



Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

*(Expressed in Canadian dollars)*  
*(Unaudited)*

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, Stratabound Minerals Corp. discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the three months ending March 31, 2021 and 2020.

Stratabound Minerals Corp.  
Condensed Interim Consolidated Statements of Financial Position  
(Unaudited)

As at	March 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets		
Cash	\$ 377,718	\$ 2,973,570
Marketable securities (Note 3)	162,000	108,000
Prepaid expenses	100,385	133,829
Term deposits (Note 4)	4,800,000	2,800,863
GST receivable	141,277	102,857
<b>Total current assets</b>	<b>5,581,380</b>	<b>6,119,119</b>
Non-current assets		
Property, plant and equipment	3,724	679
Mineral exploration and evaluation assets (Note 5)	5,957,396	5,562,714
<b>Total assets</b>	<b>\$ 11,542,500</b>	<b>\$ 11,682,512</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 267,234	\$ 234,097
Flow-through share - other liability	-	165,200
<b>Total current liabilities</b>	<b>267,234</b>	<b>399,297</b>
Non-current liabilities		
Rehabilitation provision	13,754	13,702
<b>Total liabilities</b>	<b>\$ 280,988</b>	<b>\$ 412,999</b>
<b>Shareholders' equity</b>		
Share capital (Note 7)	\$ 26,497,010	\$ 26,433,048
Contributed surplus (Note 7)	2,337,802	2,317,793
Deficit	(17,573,300)	(17,481,328)
<b>Total shareholders' equity</b>	<b>\$ 11,261,512</b>	<b>\$ 11,269,513</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 11,542,500</b>	<b>\$ 11,682,512</b>

Subsequent events (Note 10)

Approved on behalf of the Board of Directors

Director "R. Kim Tyler"

Director "Hashim Ahmed"

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

Stratabound Minerals Corp.  
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss  
For the Three Months Ended March 31, 2021 and 2020  
(Unaudited)

	2021		2020	
<b>Expenses</b>				
General and administrative (Note 6)	\$	196,060	\$	159,781
Share-based compensation (Note 6, 7)		60,817		-
Acquisition-related costs		54,089		-
Interest and amortization		206		124
<b>Total expenses</b>		<b>311,172</b>		<b>156,428</b>
<b>Loss from operations</b>		<b>311,172</b>		<b>156,428</b>
Unrealized gain (loss) on marketable securities (Note 3)		54,000		(10,000)
Flow-through share income		165,200		12,111
<b>Loss and comprehensive loss for the period</b>	\$	<b>91,972</b>	\$	<b>144,317</b>
<b>Basic and diluted loss per share</b>	\$	<b>0.001</b>	\$	<b>0.003</b>
<b>Weighted average number of shares:</b>				
Basic and diluted (Note 7)		89,304,211		44,393,373

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

Stratabound Minerals Corp.  
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
For the Three Months Ended March 31, 2021 and 2020  
(Unaudited)

	Number of issued and outstanding shares	Share capital	Contributed surplus	Deficit	Shareholders' equity
		\$	\$	\$	\$
<b>Balance at January 1, 2020</b>	<b>44,032,817</b>	<b>17,665,020</b>	<b>1,315,593</b>	<b>(15,961,054)</b>	<b>3,019,559</b>
Warrant exercise (Note 7)	15,000	1,500	-	-	1,500
Shares issued in respect of E&E properties (Note 5, 7)	590,000	47,200	-	-	47,200
Share issue costs	-	(3,515)	-	-	(3,515)
Change in equity as a result of warrant re-pricing and extension (Note 7)	-	(8,410)	8,410	-	-
Comprehensive loss for the period	-	-	-	(144,317)	(144,317)
<b>Balance at March 31, 2020</b>	<b>44,637,817</b>	<b>17,701,795</b>	<b>1,324,003</b>	<b>(16,105,371)</b>	<b>2,920,427</b>
<b>Balance at January 1, 2021</b>	<b>89,094,215</b>	<b>26,433,048</b>	<b>2,317,793</b>	<b>(17,481,328)</b>	<b>11,269,513</b>
Share-based compensation (Note 6, 7)	-	-	61,992	-	61,992
Shares issued in respect of E&E properties (Note 5, 7)	117,300	28,152	-	-	28,152
Warrants exercised (Note 7)	77,777	7,000	-	-	7,000
Options exercised (Note 7)	178,844	35,635	(41,983)	-	(6,348)
Share issue costs	-	(6,825)	-	-	(6,825)
Comprehensive loss for the period	-	-	-	(91,972)	(91,972)
<b>Balance at March 31, 2021</b>	<b>89,468,136</b>	<b>26,497,010</b>	<b>2,337,802</b>	<b>(17,573,300)</b>	<b>11,261,512</b>

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

Stratabound Minerals Corp.  
Condensed Interim Consolidated Statements of Cash Flow  
For the Three Months Ended March 31, 2021 and 2020  
(Unaudited)

	2021	2020
<b>Operating activities</b>		
Loss for the period	\$ (91,972)	\$ (144,317)
Items not affecting cash:		
Share-based payments (Note 7)	60,817	-
Marketable securities - market value adjustment (Note 3)	(54,000)	-
Flow-through share income	(165,200)	(12,111)
Gain on settlement of accounts payable	-	3,477
Amortization	154	73
Interest and accretion	52	51
Change in non-cash working capital	84,456	133,268
<b>Net cash used in operations</b>	<b>(165,693)</b>	<b>(19,559)</b>
<b>Investing activities</b>		
Acquisition of option on Golden Culvert (Note 5)	(13,400)	-
Acquisition of option on McIntyre Brook (Note 5)	(45,000)	-
Expenditures on mineral exploration and evaluation assets (Note 5)	(353,326)	-
Purchase of property, plant and equipment	(3,199)	-
Purchase of term deposits (Note 5)	(2,000,000)	-
<b>Net cash used in investing activities</b>	<b>(2,414,925)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from warrant exercises (Note 7)	7,000	1,500
Share issue costs	(22,234)	(3,515)
<b>Net cash from financing activities</b>	<b>(15,234)</b>	<b>(2,015)</b>
<b>Change in cash</b>	<b>(2,595,852)</b>	<b>(21,574)</b>
<b>Cash - beginning of the period</b>	<b>2,973,570</b>	<b>26,076</b>
<b>Cash - end of the period</b>	<b>\$ 377,718</b>	<b>\$ 4,502</b>

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Stratabound Minerals Corp.  
Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2021 and 2020  
(Unaudited)

**1. Corporate information**

Stratabound Minerals Corp. (“Stratabound”) is in the business of acquiring and exploring mineral properties in North America. Stratabound was incorporated under the Business Corporations Act (Alberta) on March 5, 1986, and is listed on the TSX Venture Exchange, having the symbol TSX.V: SB, as a Tier 2 mining issuer and is in the process of exploring its optioned Golden Culvert property in the Yukon Territory, and also holds mineral properties in the province of New Brunswick.

Stratabound has a wholly-owned US subsidiary, Silver Stream Mining Corp. (collectively with Stratabound, “the Company”).

The address of the Company’s principal office is 100 King Street West, Suite 5700, Toronto, Ontario, Canada, M5X 1C7.

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.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 18, 2021.

**2. Basis of preparation**

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretation made by the International Financial Reporting Standards Interpretation Committee (“IFRIC”). These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

b) Basis of measurement and going concern

The business of exploring for mineral resources involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable operations. The Company’s ability to repay its loans, to meet its obligations arising from exploration and development activity and to provide working capital for normal operations is dependent upon the existence of economically recoverable reserves; the ability of the Company to continue to secure financial support from the public market; the ability to complete future equity financing; as well as the ability to generate future profitable production or proceeds from the disposition of its properties. The Company has a history of losses, with an accumulated deficit of \$17,573,300 as at March 31, 2021. The Company is dependent on its ability to raise additional funds through equity financing in order to meet the Company’s current liabilities and continue

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**2. Basis of preparation - continued**

exploring its mineral resources. As there is no assurance the Company will be successful in these efforts, these conditions result in material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

c) Basis of consolidation

The condensed interim consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the functional currency of the parent. The functional currency is United States dollars ("USD") for the subsidiary.

These condensed interim consolidated financial statements include the accounts of Stratabound and Silver Stream. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

**3. Marketable securities and Taylor Brook option**

During the year ended December 31, 2017, the Company granted Jaeger Resources Corp. an option to acquire an 80% interest in the Taylor Brook claim, which is a part of the Bathurst Group Cost Generating Unit ("CGU"), in exchange for 1,000,000 shares of Jaeger Resources Inc. Pursuant to the agreement and through amendments to the term of the option, the Company received an additional 2,600,000 shares of Jaeger Resources Inc. Jaeger Resources Inc. has until February 2023 to complete the required cumulative expenditures on the property. Upon acquisition by Jaeger Resources Inc. of its 80% interest in the property when all requirements are met, the Company could elect within 90 days to continue in a joint venture with Jaeger Resources Inc., buy back 40% ownership from Jaeger Resources Inc. for an amount equal to 150% of the exploration expenditures and renewal payments incurred by Jaeger Resources Inc., or transfer the remaining interest in exchange for a 3% net smelter returns ("NSR") royalty.

Continuity of investment in Jaeger Resources Inc.		
<b>Balance at January 1, 2020 (3,600,000 shares)</b>	<b>\$</b>	<b>36,000</b>
Increase in fair value		72,000
<b>Balance at December 31, 2020 (3,600,000 shares)</b>	<b>\$</b>	<b>108,000</b>
Increase in fair value		54,000
<b>Balance at March 31, 2021 (3,600,000 shares)</b>	<b>\$</b>	<b>162,000</b>

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**4. Term deposits**

At March 31, 2021, the Company holds \$4,800,000 in guaranteed investment certificates with interest rates between 0.25% and 0.65%, maturing between April 2021 and March 2022.

**5. Mineral exploration and evaluation assets**

Continuity of mineral exploration and evaluation assets		
<b>Balance at January 1, 2020</b>	<b>\$</b>	<b>3,086,102</b>
Acquisition, renewal and exploration costs		1,989,412
Shares issued for mineral exploration rights (Note 7)		167,200
Option payments		320,000
<b>Balance at December 31, 2020</b>	<b>\$</b>	<b>5,562,714</b>
Acquisition, renewal and exploration costs		308,130
Shares issued for mineral exploration rights (Note 7)		28,152
Option payments		58,400
<b>Balance at March 31, 2021</b>	<b>\$</b>	<b>5,957,396</b>

The mineral exploration and evaluation assets of the Company consist of the following claim groups:

**a) Golden Culvert, Yukon Territory**

The Company has the option to acquire 100% ownership of the Golden Culvert and Little Hyland properties (collectively, "Golden Culvert") comprising 431 mineral claims in the Little Hyland Valley District of the Southeastern Yukon Territory, approximately 205 kilometres north of the town of Watson Lake. Stratabound has obligations directly under the Option Agreement with the Optionors as follows. Maintenance and exercise of the option will require the following payments:

- December 12, 2021 - \$395,000
- December 12, 2022 - \$550,000

All payments required to maintain the option have been made to date. The payments can be made in cash or up to 50% in Stratabound common shares, as the Company's election. Upon completion of the December 2021 payments, the Company will have earned a 40% interest in the Golden Culvert and Little Hyland claims, and a 100% interest in the Rubus claims. The December 2020 payments for Golden Culvert and Little Hyland were made as scheduled and paid in cash, with payments totaling \$305,000.

**5. Mineral exploration and evaluation assets - continued**

Exercise of the options will also require fulfillment of work requirements of \$350,000 at Golden Culvert during the period ending September 27, 2022. All payments and work commitments on the Golden Culvert claim group have been fulfilled to the end of 2020. The claims are subject to NSR royalties aggregating to 2.5% to Southshore and the Optionors. Upon completion of the December 2022 payments, the Company will be deemed to have earned a 100% interest in all of the property.

During the period, the Company expanded the Golden Culvert claim group by completing a transaction to acquire 100% of the mineral rights to the Win property, which is 11 kilometres from the original Golden Culvert claim. In connection with this acquisition, the Company issued 117,300 common shares valued at their market value of \$28,152 and made a payment to the optionors of \$13,400.

Exercise of the Win option will require \$35,000 of expenditures before the first anniversary of the option agreement. Maintenance and exercise of the option will require the following annual payments:

- 2022 - \$13,400
- 2023 - \$20,100
- 2024 - \$20,100
- 2025 - \$26,800
- 2026 - \$40,200

Upon completion of all payments and expenditures up to the third anniversary payment, the Company will have earned a 50% interest in the property, and upon completion of the fifth anniversary payment, the Company will have earned a 100% interest in the property.

The Win property is subject to a 2% NSR on production; however, the Company may re-purchase 1.5% (1.5% of the 2% NSR) for \$1,500,000 or increments of \$500,000 per 0.50% NSR.

The carrying value of the Golden Culvert claim group at March 31, 2021 is \$4,862,866 (December 2020 - \$4,560,775).

**b) Bathurst, New Brunswick**

The Company holds a 100% interest in 158 units and one mining lease in the Bathurst base metal mining camp in New Brunswick, Canada. The properties include the Captain/CNE and Taylor Brook Deposits (see Note 6) claim groups (collectively, "Bathurst"). All are subject to a 1% NSR on production, with the exception of the portion of the CNE/Captain Group, which is royalty-free.

The carrying value of the Bathurst properties at March 31, 2021 is \$588,826 (December 2020 - \$558,343).

**5. Mineral exploration and evaluation assets - continued**

**c) McIntyre Brook, New Brunswick**

During 2019, the Company completed a transaction to acquire 100% of the mineral rights to the McIntyre Gold Project, located approximately 80 kilometres west of Bathurst, New Brunswick. At closing, the Company issued 300,000 common shares to the Optionors recorded at their market value of \$18,000. During 2020, the Company expanded its original McIntyre Brook property as follows:

i) Acquisition of the McIntyre-Moose Brook property

During February 2020, the Company completed a transaction to acquire 100% of the mineral rights to the McIntyre-Moose Brook property, which is adjacent to the original McIntyre Brook property, by issuing 500,000 common shares, recorded at their market value of \$40,000.

ii) Acquisition of the Gold Brook property

During February 2020, the Company completed a transaction to acquire 100% of the mineral rights to the Gold Brook property, which is adjacent to the original McIntyre Brook property, by issuing 90,000 common shares, recorded at their market value of \$7,200.

iii) Expansion of the initial McIntyre Brook property

In November 2020, the Company completed an amendment to the initial McIntyre Brook property acquisition to acquire an additional 7 claims adjacent to the original McIntyre Brook claim. The Company agreed to issue 200,000 common shares, recorded at their market value of \$60,000.

iv) Acquisition of the Tardiff Brook property

During October 2020, the Company completed a transaction to acquire 100% of the mineral rights to the Tardiff Brook property, which is adjacent to the original McIntyre Brook property, by issuing 200,000 common shares, recorded at their market value of \$60,000.

Exercise of the McIntyre Brook options will require fulfillment of the following work requirements:

- 2021 - \$60,000
- 2022 - \$15,000
- 2023 - \$20,000
- 2024 - \$15,000

Maintenance and exercise of the McIntyre Brook options will require the following future annual payments:

- 2021:
  - i) \$30,000, with the option to pay up to \$30,000 with common shares
  - ii) 200,000 common shares

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**5. Mineral exploration and evaluation assets - continued**

- 2022:
  - i) \$100,000, with the option to pay up to \$42,500 with common shares
  - ii) 100,000 common shares
- 2023:
  - i) \$145,000, with the option to pay up to \$57,500 with common shares
  - ii) 50,000 common shares
- 2024:
  - i) \$160,000, with the option to pay up to \$60,000 with common shares
  - ii) 50,000 common shares

All payments and work commitments required to maintain the option have been made to date. Upon completion of the fourth anniversary payments the Company will have earned 100% ownership in the McIntyre Brook claim group. This claim group is subject to the following NSR on production:

- McIntyre Brook - This claim is subject to a 2% NSR on production; however, the Company may re-purchase 1% of the NSR for either \$1,000,000 or increments of \$500,000 per 0.50% NSR;
- McIntyre-Moose Brook - This claim is subject to a 2% NSR on production; however, the Company may re-purchase 1% (one-half of the 2% NSR) for \$1,000,000 or increments of \$500,000 per 0.50% NSR;
- Gold Brook - This claim is subject to a 2% NSR on production; however, the Company may re-purchase 1% (one-half of the 2% NSR) for \$1,000,000 or increments of \$500,000 per 0.50% NSR; and
- Tardiff Brook - This claim is subject to a 2% NSR on production; however, the Company may re-purchase the NSR for either \$2,000,000 or increments of \$500,000 per 0.50% NSR;

The carrying value of the McIntyre Brook property at March 31, 2021 is \$505,704 (December 2020 - \$443,596).

**6. Key management compensation and related-party transactions**

Compensation awarded to key management included non-cash stock-based compensation of \$56,735 related to options vested in the period (2020 - \$nil) along with consulting fees of \$67,750 (December 2020 - \$60,000). Key management includes the Company's officers and directors.

During the period, the estate of a former director exercised 300,000 options with an exercise price of \$0.10 per share on a net settlement basis, resulting in 178,844 shares issued to the estate.

Included in accounts payable and accrued liabilities at March 31, 2021 is \$54,736 (December 2020 - \$52,020) owing to officers and directors of the Company.

Stratabound Minerals Corp.  
Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2021 and 2020  
(Unaudited)

**7. Share capital**

**a) Authorized**

Unlimited number of common shares, without nominal or par value.

**b) Common shares**

		Number of shares	Amount
Balance at December 31, 2019		44,032,817	\$ 17,665,020
Shares issued - private placements	(i)	38,560,343	8,287,502
Shares issued - warrant exercises	(7.c)	3,611,055	479,372
Shares issued - option exercises	(7.d)	1,300,000	130,000
Shares issued - exploration and evaluation assets	(ii)	990,000	167,200
Shares issued - management compensation	(iii)	600,000	42,000
Adjustment for warrant re-pricing		-	(8,410)
Adjustment to relieve contributed surplus			159,970
Share issue costs			(489,606)
Balance at December 31, 2020		89,094,215	\$ 26,433,048
Shares issued - warrant exercises	(11.c)	77,777	7,000
Shares issued - option exercises	(11.d)	178,844	35,635
Shares issued - exploration and evaluation assets	(iv)	117,300	28,152
Share issue costs		-	(6,825)
Balance at March 31, 2021		89,468,136	\$ 26,497,010

- i) During 2020 the Company closed the following non-brokered private placements:
- a. During August 2020, the Company closed a private placement consisting of 460,000 flow-through units. Each flow-through unit was comprised of one common share issued on a flow-through basis and one half of one common share purchase warrant for \$0.25/unit, with gross proceeds raised of \$115,000. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.35 for a period of two years from the date of issue. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.45 for more than a 10-day period, the Company may elect to accelerate the expiry date. The Company issued 12,000 broker warrants in relation to the flow-through share financing, which entitle the holder to purchase one common share of the Company at \$0.35 for a period of two years from the date of issue. These brokers warrants were valued at \$1,939 using the Black-Scholes pricing model with the following inputs - risk-free rate of 0.28%, expected volatility of 189.2%, dividend yield of 0% and forfeiture rate of 0%. The flow-through share issuance also included a flow-through premium of \$18,400, recorded as a liability of the Company.
  - b. During August 2020, the Company closed a private placement consisting of 5,974,950 units. Each common share unit was comprised of one common share

**7. Share capital - continued**

and one half of one common share purchase warrant for \$0.20/unit, with gross proceeds raised of \$1,194,990. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.30 per share for a period of two years from the date of issue. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.40 for more than a 10-day period, the Company may elect to accelerate the expiry date. The Company issued 22,500 brokers warrant in relation to this financing, which entitle the holder to purchase one common share of the Company at \$0.30 for a period of two years from the date of issue. These broker warrants were valued at \$3,710 using the Black-Scholes pricing model with the following inputs - risk free rate of 0.28%, expected volatility of 189.2%, dividend yield of 0% and forfeiture rate of 0%.

- c. During September 2020, the Company closed a private placement consisting of 960,000 flow-through units. Each unit was comprised of one common share issued on a flow-through basis, and one half of one common share purchase warrant for \$0.25/unit, with gross proceeds raised of \$240,000. Each warrant entitles the holder to purchase one common share of the Company at \$0.35 for a period of two years from the closing of the financing. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.45 for more than a 10-day period, the Company may elect to accelerate the expiry date. The Company issued 28,000 broker warrants in relation to the flow-through share financing, which entitle the holder to purchase one common share of the Company at \$0.35 for a period of two years from the date of issue. These brokers warrants were valued at \$3,963 using the Black-Scholes pricing model with the following inputs - risk-free rate of 0.26%, expected volatility of 184.8%, dividend yield of 0% and forfeiture rate of 0%. The flow-through share issuance also included a flow-through premium of \$48,000, recorded as a liability of the Company.
- d. During September 2020, the Company closed private placements consisting of 19,590,000 units. Each common share unit was comprised of one common share and one half of one common share purchase warrant for \$0.20/unit, with gross proceeds raised of \$3,918,000. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.30 per share for a period of two years from the date of issue. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.40 for more than a 10-day period, the Company may elect to accelerate the expiry date. The Company issued 88,750 brokers warrant in relation to this financing, which entitle the holder to purchase one common share of the Company at \$0.30 for a period of two years from the date of issue. These broker warrants were valued at \$12,852 using the Black-Scholes pricing model with the following inputs - risk free rate of 0.26%, expected volatility of 184.8%, dividend yield of 0% and forfeiture rate of 0%.
- e. During October 2020, the Company closed a private placement consisting of 4,940,000 flow-through units. Each unit was comprised of one common share issued on a flow-through basis, and one half of one common share purchase warrant for \$0.25/unit, with gross proceeds raised of \$1,235,000. Each warrant entitles the holder to purchase one common share of the Company at \$0.35 for

**7. Share capital - continued**

a period of two years from the closing of the financing. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.45 for more than a 10-day period, the Company may elect to accelerate the expiry date. The Company issued 247,000 broker warrants in relation to the flow-through share financing, which entitle the holder to purchase one common share of the Company at \$0.24 for a period of 18 months from the date of issue. These brokers warrants were valued at \$39,338 using the Black-Scholes pricing model with the following inputs - risk-free rate of 0.27%, expected volatility of 182.2%, dividend yield of 0% and forfeiture rate of 0%. The flow-through share issuance also included a flow-through premium of \$98,800, recorded as a liability of the Company.

- f. During December 2020, the Company closed a private placement consisting of 6,635,393 units, with each unit comprised of one common share and one third of one common share purchase warrant for \$0.31/unit, with gross proceeds raised of \$2,056,972. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.45/share for a period of two years from the closing of the financing. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.55 for more than a 10-day period the Company may elect to accelerate the expiry date. The Company issued 796,246 brokers warrants, exercisable at \$0.31 for a period of two years from the date of issue. These warrants were value at \$192,121 using the Black-Scholes pricing model with the following inputs - risk-free rate of 0.21%, expected volatility of 184.2%, dividend yield of 0% and forfeiture rate of 0%. A director of the Company received 159,249 of the broker warrants.
  
- ii) During 2020, the Company issued shares in exchange for mineral and exploration rights as follows:
  - a. In February 2020, the Company issued 500,000 common shares, valued at their market price of \$40,000, in connection with the acquisition of the McIntyre-Moose Brook property, which is a property adjacent to the McIntyre Brook property.
  - b. In February 2020, the Company issued 90,000 common shares, valued at their market price of \$7,200, in connection with the acquisition of the Gold Brook property, which is a property adjacent to the McIntyre Brook property.
  - c. In December 2020, the Company issued 200,000 common shares, valued at their market price of \$60,000, in connection with the acquisition of the Tardiff Brook property, which is a property adjacent to the McIntyre Brook property, and 200,000 common shares, valued at their market price of \$60,000, in connection with the expansion of the original McIntyre Brook property.
  
- iii) During June 2020, the Company issued 600,000 common shares to officers of the Company in recognition of their work performed to date. The shares were valued at their market value of \$42,000.
  
- iv) During January 2021, the Company issued 117,300 common shares, valued at their market price of \$28,152, in connection with the acquisition of the Win property (Note 5).

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7. Share capital - continued

c) Warrants

The following table summarizes the warrant transactions:

	Number of warrants		Weighted average price
Balance at December 31, 2019	6,110,540	\$	0.165
Expired during the year	(96,703)		0.200
Issued during the year - private placements	18,174,268		0.332
Issued during the year - finders' warrants	1,194,496		0.296
Exercised during the year	(3,611,055)		0.170
Balance at December 31, 2020	21,771,546	\$	0.311
Exercised during the period	(77,777)		0.09
Balance at March 31, 2021	21,693,769	\$	0.300

The following table summarizes the warrants outstanding at March 31, 2021:

Warrants outstanding	Exercise price	Expiry date
325,000	0.100	July 22, 2021
2,000,000	0.090	December 12, 2021
247,000	0.240	April 8, 2022
3,009,975	0.300	August 21, 2022
242,000	0.350	August 21, 2022
590,500	0.350	September 23, 2022
9,801,250	0.300	September 23, 2022
2,470,000	0.350	October 8, 2022
2,211,798	0.450	December 29, 2022
796,246	0.310	December 29, 2022
21,693,769	\$ 0.300	

During March 2020, the Company re-priced and extended warrants with the following previous terms:

- 319,166 warrants exercisable at \$0.48 with an expiry date of March 26, 2020;
- 149,496 warrants exercisable at \$0.48 with an expiry date of April 12, 2020;
- 545,574 warrants exercisable at \$0.48 with an expiry date of May 7, 2020; and
- 22,916 warrants exercisable at \$0.48 with an expiry date of June 28, 2020.

The warrants were extended for an additional year from their initial expiry and were re-priced to be exercisable at \$0.20. The warrants were also amended to include an acceleration clause, in that if shares of the Company traded at or more than \$0.24 for a 10-day period, the expiry shall terminate upon 30 days' notice. These warrants were all exercised during the 2020 fiscal

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**7. Share capital - continued**

year. Upon the extension and amendment of the warrants, the Company recognized an adjustment to share capital and contributed surplus of \$8,410, based on the Black-Scholes model for option pricing for the new warrant terms. The inputs used were expected volatility of 147.6%, risk-free interest rate of 0.59%, dividend yield of 0% and forfeiture rate of 0%.

**d) Stock options**

The Company has a stock-based compensation plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. The fair value of each option, for the most recent option grant, was estimated using the Black-Scholes option pricing model for the issuance of options ranged from \$0.08 to \$0.23 using the following assumptions: weighted average life of 5 years; risk-free rate of 0.35-1.57%; expected volatility ranging from 228.8% to 237.3%; and a dividend yield of 0%. All options granted in 2020 vest 50% in year 1 and 50% in year 2; however, as the forfeiture of options in a one-year period was deemed unlikely, a forfeiture rate of 0% was used. \$61,992 (2020 - \$nil) of value has been recognized in relation to options granted in 2020, in the period ending March 31, 2021. The number of options that vested in the period ending March 31, 2021 were 748,542, with 694,102 of those options vested to officers and directors of the Company.

The following table summarizes the stock option transactions:

	Number	Weighted average exercise price
Outstanding at December 31 2019	3,422,221	\$ 0.301
Granted	5,500,000	0.179
Exercised	(1,300,000)	0.100
Expired	(588,888)	0.300
Outstanding at December 31, 2020	7,033,333	\$ 0.197
Exercised (i)	(300,000)	0.100
Outstanding at March 31, 2021	6,733,333	\$ 0.201

The following table summarizes the options outstanding at March 31, 2021:

Options outstanding	Exercise price	Expiry date
33,333	\$ 0.33	April 30, 2021
500,000	0.30	October 13, 2022
1,000,000	0.10	July 16, 2024
500,000	0.10	January 16, 2025
800,000	0.10	May 19, 2025
3,500,000	0.25	September 28, 2025
100,000	0.20	October 22, 2025
300,000	0.22	November 3, 2025
6,733,333	\$ 0.201	

(i) During the period, the estate of a former director of the Company exercised 300,000 options at \$0.10 per on a net settlement basis, resulting in a share issuance of 178,844 common shares of the Company.

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**7. Share capital - continued**

**e) Nature and purpose of equity reserves**

The reserves recorded in equity on the Company's statement of financial position include contributed surplus and accumulated deficit.

Contributed Surplus is used to recognize the value of stock option grants and share warrants prior to exercise. Any proceeds received prior to the issuance of shares will be recorded as contributed surplus until the shares are issued, at which time the amount will be recognized as share capital.

Accumulated Deficit is used to record the Company's change in deficit from earnings from year to year.

**f) Basic and diluted shares**

<b>As of</b>	<b>March 31, 2021</b>
<b>Total basic shares</b>	<b>89,468,136</b>
Plus: Options	6,733,333
Plus: Warrants	21,693,769
<b>Total diluted shares</b>	<b>117,895,238</b>

Potential ordinary shares shall only be treated as dilutive when, and only when, their conversion to ordinary shares would decrease their earnings per share or increase loss per share from continuing operations. As the Company currently has a net loss, including dilutive shares would only further reduce the loss per share. As such, the weighted basic and dilutive shares are the same balance, 89,304,211 (2020 - 44,393,373).

**8. Financial instruments and risk management**

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

- Market risk
- Credit risk
- Liquidity risk

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

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

## **8. Financial instruments and risk management - continued**

### **General objectives, policies and processes**

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

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

#### **a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk:

- i) Foreign currency risk;
- ii) Interest rate risk;
- iii) Commodity price risk; and,
- iv) Equity price risk.

The Company is exposed to foreign currency risk in that some of its accounts payables are denominated in a foreign currency. Management believes that the Company is not exposed to significant foreign currency risk. In addition, the Company is exposed to equity price risk as a result of its marketable securities (Note 3). Management monitors the equity price of the investment to manage its exposure to the equity price risk.

#### **b) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk include cash, term deposits and other receivables. Cash is maintained with financial institutions and may be redeemed upon demand; and other receivables are amounts due from the government. Both the financial and government institutions are considered reputable and creditworthy institutions.

The carrying amount of cash and term deposits represents the maximum credit exposure. The Company has gross credit exposure at March 31, 2021 and December 31, 2020 of \$5,177,718 and \$5,774,433, respectively. Management considers that all financial assets held are of good credit quality, and therefore credit risk is not considered significant.

## **8. Financial instruments and risk management - continued**

### **c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Typically, the Company ensures that it has sufficient cash to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities in conjunction with its daily cash position.

### **Determination of fair values**

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 value is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, term deposits, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Available-for-sale investments are measured at fair value as the balance is derived from quoted prices in an active market. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

### **Fair value hierarchy**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of the Company's marketable security is based on quoted prices and is therefore considered to be Level 1.

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**9. Capital management**

The Company considers its capital to comprise share capital, contributed surplus, and accumulated other comprehensive income and deficit. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development of the business.

The Company is not exposed to any externally imposed capital requirements.

**10. Subsequent events**

In April 2021, the Company entered into a definitive agreement to acquire 100% of the issued and outstanding shares of California Gold Mining Inc., by way of a court-approved plan of arrangement. Under the agreement, the Company will issue 1 common share for each common share of California Gold Mining Inc. The Company anticipates that it will issue 65,108,269 shares to California Gold Mining Inc. shareholders as a result of the arrangement.

In April 2021, 33,333 share options expired unexercised.