, less any discount permissible under the rules of the principal stock exchange on which the common shares are listed for trading. In the event that the common shares are not listed for trading on any stock exchange, the exercise price shall be the fair market value as determined by the Board of Directors. As at December 31, 2020, there were 9,014,697 stock options (2019 - 6,553,522) authorized to be issued under the stock option plan, of which, 200,000 stock options (2019 - 2,375,000) were outstanding.

A summary of the Company's stock options is presented below:

	Weighted-average exercise price	Number of stock options outstanding and exercisable
Balance, December 31, 2018	0.10	3,225,000
Cancelled	0.10	(850,000)
Balance, December 31, 2019	0.10	2,375,000
Exercised	0.10	(1,300,000)
Expired	0.10	(875,000)
Balance, December 31, 2020	0.15	200,000

A summary of the Company's outstanding stock options is presented below:

	Expiry date	Number of stock options outstanding and exercisable
$0.15	April 10, 2023	200,000

(expressed in Canadian dollars)

Warrants
A continuity of the Company's warrants is presented below:

	Weighted-average exercise price $	Number of warrants
Balance, December 31, 2018	0.17	12,780,467
Issued	0.13	4,217,625
Expired	0.21	(5,780,467)
Balance, December 31, 2019	0.13	11,217,625
Issued	0.10	19,048,061
Exercised	0.12	(1,811,750)
Expired	0.13	(9,405,875)
Balance, December 31, 2020	0.10	19,048,061

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

Exercise price	Expiry date	Number of warrants
$0.10	September 10, 2023	7,571,429
$0.10	September 17, 2023	11,476,632
		19,048,061

The weighted average remaining contractual life of the outstanding warrants is 2.7 years.

12. Deferred income tax recovery
During the year ended December 31, 2019, the Company issued $400,000 of flow-through common shares pursuant to the *Income Tax Act (Canada)*. The deductions for income tax purposes of the related expenditures were renounced to the subscribers of the flow-through shares. As the renouncement was prospective, a flow-through share premium of $80,000, representing the income tax benefits the expenditures renounced by the Company to the subscribers, was recorded in the statement of financial position as an increase to unrenounced flow-through share premium and a reduction of share capital. During the years ended December 31, 2019 and December 31, 2020, flow-through expenditures of $383,247 were incurred, reducing the unrenounced flow-through share premium by $94,475 which was recorded as a deferred income tax recovery.

During the year ended December 31, 2020, the Company issued $350,000 of flow-through common shares pursuant to the *Income Tax Act (Canada)*. The deductions for income tax purposes of the related expenditures were renounced to the subscribers of the flow-through shares. As the renouncement was prospective, a flow-through share premium of $12,500, representing the income tax benefits the expenditures renounced by the Company to the subscribers, was recorded in the statement of financial position as an increase to unrenounced flow-through share premium and a reduction of share capital.

13. Determination of fair values
A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. 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.

Cash, accounts payable and accrued liabilities and CEBA loan
The fair values of cash, accounts payable and accrued liabilities and CEBA loan at December 31, 2020 approximated their respective carrying value due to their short term to maturity.

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

(expressed in Canadian dollars)

Level 1: quoted prices in active markets for identical assets and liabilities;
Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
Level 3: inputs for the asset or liability that are not based on observable market data

There are no financial instruments measured at fair value.

14. Financial risk management
The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is equal to the Company's cash and due from Eloro. The Company limits its exposure to credit risk on its cash by holding deposits with high credit quality Canadian chartered bank.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of oil and properties. Accounts payable and accrued liabilities are subject to normal trade terms.

The following table sets out financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Accounts payable and accrued liabilities $	Lease liability $	Canada Emergency Business Account loan $	Total $
Less than 1 year	632,737	44,884	–	717,621
1-5 years	–	–	40,000	–
More than 5 years	–	–	–	–
Balance at December 31, 2020	632,737	44,884	40,000	717,621

Market risk
Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

Equity price risk
Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. At December 31, 2020, the Company owned shares of Eloro (note 6).

Currency risk
Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. As all of the Company's purchases are in Canadian dollars, the Company limits it exposure to currency risk by maintaining its cash in Canadian dollars.

Interest rate risk
The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management
Capital of the Company consists of share capital, contributed surplus, warrants and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issuance of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

15. Income taxes
The Company's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.5% (2019 - 26.5%) to the net loss for the year. The reasons for the difference are as follows:

Provision for income taxes

	2020 **$**	**2019** **$**
Expected income tax recovery based on statutory rate	(139,997)	(166,025)
Increase (decrease) resulting from:		
Renunciation of flow-through expenditures	(87,604)	(6,871)
Non-deductible expenses	73,469	108,662
Share issue costs and other	(20,855)	(16,334)
Change in deferred tax assets not recorded	87,383	73,698
Deferred income tax recovery	(87,604)	(6,871)

(expressed in Canadian dollars)

Deferred income tax balances
The Company's deferred income tax assets are as follows:

	2020 $	2019 $
Non-capital loss carryforward	1,897,000	1,703,000
Capital loss carryforward	2,516,000	2,527,000
Canadian exploration and evaluation	914,000	1,008,000
Foreign exploration and evaluation	376,000	376,000
Share issue costs	25,000	19,000
Other	(8,000)	
	5,720,000	5,633,000
Benefit of deferred tax assets not recorded	(5,720,000)	(5,633,000)
	–	–

Due to losses incurred in the current year and expected future operating results, management determined that it is unlikely that the deferred income tax assets will be realized. Accordingly, the future income tax assets have not been recorded.

Losses carried forward
At December 31, 2020, the Company had non-capital loss carryforwards which expire as follows:

	$
2026	306,000
2028	304,000
2029	455,000
2030	269,000
2032	996,000
2033	248,000
2034	354,000
2035	970,000
2036	539,000
2037	653,000
2038	714,000
2039	633,000
2040	717,000
	7,158,000

As at December 31, 2020, the Company had resource deductions of $6,211,000 which may be carried forward indefinitely to reduce taxable income in future years and capital losses of approximately $19,000,000 which may be carried forward indefinitely to be applied against capital gains in future years.

16. Related party transactions

Compensation of key management personnel
The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	Years ended December 31,		Outstanding at December 31,	
	2020 $	2019 $	2020	2019 $
Consulting fees	312,000	312,000	274,328	454,477
Financing bonus	38,850	–	37,016	–
	350,850	312,000	311,344	454,477

Additional related party transactions are disclosed in note 6. These transactions were in the normal course of business.

17. Commitments

Flow-through expenditures
Pursuant to a flow-through financing completed on June 7, 2019, the Company is committed to make eligible Canadian Exploration Expenditures of $16,753 by December 31, 2021, extended from December 31, 2020 in recognition of the delays in making expenditures that occurred as a result of COVID-19.

Pursuant to a flow-through financing completed on December 18, 2020, the Company is committed to make eligible Canadian Exploration Expenditures of $350,000 by December 31, 2021.

18. Subsequent event

Grant of stock options
On February 3, 2021, the Company granted 4,300,000 stock options to directors, officers, consultants and employees, entitling the holder to purchase one common share for $0.17 until February 3, 2026.