INTERNATIONAL MILLENNIUM MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Canadian Dollars)

International Millennium Mining Corp.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 **Page**

INDEPENDENT AUDITORS' REPORT

To the shareholders of International Millennium Mining Corp.:

Opinion

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

In our opinion, these consolidated 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 ("IFRSs").

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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of December 31, 2020, the Company has an accumulated deficit of $16,444,162, and, during the year ended December 31, 2020, the Company has generated no revenues, incurred a net loss of $276,959, and used $173,269 of cash for operating activities. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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, which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Aaron D. Oye.

/s/ Lancaster & David

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 28, 2021

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International Millennium Mining Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2020 $	December 31, 2019 $
Assets		
Current		
Cash	232,048	4,368
Amounts receivable	774	4,102
Prepaid expenses (Note 10)	21,614	–
Total current assets	254,436	8,470
Non-current assets		
Exploration and evaluation assets (Note 6)	6,105,008	6,084,535
Total assets	6,359,444	6,093,005
Current		
Accounts payable and accrued liabilities	29,870	133,581
Loan payable (Note 7)	–	2,790
Due to related parties (Note 10)	26,250	220,550
Total current liabilities	56,120	356,921
Non-current liabilities		
Convertible debentures (Note 8)	63,022	105,826
Total liabilities	119,142	462,747
Shareholders’ equity		
Share capital	20,452,368	19,551,012
Equity reserves	1,179,846	1,065,953
Accumulated other comprehensive income	1,052,250	1,180,496
Deficit	(16,444,162)	(16,167,203)
Total shareholders' equity	6,240,302	5,630,258
Total liabilities and shareholders' equity	6,359,444	6,093,005

Nature of operations (Note 1)
Subsequent events (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on April 28, 2021:

“John A. Versfelt” Director

“Robert Drago” Director

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

International Millennium Mining Corp.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended December 31, 2020 $	2019 $
Expenses		
Accounting and legal	28,850	34,257
Administration fees (Note 10)	36,000	96,000
Consulting fees (Note 10)	22,000	40,000
Depreciation	–	24,627
Directors' fees (Note 10)	26,250	32,750
Foreign exchange loss	8,423	5,238
Office and miscellaneous	11,276	42,479
Share-based compensation (Notes 9 and 10)	63,557	–
Transfer agent and filing fees	25,290	41,517
Total expenses	221,646	316,868
Loss before other income (expense)	(221,646)	(316,868)
Other income (expense)		
Accretion of discounts on convertible debentures (Note 8)	(7,612)	(1,413)
Financing costs (Note 15)	–	(30,050)
Gain on settlement of advances payable (Note 15)	–	105,605
Impairment of equipment (Note 5)	–	(195,686)
Impairment of exploration and evaluation assets (Note 6)	(33,617)	(28,571)
Interest expense (Note 8)	(14,084)	(5,814)
Transaction-related costs (Note 15)	–	(33,500)
Total other income (expense)	(55,313)	(189,429)
Net loss for the year	(276,959)	(506,297)
Other comprehensive loss		
Foreign currency translation loss	(128,246)	(304,912)
Comprehensive loss for the year	(405,205)	(811,209)
Loss per share, basic and diluted	–	–
Weighted average number of shares outstanding, basic and diluted	192,249,757	171,302,476

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

International Millennium Mining Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital		Equity	Accumulated other comprehensive		
	Number of shares	Amount $	reserves $	income $	Deficit $	Total $
Balance, December 31, 2018	171,302,476	19,551,012	1,060,366	1,485,408	(15,660,906)	6,435,880
Equity component of convertible debentures	–	–	5,587	–	–	5,587
Foreign currency translation adjustment	–	–	–	(304,912)	–	(304,912)
Net loss for the year	–	–	–	–	(506,297)	(506,297)
Balance, December 31, 2019	171,302,476	19,551,012	1,065,953	1,180,496	(16,167,203)	5,630,258
Common shares issued for settlement of debt	15,899,500	317,990	–	–	–	317,990
Equity component of convertible debentures	–	–	10,417	–	–	10,417
Units issued for private placement	32,973,250	659,465	–	–	–	659,465
Share issuance costs	–	(76,099)	39,919	–	–	(36,180)
Fair value of stock options granted	–	–	63,557	–	–	63,557
Foreign currency translation adjustment	–	–	–	(128,246)	–	(128,246)
Net loss for the year	–	–	–	–	(276,959)	(276,959)
Balance, December 31, 2020	220,175,226	20,452,368	1,179,846	1,052,250	(16,444,162)	6,240,302

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

International Millennium Mining Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended December 31, 2020 $	2019 $
Operating activities		
Net loss	(276,959)	(506,297)
Items not affecting cash:		
Accretion of discounts on convertible debentures	7,612	1,413
Depreciation	–	24,627
Gain on settlement of advances payable	–	(105,605)
Impairment of equipment	–	195,686
Share-based compensation	63,557	–
Impairment of exploration and evaluation assets	33,617	28,571
Changes in non-cash working capital items:		
Amounts receivable	3,328	7,325
Prepaid expenses	(21,614)	–
Accounts payable and accrued liabilities	(23,510)	80,209
Due to related parties	40,700	171,823
Net cash used in operating activities	(173,269)	(102,248)
Investing activities		
Exploration and evaluation asset expenditures	(181,555)	(147,563)
Net cash used in investing activities	(181,555)	(147,563)
Financing activities		
Proceeds from advances payable	–	97,812
Repayment of loan payable	–	(1,500)
Proceeds from related party	–	33,455
Proceeds from convertible debentures	75,000	110,000
Repayment of convertible debentures	(115,000)	–
Proceeds from private placement	659,465	–
Share issuance costs	(36,180)	–
Net cash provided by financing activities	583,285	239,767
Effects of foreign exchange rate changes on cash	(781)	(935)
Change in cash	227,680	(10,979)
Cash, beginning of year	4,368	15,347
Cash, end of year	232,048	4,368
Supplemental cash flow information:		
Interest paid	15,404	–
Non-cash investing and financing activities:		
Common shares issued for the settlement of accounts payable and accrued liabilities	80,200	–
Common shares issued for the settlement of loan payable	2,790	–
Common shares issued for the settlement of due to related parties	235,000	–
Discount on convertible debentures	10,417	–
Fair value of broker's warrants issued as share issuance costs	39,919	–

(The accompanying notes are an integral part of the consolidated financial statements)

1. Nature of Operations

International Millennium Mining Corp. (the "Company" or “IMMC”) is incorporated under the Business Corporations Act of British Columbia. The Company is listed on the TSX-Venture Exchange and its primary business is the acquisition, exploration, and evaluation of mineral properties in Canada and Nevada, USA. The address of the Company’s registered office and its principal place of business is 20 Sixth Street, New Westminster, British Columbia, Canada, V3L 2Y8.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2020, the Company has an accumulated deficit of $16,444,162. During the year ended December 31, 2020, the Company has generated no revenues, incurred a net loss of $276,959, and used $173,269 of cash for operating activities. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that it has sufficient working capital to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt upon the Company’s ability to continue as a gong concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of these consolidated financial statements.

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

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3(n).

3. Significant Accounting Policies

These consolidated financial statements have been prepared on an historical cost basis, except as otherwise specified, as set out in the accounting policies below.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, International Millennium Mining Inc. (“IMMI”), a Nevada corporation. Control is achieved when the Company has the power to govern the financial and operating policies of an investee, so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the group until the date on which control ceases. All inter-company transactions and accounts have been eliminated on consolidation.

3. Significant Accounting Policies (continued)

(b) Foreign currency translation

The functional currency of the parent is the Canadian dollar and the functional currency of IMMI is the United States dollar. The reporting currency is the Canadian dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items are translated using the historical rate on the date of the transaction.

Revenue and expenses are translated at average rates for the period. Unrealized foreign exchange gains and losses are included in other comprehensive income (loss) on the consolidated statement of financial position. Realized foreign exchange gains and losses are included in the consolidated statement of operations and comprehensive loss.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments, with an original maturity of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value net of transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost, FVOCI, or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of operations.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of operations. Any gain or loss on derecognition is recognized in the consolidated statement of operations.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of operations. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of operations.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of operations unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of operations.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of operations. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses, and gain or loss on derecognition are recognized in the consolidated statement of operations.

The Company's cash, amounts receivable, accounts payable, loan payable, convertible debentures, and amounts due to related parties are classified as amortized cost.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of operations.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Impairment

Financial assets and contract assets

The Company recognizes loss allowances for expected credit losses (“ECLs”) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL’s that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(v) Impairment (continued)

Financial assets and contract assets (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the consolidated statement of operations and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3. Significant Accounting Policies (continued)

(e) Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Once a license to explore an area has been acquired or an option agreement is signed and binding, mineral property expenditures, including the costs of acquiring claims, are capitalized as exploration and evaluation assets on an area of interest basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a claim is relinquished or a project is abandoned, the related costs are recognized in the consolidated statement of operations at that time. Exploration and evaluation assets are classified as intangible. Capitalized costs that are tangible are classified as property and equipment. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

(f) Equipment

Equipment consisted of drilling equipment parts and support materials held by the Company for the purpose of using the equipment as replacement parts for future leases of drilling equipment. The Company amortized the equipment over its estimated useful life of 10 years.

(g) Impairment of long-lived assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit (“CGU”) to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset’s value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of operations and comprehensive loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations and comprehensive loss.

(h) Loss per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution of outstanding stock options and warrants that could share in the earnings of the Company. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. As at December 31, 2020, the Company had 87,947,210 (2019 – 51,489,200) potentially dilutive shares outstanding.

3. Significant Accounting Policies (continued)

(i) Share-based compensation

The Company has a stock option plan under which it grants stock options to directors, employees and consultants. Stock-based compensation is recorded as an expense for all options granted to employees, or to those providing similar services, at the fair value of the equity instruments over the vesting period, with a corresponding increase in equity reserves. For options that vest in instalments over the vesting period, each instalment is accounted for as a separate arrangement.

The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. For awards with vesting conditions, a forfeiture rate is recognized at the grant date and is adjusted at each reporting date to reflect the number of awards expected to vest. As the options are exercised, the consideration paid, together with the amount previously recognized in equity reserves is recorded as an increase in share capital.

For equity-settled stock-based payments to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity reserves, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the Black-Scholes option pricing model is used.

(j) Rehabilitation obligations

A provision for site rehabilitation is recognized based on statutory, contractual, or constructive obligations resulting from the acquisition, exploration, and development of exploration and evaluation assets. The net present value of the future site rehabilitation costs is capitalized to the related asset with a corresponding increase in the provision for site rehabilitation. The net present value is calculated using a pre-tax rate that reflects the time-value of money and the risks specific to the liability. The unwinding of the discount is classified as a finance cost in the consolidated statement of operations.

As at December 31, 2020, the Company has insurance covering a surety bond held with the Nevada State Bureau of Land Management of $75,508 (US$59,306) (2019 - $77,027 (US$59,306)). As at December 31, 2020, the Company has not identified any additional rehabilitation obligations requiring the recognition of a provision.

(k) Share capital

Common shares are classified as equity. The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(l) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. Significant Accounting Policies (continued)

(l) Income taxes (continued)

Deferred income tax

The Company uses the statement of financial position method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools, and other deductions. A deferred income tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income 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.

(m) Borrowing costs

Borrowing costs attributable to the acquisition, construction, or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance costs in the consolidated statement of operations in the period in which they are incurred.

(n) Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical judgments

- The analysis of the going concern assumption, which requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period; and
- The determination of whether it is likely that future economic benefits from exploration and evaluation expenditures are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Estimates

- Recoverability of exploration and evaluation assets;
- Fair value of convertible debentures;
- Fair value of share-based payments;
- Rehabilitation provisions; and
- Unrecognized deferred income tax assets.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

(o) Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

4. Accounting Standards Issued But Not Yet Effective

Certain pronouncements have been issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2020 or later years. Management does not believe the adoption of these future standards will have a material impact on the Company's consolidated financial statements.

5. Equipment

	Drilling equipment parts $
Cost:	
Balance, December 31, 2018	246,272
Impairment	(246,272)
Balance, December 31, 2019 and 2020	–
Accumulated depreciation:	
Balance, December 31, 2018	25,959
Additions	24,627
Impairment	(50,586)
Balance, December 31, 2019 and 2020	–
Carrying amounts:	
Balance, December 31, 2019 and 2020	–

During the year ended December 31, 2020, the Company recognized impairment of drilling equipment parts of $nil (2019 - $195,686), which reduced the equipment to its estimated recoverable amount of $nil.

6. Exploration and Evaluation Assets

(a) Nevada Properties

(i) Silver Peak (Nivloc) Property, Esmeralda County

In September 2007, the Company established its interest in the Silver Peak (Nivloc) Property, located in Esmerelda County, Nevada, by acquiring 9 unpatented claims for US$75,000 and 110,000 shares.

During fiscal 2011, an additional 95 contiguous claims (the "Additional Claims") were staked and recorded.

In February 2011, and amended May 22, 2012, the Company executed an Option and Joint Venture Agreement, with Silver Reserve Corp. ("SRC"), pursuant to which the Company acquired the right to purchase up to an 85% interest in 18 unpatented lode claims (the "NL Extension Claims") contiguous with and surrounding the Company's existing Silver Peak (Nivloc) Property.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

(a) Nevada Properties (continued)

(i) Silver Peak (Nivloc) Property, Esmeralda County (continued)

The Company acquired the interest in the NL Extension Claims by making cash payments of US$350,000 and by issuing 1,925,000 shares over a period of five years as follows:

	Cash (US$)	Common shares
Upon execution of Letter of Intent (paid)	5,000	–
Upon execution of Agreement (paid 2011)	5,000	–
Upon receipt of TSX Venture approval (paid and issued)	15,000	275,000
On or before September 15, 2011 (paid and issued)	35,000	300,000
On or before September 15, 2012 (paid and issued)	50,000	300,000
On or before September 15, 2013 (paid and issued)	70,000	350,000
On or before September 15, 2014 (paid and issued)	70,000	350,000
On or before September 15, 2015 (paid and issued)	100,000	350,000
	350,000	1,925,000

On October 14, 2015, the Company made the final payment of US$100,000 to SRC, thereby acquiring an 85% undivided interest in the Silver Peak (Nivloc) Property. The Company registered this 85% undivided interest in the Silver Peak (Nivloc) Property with the US Bureau of Land Management (the "US BLM") and Esmeralda County, Nevada.

Following the Company’s completion of a positive feasibility study, the Silver Peak (Nivloc) Property was developed on a joint venture basis where SRC had the right to contribute to the development of the 122 claim Silver Peak (Nivloc) Property and retained a 15% interest therein.

On January 7, 2016, the Company executed a Sale and Purchase Agreement, including an Option to Purchase Royalty Interest (the “Agreement”), to acquire SRC's remaining interests in the Silver Peak (Nivloc) Property (the “Transaction”). These interests include the following:

(i) All rights, titles and interests owned by SRC in and to the remaining undivided 15% interest in and to the NL Extension Claims, and any and all licenses and permits pertaining thereto; and

(ii) The sole and exclusive right and option to acquire a 15% interest in the 104 claims held by the Company (the “IMMC Claims”).

Pursuant to the Agreement, the Company paid SRC US$120,000 for the Silver Peak (Nivloc) Property interests detailed above (the “Silver Peak (Nivloc) Property Interests”), and SRC retained a royalty interest of 2% of Net Smelter Returns (“NSR”) from the NL Claims and the IMMC Claims (the “Royalty Interest”).

On December 22, 2016, the Company paid SRC US$120,000 to acquire the 2% Royalty Interest, funded by Capital Mineral Resource Investments Limited ("CMRI"). As a condition of the funding the Company received from CMRI to purchase the Royalty Interest, 1% NSR of the Silver Peak (Nivloc) Property (the “1% Royalty Interest”) was transferred to CMRI. CMRI granted to the Company an exclusive option to purchase 100% of CMRI’s right, title and interest in the 1% Royalty Interest for $2,000,000 for a period of ten years from December 24, 2016 (or any portion or portions thereof on a pro rata purchase price) at any time and from time to time on or before December 24, 2026.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

(a) Nevada Properties (continued)

(i) Silver Peak (Nivloc) Property, Esmeralda County (continued)

In April 2017, the Company staked 42 lode claims, contiguous to the Silver Peak (Nivloc) Property, and acquired 8 unpatented lode claims contiguous thereto, all located in Esmeralda County, Nevada. The total cost was US$62,700 and the issuance of 100,000 common shares of the Company.

In October 2017 (and amended on March 16, 2018), the Company executed Option Agreements with Silver Saddle Resources LLC ("Silver Saddle") and Consent to Assignment Agreements between the Company, Silver Saddle and two underlying property owners (the "Silver Saddle Agreements"), to acquire 25 unpatented lode mineral claims located contiguous with the Company's Silver Peak (Nivloc) Property (the "Silver Saddle Claims") in Esmeralda County, Nevada.

Pursuant to the Silver Saddle Agreements, the Company acquired a 100% interest in the Silver Saddle Claims, subject to various net smelter return ("NSR") royalties by making cash payments of US$115,000 and by issuing 1,000,000 shares as follows:

	Cash (US$)	Common shares
Upon execution of Letter of Intent (paid)	10,000	–
Upon receipt of TSX Venture approval (issued)	–	1,000,000
On or before December 31, 2017 (paid)	20,000	–
On or before March 29, 2018 (paid)	5,000	–
On or before June 30, 2018 (paid)	10,000	–
On or before March 29, 2019 (paid)	10,000	–
On or before April 30, 2019 (paid)	10,000	–
On or before March 29, 2020 (paid)	25,000	–
On or before May 15, 2020 (paid)	25,000	–
	115,000	1,000,000

The NSR royalties vary from 1.5% on eight of the claims, of which 1.25% NSR can be purchased for US$190,000; 2.5% on seven of the claims, of which 1.25% NSR can be purchased for US$110,000; and, 1.5% on ten of the claims, of which 0.5% NSR can be purchased for US$500,000.

In November 2017, the Company staked an additional 14 claims contiguous to the Company's Silver Peak (Nivloc) Property claims for US$11,484.

The Company's total land holdings in the Silver Peak (Nivloc) Property area include 211 claims covering in excess of 4,000 acres (1,600 hectares).

(ii) Simon Property

Pursuant to an Option Agreement executed in December 2004, and a Settlement Agreement, with the Estate of Nadean Bedford, announced in November 2010, the Company acquired, and holds in good standing, a 100% interest in the Simon Property, consisting of 20 patented and 3 unpatented contiguous claims. The Company also acquired by staking, and holds, a further 34 contiguous unpatented mining claims, which are in good standing. The monthly payments are US$2,000. There are no underlying royalties.

During the year ended December 31, 2020, the Company wrote off the carrying amount of the exploration and evaluation assets of $33,617 (2019 - $40,658) due to inactivity and no formal plans to work on the property. However, for strategic reasons, the Company intends to maintain the payment obligations noted above.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

(b) Schedules of Exploration and Evaluation Assets

	Simon Property $	Silver Peak (Nivloc) Property $	Total $
Acquisition costs:			
Balance, December 31, 2019	–	1,411,909	1,411,909
Option payments, cash	32,196	67,075	99,271
Foreign exchange translation	–	(31,245)	(31,245)
Balance, December 31, 2020	32,196	1,447,739	1,479,935
Deferred exploration expenditures:			
Balance, December 31, 2019	132	4,672,494	4,672,626
Filing fees	1,289	59,129	60,418
Reclamation costs	–	13,817	13,817
Supplies and miscellaneous	–	8,049	8,049
Foreign exchange translation	–	(96,220)	(96,220)
Balance, December 31, 2020	1,421	4,657,269	4,658,690
Impairment	(33,617)	–	(33,617)
	–	6,105,008	6,105,008

	Simon Property $	Silver Peak (Nivloc) Property $	Total $
Acquisition costs:			
Balance, December 31, 2018	–	1,480,959	1,480,959
Option payments, cash	31,846	25,976	57,822
Foreign exchange translation	–	(95,026)	(95,026)
Balance, December 31, 2019	31,846	1,411,909	1,443,755
Deferred exploration expenditures:			
Balance, December 31, 2018:	–	4,849,287	4,849,287
Filing fees	8,944	48,639	57,583
Foreign exchange translation	–	(205,973)	(205,973)
Project management and geologists	–	24,365	24,365
Supplies and miscellaneous	–	7,793	7,793
Change in estimate of rehabilitation obligations	–	(51,617)	(51,617)
Balance, December 31, 2019	8,944	4,672,494	4,681,438
Impairment	(40,658)	-	(40,658)
	132	6,084,403	6,084,535

During the year ended December 31, 2019, the Company recognized a change in estimate of rehabilitation obligations related to properties that were previously impaired of $12,087, which was netted against impairment of exploration and evaluation assets in the consolidated statements of operations and comprehensive income (loss).

7. Loan Payable

As at December 31, 2020, the Company owed $nil (2019 - $2,790) to a non-related party which is unsecured, non-interest-bearing, and due on demand. On April 23, 2020, the Company issued 140,000 common shares to settle the loan payable (Note 9(i)).

8. Convertible Debentures

(a) On June 7, 2019, and August 30, 2019, the Company issued convertible debentures to a non-related party for proceeds of $50,000 and $60,000, respectively. Under the terms of the debentures, the amounts owing are unsecured, bear compound interest at 12% per annum, and are due on December 7, 2021, and March 2, 2022, respectively. The interest is payable semi-annually on the last day of June and December each year. The holder may choose whether to accept a cash payment for the interest payable or whether it should be accrued to the holder's account, in which the accrued interest would become convertible at the conversion rate applicable to the debenture.

The debentures are convertible at $0.05 per conversion unit for the first year and at $0.10 per conversion unit for the balance of the term. Each conversion unit is to consist of one common share and one share purchase warrant, with each share purchase warrant being exercisable over the term of the debentures at $0.05 per share for the first year or $0.10 per share for the balance of the term.

The convertible debentures were recorded using the residual method, where the convertible debentures were bifurcated into a debt component and equity component comprised of the convertible feature embedded within the liability. The fair value of the liability component, at the time of issuance of the debentures, was determined to be $104,413 using a net present value calculation assuming a discount rate of 15% per annum. As a result, the value of the equity component of $5,587 was recorded in equity reserves and an equivalent discount on the convertible debentures which will be accreted to the face value of $110,000 over the term of the debentures.

During the year ended December 31, 2020, the Company recognized accretion expense of $4,174 (2019 - $1,413). During the year ended December 31, 2020, the Company paid $125,100 (2019 - $nil) for the repayment of $110,000 (2019 - $nil) of the outstanding principal balance of convertible debentures and $15,100 (2019 - $nil) of accrued interest.

(b) On June 12, 2020, the Company issued a convertible debenture to a company controlled by the Chief Executive Officer of the Company for proceeds of $5,000. Under the terms of the debenture, the amount owing is unsecured, bears interest at 12% per annum, and is due on June 12, 2022. The interest is payable semi-annually on the last day of December and June each year. The holder may choose whether to accept a cash payment for the interest payable or whether it should be accrued to the holder's account, in which the accrued interest would become convertible at a conversion price equal to the market price at the time of such conversion.

The debenture is convertible at $0.05 per conversion unit for the first year and at $0.10 per conversion unit for the balance of the term. Each conversion unit is to consist of one common share and one share purchase warrant, with each share purchase warrant being exercisable over the same term as the debenture at $0.05 per share for the first year of the term of the debenture or $0.10 per share for the balance of the term of the debenture.

The convertible debenture was recorded using the residual method, where the convertible debenture has been bifurcated into a debt component and equity component comprised of the convertible feature embedded within the liability. The fair value of the liability component, at the time of issuance of the debenture, was determined to be $4,306 using a net present value calculation assuming a discount rate of 20% per annum. As a result, the value of the equity component of $694 was recorded in equity reserves and an equivalent discount on the convertible debenture which will be accreted to the face value of $5,000 over the term of the debenture.

During the year ended December 31, 2020, the Company recognized accretion expense of $694. During the year ended December 31, 2020, the Company paid $5,304 for the repayment of $5,000 of the outstanding principal balance and $304 of accrued interest.

8. Convertible Debentures (continued)

(c) On June 12, 2020, the Company issued a convertible debenture to a non-related party for proceeds of $20,000. Under the terms of the debenture, the amount owing is unsecured, bears interest at 12% per annum, and is due on June 12, 2022. The interest is payable semi-annually on the last day of December and June each year. The holder may choose whether to accept a cash payment for the interest payable or whether it should be accrued to the holder's account, in which the accrued interest would become convertible at a conversion price equal to the market price at the time of such conversion.

The debenture is convertible at $0.05 per conversion unit for the first year and at $0.10 per conversion unit for the balance of the term. Each conversion unit is to consist of one common share and one share purchase warrant, with each share purchase warrant being exercisable at $0.05 per share for the first year of the term of the debenture or $0.10 per share for the balance of the term of the debenture.

The convertible debenture was recorded using the residual method, where the convertible debenture was bifurcated into a debt component and equity component comprised of the convertible feature embedded within the liability. The fair value of the liability component, at the time of issuance of the debenture, was determined to be $17,222 using a net present value calculation assuming a discount rate of 20% per annum. As a result, the value of the equity component of $2,778 was recorded in equity reserves and an equivalent discount on the convertible debenture which will be accreted to the face value of $20,000 over the term of the debenture.

During the year ended December 31, 2020, the Company recognized accretion expense of $784, which increased the carrying value to $18,006. As at December 31, 2020, the Company recognized accrued interest of $1,318 which is included in accounts payable and accrued liabilities.

(d) On June 12, 2020, the Company issued a convertible debenture to a director of the Company for proceeds of $50,000. Under the terms of the debenture, the amount owing is unsecured, bears interest at 12% per annum, and is due on June 12, 2022. The interest is payable semi-annually on the last day of December and June each year. The holder may choose whether to accept a cash payment for the interest payable or whether it should be accrued to the holder's account, in which the accrued interest would become convertible at a conversion price equal to the market price at the time of such conversion.

The debenture is convertible at $0.05 per conversion unit for the first year and at $0.10 per conversion unit for the balance of the term. Each conversion unit is to consist of one common share and one share purchase warrant, with each share purchase warrant being exercisable at $0.05 per share for the first year of the term of the debenture or $0.10 per share for the balance of the term of the debenture.

The convertible debenture was recorded using the residual method, where the convertible debenture was bifurcated into a debt component and equity component comprised of the convertible feature embedded within the liability. The value of the liability component, at the time of issuance of the debenture, was determined to be $43,056 using a net present value calculation assuming a discount rate of 20% per annum. As a result, the value of the equity component of $6,945 was recorded in equity reserves and an equivalent discount on the convertible debenture which will be accreted to the face value of $50,000 over the term of the debenture.

During the year ended December 31, 2020, the Company recognized accretion expense of $1,960, which increased the carrying value to $45,016. As at December 31, 2020, the Company recognized accrued interest of $3,296 which is included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

9. Share Capital

(i) Authorized

Unlimited common shares without par value.

On April 23, 2020, the Company issued a total of 15,899,500 common shares with a fair value of $317,990 to settle outstanding accounts payable of $80,200, loan payable of $2,790, and related party payables of $235,000. Included in the issuance of common shares to settle related party payables is the issuance of 4,750,000 common shares to settle $95,000 of debt owed to officers and directors of the Company, 5,000,000 common shares to settle $100,000 of debt owed to a company with common officers, 1,000,000 common shares to settle debt $20,000 of debt owed to a company controlled by the Chief Executive Officer, and 1,000,000 common shares to settle $20,000 of debt owed to a company controlled by the former Chief Financial Officer.

On September 11, 2020, the Company issued 32,973,250 units at $0.02 per unit for proceeds of $659,465, including the issuance of 1,698,250 common shares to a director of the Company, 24,000,000 to a significant shareholder of the Company, and 375,000 to the wife of the Chief Executive Officer of the Company. Each unit was comprised of one common share and one share purchase warrant where each share purchase warrant entitles the holder to purchase one additional common share of the Company at $0.05 per share expiring on September 11, 2023. As part of the private placement, the Company paid finder's fees of $36,180 and issued 2,412,000 broker warrants, where each broker warrant is exercisable into one common share of the Company at $0.05 per share expiring on September 11, 2023. The fair value of the broker warrants was $39,919, which was estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, risk-free interest rate of 0.26%, expected life of 3 years, and expected volatility of 183%.

(ii) Stock options

The Company has a stock option plan for its directors, employees, and consultants to acquire common shares at a price to be determined by the fair market value of the shares at the date of the grant. The Company may issue up to 10% of the outstanding common shares under the plan. Options granted under the Plan will have a maximum term of five years. Options granted to persons providing investor relations activities will become vested with the right to exercise at one-quarter of the options upon conclusion of every three months subsequent to the date of the grant of the options.

	Number of options	Weighted average exercise price $
Outstanding and exercisable, December 31, 2018 and 2019	9,750,000	0.05
Granted	3,200,000	0.05
Expired	(2,450,000)	0.05
Outstanding and exercisable, December 31, 2020	10,500,000	0.05

Additional information regarding stock options as at December 31, 2020 is as follows:

Range of exercise prices $	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.05	10,500,000	2.4	0.05

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(ii) Stock options (continued)

The fair value of stock options granted is determined using the Black-Scholes option pricing model. During the year ended December 31, 2020, the Company recognized share-based compensation expense of $63,557 (2019 - $nil), of which $61,570 (2019 - $nil) pertains to officers and directors of the Company. The weighted average fair value of each option granted during the year ended December 31, 2020, was $0.02 (2019 - $nil) per option.

Weighted average assumptions used in calculating the fair value of share-based compensation expense, assuming no expected dividends or forfeiture rates, are as follows:

	2020	2019
Risk-free interest rate	0.34%	–
Expected volatility	261%	–
Expected life (years)	4.7	–

(iii) Share purchase warrants

A summary of the changes in share purchase warrants is presented below:

	Number of warrants	Weighted average exercise price $
Outstanding, December 31, 2018 and 2019	37,077,400	0.05
Issued	35,385,250	0.05
Outstanding, December 31, 2020	74,462,650	0.05

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

Number of warrants outstanding	Exercise price $	Expiry date
37,077,400	0.05	June 29, 2021
35,385,250	0.05	September 11, 2023
72,462,650		

10. Related Party Transactions

(a) The Company shares office services with Cabo Drilling Corp. (“Cabo”), a company with a common director and officers. As at December 31, 2020, the Company prepaid $17,794 (2019 – owed $83,939) to Cabo for administrative fees. During the year ended December 31, 2020, the Company incurred administration fees of $36,000 (2019 – $96,000) to Cabo.

(b) As at December 31, 2020, the Company owes $26,250 (2019 - $95,611) to directors and former directors of the Company, which is included in due to related parties. The amounts owing are unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2020, the Company incurred directors' fees of $26,250 (2019 - $32,750) to directors of the Company.

(c) As at December 31, 2020, the Company owes $nil (2019 - $21,000) to a company controlled by the Chief Executive Officer of the Company, which is included in due to related parties. The amount owing is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2020, the Company incurred consulting fees of $22,000 (2019 – $20,000) to a company controlled by the Chief Executive Officer of the Company.

10. Related Party Transactions (continued)

(d) As at December 31, 2020, the Company owes $nil (2019 - $20,000) to a company controlled by the former Chief Financial Officer ("CFO") of the Company, which is included in due to related parties. The amount owing is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2020, the Company incurred consulting fees of $nil (2019 – $20,000) to a company controlled by the former CFO of the Company.

(e) During the year ended December 31, 2020, the Company granted 3,100,000 (2019 – nil) stock options to officers and directors of the Company with a fair value of $61,570 (2019 – $nil), which has been recorded in share-based compensation expense with a corresponding entry to equity reserves.

11. Financial Instruments and Risk Management

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk, and currency risk.

(a) Fair values

The fair values of the Company's financial instruments, which include cash, amounts receivable, accounts payable and accrued liabilities, loan payable, convertible debentures, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Interest rate risk

The Company is not exposed to interest rate risk because its convertible debentures bear interest at a fixed interest rate. Fluctuations in interest rates do not have a significant impact on the Company's operations.

(d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at December 31, 2020, the Company has working capital of $198,316. The Company manages this risk by evaluating current and expected liquidity requirements and seeking financing arrangements as necessary.

(e) Currency risk

The functional currency of the Company is the Canadian dollar and the functional currency of the Company's wholly-owned subsidiary is the United States ("US") dollar. Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company operates in Canada and the US and a portion of the Company's expenditures are incurred in US dollars. A significant change in currency exchange rates between the Canadian and US currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at December 31, 2020, the Company has cash on deposit totaling US$11,581 (2019 - US$2,847). Cash in United States dollars have been translated to Canadian dollars at a rate of Cdn$1.2732 (2019 – Cdn$1.2988 per US dollar). The Company has limited US dollar financial assets and liabilities and any fluctuations in the US dollar would have an insignificant impact on earnings.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(Expressed in Canadian Dollars)

12. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and equity reserves.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties, if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2019.

13. Income Taxes

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

	2020 $	2019 $
Loss before income taxes	(276,959)	(506,297)
Statutory Canadian corporate tax rate	27%	27%
Income tax recovery at statutory rates	(74,779)	(136,700)
Permanent differences and other	42,568	(111,079)
Change in unrecognized deferred income tax assets	32,211	247,779
Income tax provision	–	–

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

	2020 $	2019 $
Exploration and evaluation assets	1,365,067	1,365,067
Equipment	38,579	68,432
Share issuance costs	7,815	508
Non-capital losses carried forward	1,389,256	1,334,499
Total gross deferred income tax assets	2,800,717	2,768,506
Unrecognized deferred tax assets	(2,800,717)	(2,768,506)
Net deferred income tax asset	–	–

(Expressed in Canadian Dollars)

13. **Income Taxes** (continued)

The Company has available non-capital losses which may be carried forward to apply against future income for Canadian tax purposes. The losses expire approximately as follows:

	$
2026	349,893
2027	643,000
2028	376,000
2029	389,000
2030	476,000
2031	520,000
2032	503,000
2033	420,000
2034	209,000
2035	244,201
2037	246,416
2038	200,357
2039	322,290
2040	236,026
	5,135,183

In addition, the Company has available mineral resource related expenditure pool totaling approximately $11,160,813 (2019 - $11,140,340) which may be deducted against future taxable income on a discretionary basis. The Company also has certain foreign resource expenses that are related to the Company's exploration activities in the United States and Mexico. These resource expenses may also be currently deductible for US and Mexican tax purposes which would result in tax losses in US and Mexico.

Tax benefits have not been recorded due to uncertainty regarding their utilization.

14. **Segmented Information**

The Company operates in one business segment, being the acquisition and exploration and evaluation of mineral assets. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for the years ended December 31, 2020 and 2019.

The Company's net assets are segmented geographically as follows:

December 31, 2020	Canada $	United States $	Total $
Exploration and evaluation assets	–	6,105,008	6,105,008
	–	6,105,008	6,105,008

December 31, 2019	Canada $	United States $	Total $
Exploration and evaluation assets	–	6,084,535	6,084,535
	–	6,084,535	6,084,535

15. Terminated Transaction

On August 31, 2018, the Company entered into an acquisition agreement with Phoenix Capital Enterprises ("Phoenix") where the Company would acquire 100% of the issued and outstanding common shares of Tengri Coal and Energy Pte. Limited, a wholly-owned subsidiary of Phoenix, for 198,117,617 post-consolidated common shares of the Company. The agreement was subject to the Company approving and finalizing a share consolidation of its issued and outstanding common shares on a basis of 1 new common share for every 20 old common shares.

As at December 31, 2019, the Company had received a total of $97,812 of advances from Phoenix to be used for acquisition-related costs, which was included in accounts payable and accrued liabilities. During the year ended December 31, 2019, the Company recognized financing costs of $30,050 and other transaction-related costs of $33,500.

Effective December 31, 2019, the acquisition agreement with Phoenix was terminated. Any and all advances were forgiven, resulting in the Company recognizing a gain on settlement of advances payable of $105,605.

16. Subsequent Events

(a) On January 5, 2021, the Company granted 300,000 stock options to an officer of the Company. These options vest immediately with an exercise price of $0.05 per share and expire on July 7, 2025.

(b) On February 23, 2021, the Company entered into an option agreement whereby it can earn the sole and exclusive right and option to purchase 100% right, title and interest in 96 mineral claims situated in the province of Newfoundland and Labrador for $6,240 (paid) and the issuance of 300,000 common shares of the Company. The vendor retains a 0.25% Net Smelter Royalty, which may be repurchased for $50,000.