

**NEWBASKA GOLD AND COPPER MINES LTD.  
MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.**

**Financial Statements**

For the years ended December 31, 2020 and 2019

**AUDITED**

**2020**

# NEWBASKA GOLD AND COPPER MINES LTD. MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.

## Financial Statements

For the years ended December 31, 2020 and 2019

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# **NEWBASKA GOLD AND COPPER MINES LTD. MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.**

## **Management Responsibility for Annual Financial Statements**

For the years ended December 31, 2020 and 2019

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The accompanying financial statements of Newbaska Gold and Copper Mines Ltd. (the "Company" or "Newbaska") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the audited annual financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the audited annual financial statements together with other financial information. An Audit Committee, whose members are not officers of the Company, assists the Board of Directors in fulfilling this responsibility. The Audit Committee, on behalf of the Board of Directors, meets with management to review the internal control over the financial reporting process, the audited annual financial statements together with other financial information of the Company, and the auditor's report. The Audit Committee reports its finding to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

DATED this 27 th day of April 2021.

Newbaska Gold and Copper Mines Ltd.

**(signed) " Charles A.Veilleux"**

Charles A. Veilleux  
President and Chief Executive Officer

**(signed) " Robert Turgeon"**

Robert Turgeon  
Chief Financial Officer

**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of  
Newbaska Gold and Copper Mines Ltd. / Mines d'Or et de Cuivre Newbaska Ltée.:**

**Opinion**

We have audited the accompanying financial statements of Newbaska Gold and Copper Mines Ltd. / Mines d'Or et de Cuivre Newbaska Ltée., which comprise the statements of financial position as at December 31, 2020 and December 31, 2019, and the statements of net income (loss), comprehensive income (loss) and deficit, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

**Basis for Opinion**

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

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which discloses conditions that indicate the existence of a material uncertainty that may cast significant doubt about Newbaska Gold and Copper Mines Ltd. / Mines d'Or et de Cuivre Newbaska Ltée.'s ability to continue as a going concern.

**Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with Canadian GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The image shows a handwritten signature in black ink that reads "S & W LLP". The letters are stylized and cursive.

April 27, 2021  
Toronto, Canada

S & W LLP  
Chartered Professional Accountants, Licensed Public Accountants

**NEWBASKA GOLD AND COPPER MINES LTD.  
MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.**

Statements of Financial Position

**AUDITED**

| As at                                       |       | December 31,<br>2020 | December 31,<br>2019 |
|---|-------|----------------------|----------------------|
|   | Notes | \$                   | \$                   |
| <b>ASSETS</b>                               |       |                      |                      |
| <b>Non-current assets</b>                   |       |                      |                      |
| Exploration assets                          | 4     | 115,000              | 115,000              |
| <b>Total non-current assets</b>             |       | <b>115,000</b>       | <b>115,000</b>       |
| <b>Current assets</b>                       |       |                      |                      |
| Amounts receivable and other assets         | 5     | 737                  | 2,909                |
| Cash and cash equivalents                   | 6     | 164                  | 264                  |
| <b>Total current assets</b>                 |       | <b>901</b>           | <b>3,173</b>         |
| <b>Total Assets</b>                         |       | <b>115,901</b>       | <b>118,173</b>       |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> |       |                      |                      |
| <b>SHAREHOLDERS' EQUITY</b>                 |       |                      |                      |
| Share capital                               | 7     | 1,548,614            | 1,548,614            |
| Contributed surplus                         |       | 106,327              | 106,327              |
| Deficit                                     |       | (1,883,933)          | (2,148,549)          |
| <b>Total equity</b>                         |       | <b>(228,992)</b>     | <b>(493,608)</b>     |
| <b>LIABILITIES</b>                          |       |                      |                      |
| <b>Non-Current Liabilities</b>              |       |                      |                      |
| Director note payable                       | 11    | 86,250               | 71,750               |
| <b>Total non-current liabilities</b>        |       | <b>86,250</b>        | <b>71,750</b>        |
| <b>Current liabilities</b>                  |       |                      |                      |
| Amounts payable and accrued liabilities     | 8, 11 | 255,143              | 536,531              |
| Deferred premium on flow-through shares     | 13    | 3,500                | 3,500                |
| <b>Total current liabilities</b>            |       | <b>258,643</b>       | <b>540,031</b>       |
| <b>Total liabilities</b>                    |       | <b>344,893</b>       | <b>611,781</b>       |
| <b>Total Equity and Liabilities</b>         |       | <b>115,901</b>       | <b>118,173</b>       |

Going concern 1  
Commitments and contingencies 13

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

Approved on behalf of the Board of Directors:

(signed) Charles A. Veilleux

Charles A. Veilleux, President

(signed) Robert Turgeon

Robert Turgeon, Secretary Treasurer

**NEWBASKA GOLD AND COPPER MINES LTD.  
MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.**

Statements of Net Income (Loss), Comprehensive Income (Loss) and Deficit

**AUDITED**

|   | Notes | For the years ended |                    |
|---|-------|---------------------|--------------------|
|   |       | December 31,        |                    |
|   |       | 2020                | 2019               |
|   |       | \$                  | \$                 |
| Expenses  |       |                     |                    |
| Consulting fees   | 11    | -                   | 230                |
| Professional fees   |       | 11,200              | 11,200             |
| Management fees   | 11    | 12,000              | 12,000             |
| Transfer and filing fees  |       | 5,286               | 4,311              |
| General and administrative  |       | 5,445               | 3,863              |
| Director fees   | 11    | 1,500               | 2,000              |
| Stock-based compensation  | 7, 10 |                     | -                  |
| Interest and bank charges   |       | 283                 | 264                |
| Travel and entertainment  |       | 180                 | 347                |
| Accounts payable adjustment   |       | (300,838)           |                    |
| Evaluation expenses (net of governments refund credits)               |       | 328                 | 221                |
|   |       | <b>(264,616)</b>    | <b>34,436</b>      |
| <b>Net income (Loss) from operations</b>                              |       | <b>264,616</b>      | <b>(34,436)</b>    |
| <b>Income tax provision</b>   |       | <b>(70,123)</b>     |                    |
| <b>Income tax recovery</b>  |       | <b>70,123</b>       |                    |
|   |       |                     |                    |
| <b>Net Income (loss) and comprehensive income (loss) for the year</b> |       | <b>264,616</b>      | <b>(34,436)</b>    |
|   |       |                     |                    |
| Deficit, beginning of year  |       | (2,148,549)         | (2,114,112)        |
|   |       |                     |                    |
| <b>Deficit, end of year</b>   |       | <b>(1,883,933)</b>  | <b>(2,148,549)</b> |
|   |       |                     |                    |
| <b>Basic and diluted loss per share (Note 10)</b>                     |       | <b>0.026 \$</b>     | <b>(0.003) \$</b>  |
| <b>Weighted average outstanding shares</b>                            |       | <b>10,132,281</b>   | <b>10,132,281</b>  |

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

**NEWBASKA GOLD AND COPPER MINES LTD.  
MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.**

Statements of Cash Flows

AUDITED

|  |       | December 31,<br>2020 | December 31,<br>2019 |
|--|-------|----------------------|----------------------|
|  | Notes | \$                   | \$                   |
| <b>Cash flows from operating activities</b>              |       |                      |                      |
| Net Income (Loss) and Comprehensive Income (Loss)        |       | <b>264,616</b>       | (34,436)             |
| Adjustment for items not affecting cash:                 |       |                      |                      |
| Stock-based compensation                                 | 6     | -                    | -                    |
| Deferred Premium on Flow-through shares                  |       | -                    | -                    |
| Changes in non-cash working capital                      |       |                      |                      |
| Amounts receivable and other assets                      |       | <b>2,172</b>         | (497)                |
| Amounts payable and accrued liabilities                  |       | <b>(281,388)</b>     | 23,431               |
| <b>Net cash flows used in operating activities</b>       |       | <b>(14,600)</b>      | <b>(11,502)</b>      |
| <b>Cash flows from investing activities</b>              |       |                      |                      |
| Evaluation expenses                                      | 3     | -                    | -                    |
| <b>Net cash flows used in investing activities</b>       |       | <b>-</b>             | <b>-</b>             |
| <b>Cash flows from financing activities</b>              |       |                      |                      |
| Directors notes payable                                  |       | <b>14,500</b>        | 11,500               |
| <b>Net cash flows provided from financing activities</b> |       | <b>14,500</b>        | <b>11,500</b>        |
| Net decrease in cash and cash equivalents                |       | <b>(100)</b>         | (2)                  |
| Cash and equivalents, beginning of the year              |       | <b>264</b>           | 266                  |
| <b>Cash and cash equivalents, end of the year</b>        |       | <b>164</b>           | <b>264</b>           |

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

**NEWBASKA GOLD AND COPPER MINES LTD.  
MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.**

Statements of Changes in Shareholders' Equity

AUDITED

|   | Shares            | Capital<br>Stock<br>\$ | Contributed<br>Surplus<br>\$ | Other<br>Accumulated<br>Comprehensive<br>Income<br>\$ | Deficit<br>\$      | Shareholders'<br>Equity<br>\$ |
|---|-------------------|------------------------|------------------------------|---|--------------------|-------------------------------|
| <b>Balance at December 31, 2018</b>     | <b>10,132,281</b> | <b>1,548,614</b>       | <b>106,327</b>               | <b>-</b>  | <b>(2,114,112)</b> | <b>(459,171)</b>              |
| Private placement                       | -                 | -                      | -                            | -   | -                  | -                             |
| Shares issued for debt                  | -                 | -                      | -                            | -   | -                  | -                             |
| Stock-based compensation                | -                 | -                      | -                            | -   | -                  | -                             |
| Deferred premium on flow-through shares | -                 | -                      | -                            | -   | -                  | -                             |
| Net Loss                                | -                 | -                      | -                            | -   | (34,436)           | (34,436)                      |
| <b>Balance at December 31, 2019</b>     | <b>10,132,281</b> | <b>1,548,614</b>       | <b>106,327</b>               | <b>-</b>  | <b>(2,148,549)</b> | <b>(493,608)</b>              |
| Private placement                       | -                 | -                      | -                            | -   | -                  | -                             |
| Shares issued for debt                  | -                 | -                      | -                            | -   | -                  | -                             |
| Stock-based compensation                | -                 | -                      | -                            | -   | -                  | -                             |
| Deferred premium on flow-through shares | -                 | -                      | -                            | -   | -                  | -                             |
| Net Income                              | -                 | -                      | -                            | -   | 264,616            | 264,616                       |
| <b>Balance at December 31, 2020</b>     | <b>10,132,281</b> | <b>1,548,614</b>       | <b>106,327</b>               | <b>-</b>  | <b>(1,883,933)</b> | <b>(228,993)</b>              |

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

# **NEWBASKA GOLD AND COPPER MINES LTD. MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.**

## **Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Newbaska Gold and Copper Mines Ltd./Mines D'Or et de Cuivre Newbaska Ltée (the "Company" or "Newbaska") was incorporated under the Canada Business Corporation Act on November 28, 1951. The Company ceased operations on December 27, 1974 upon the issuance of a cease trade order by the Québec Autorité des Marchés Financiers (the "AMF") for failure to comply with continuous disclosure obligations and subsequently wrote off all of its assets. The Company was revived on September 24, 1998 and the cease trade order was revoked by the AMF on December 6, 2007 upon filing of the outstanding disclosure. The Company is considered a public company though its common shares are not listed on any Stock Exchange. The Company's registered office is 112 rue Self, Val-d'Or, Quebec, J9P 3M8.

The Company is engaged in the acquisition, exploration and development of mineral property interest through direct holding. The recovery of amounts capitalized as exploration assets is dependent upon the discovery of economically recoverable reserves, technical feasibility, economic viability, the ability of the Company to obtain financing to complete the necessary exploration and development, and obtaining future production or proceeds from the disposition thereof.

These audited financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2020. The Company is subject to risk and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

### **2. STATEMENT OF COMPLIANCE**

These audited financial statements of the Company, approved by the Board of Directors on April 27, 2021, have been prepared consistently in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). The policies applied in these audited financial statements are based on IFRS effective or issued as at April 27, 2021 .

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation, measurement and statement of compliance**

These audited financial statements were prepared in accordance with IFRS, as at December 31, 2020 & 2019, as issued by the International Accounting Standards Board and applicable to the preparation of financial statements. The Company operates in one segment defined as the cash generating unit ("CGU") being exploration and evaluation activity. These financial statements were authorized for issue by the Board of Directors on April 27, 2021.

The financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value.

# NEWBASKA GOLD AND COPPER MINES LTD. MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.

## Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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The following standards have been adopted on January 1, 2019:

### IFRS 16 -Leases

IFRS 16, Leases ("IFRS 16"), which specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The impact of the adoption of this standard has not had any impact on the financial statements.

### Presentation, functional currency and foreign Currencies

The functional currency is the currency of the economic environment in which the entity operates. The functional currency is the Canadian dollar. The presentation currency is the Canadian dollar.

### Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at statement of financial position date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred.

Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the Statements of Net Income (Loss), Comprehensive Income (Loss) and Deficit, except for differences arising on the translation of available for sale equity instruments that are recorded in other accumulated comprehensive income.

### Related party transactions

Related party transactions conducted in the normal course of operations are measured at the exchange value. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, for similar transactions with non-key management personnel related entities on an arm's length basis.

### Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through net income or loss, which are measured initially at fair value.

### Financial Assets:

Financial assets are categorized for subsequent measurement as follows:

#### *Amortized cost*

Financial assets that are held in a business model with the objective of collecting contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortized cost ("AC"). The Company's trade and other receivables are measured at amortized cost. Gains and losses are recognized in the statement of income when the trade and other receivables are derecognized or impaired.

# NEWBASKA GOLD AND COPPER MINES LTD. MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.

## Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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### *Financial assets at fair value through profit and loss*

Financial assets that are held for trading and derivative assets are required to be measured at fair value through profit and loss ("FVTPL"). Financial assets that meet certain conditions may be designated at fair value through profit and loss upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit and loss as incurred.

Assets in this category are subsequently measured at fair value with gains or losses recognized in profit and loss. The fair values of derivative financial instruments are based on changes in observable prices in active markets or by a valuation technique where no market exists.

The company's cash and cash equivalents and short-term investments are designed as financial assets at fair value through profit and loss.

### *Fair value through other comprehensive income*

Financial assets that are held to both collect contractual cash flows and for sale are required to be measured at fair value through other comprehensive income ("FVOCI"). Other financial assets, provided they are not held for trading

Gains and losses are recognized in other comprehensive income and presented in the available for sale reserve within equity, except for the accretion in value based on the effective interest method, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit and loss. Financial assets measured at fair value through other comprehensive income for which fair value cannot be estimated reliably, are measured at cost and any impairment losses are recognized in profit and loss. Upon initial recognition, attributable transaction costs are recognized in profit and loss as incurred. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit and loss and presented as a reclassification adjustment within other comprehensive income.

## **Financial Liabilities**

Financial liabilities are categorized as follows for subsequent measurement:

### *Amortized cost*

Financial liabilities that are not otherwise measured as at fair value through profit and loss or designated at fair value are measured at amortized cost using the effective interest rate method. Any host contract in a hybrid instrument is also measured at amortized cost. Gains and losses are recognized in profit and loss when the liabilities are derecognized. Transaction costs incurred in connection with the issuance of loans and borrowings are capitalized and recorded as a reduction of the carrying amount of the related financial liabilities and amortized using the effective interest method.

The Company's financial liabilities measured at amortized cost include trade payables and accrued liabilities.

### *Financial liabilities at fair value through profit and loss*

Financial liabilities that are held for trading and stand-alone derivative liabilities are required to be measured at fair value through profit and loss ("FVTPL"). When certain conditions are satisfied, embedded derivatives are required to be separately recognized and measured at fair value with subsequent changes in fair value recognized in profit and loss. A designation can be made at initial recognition for financial liabilities that include one or more embedded derivatives, provided the host contract is not a financial asset, to measure the entire hybrid instrument at fair value. Where certain criteria are met, for example measurement at amortized cost would create measurement

# NEWBASKA GOLD AND COPPER MINES LTD. MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.

## Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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For such designated financial liabilities, the amount of the change in fair value that relates to changes in the entity's own credit risk is recognized in other comprehensive income and the remaining amount of the change in fair value is recognized in profit and loss. All contingent consideration payable is also included in this category.

The Company has not designated any financial instruments as hedges for accounting purposes.

The fair values of financial liabilities are based on changes in observable prices in active markets or by a valuation technique where no market exists. Transaction costs attributable to the issuance of financial liabilities at fair value through profit and loss are recognized in profit and loss as incurred.

Classification:

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- (i) Level 1 Inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- (ii) Level 2 Inputs - 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
- (iii) Level 3 Inputs - techniques which use inputs which have a significant effect on the recorded fair value for the asset or liability that are not based on observable market data (unobservable inputs).

|  | New measurement category under IFRS 9   |
|--|---|
| Cash and cash equivalents                | Financial assets at FVTPL               |
| Amounts receivable and other assets      | Financial assets at amortized cost      |
| Amounts payables and accrued liabilities | Financial liabilities at amortized cost |

### De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

### Exploration assets

Acquisition costs related to exploration of properties are capitalized as exploration assets at fair value at the time of purchase. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment.

Evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources.

Evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are capitalized as an exploration and evaluation asset. Exploration and evaluation assets are not

# **NEWBASKA GOLD AND COPPER MINES LTD. MINES D'OR ET DE CUIVRE NEWBASKA LTÉE.**

## **Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

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### **Pre-exploration costs**

Pre-exploration costs are incurred on activities that precede exploration for an evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area. Pre-exploration costs are expensed immediately through the Statement of Net Income (Loss), Comprehensive Income (Loss) and Deficit.

### **Exploration and evaluation expenditures**

The Company expenses the cost of its evaluation expenditures and capitalizes exploration expenditures which are the cost of acquiring interests in mineral rights, licenses and properties in, asset acquisitions or option agreements. Exploration assets acquired as a result of an asset acquisition or option agreement are initially recognized at cost. They are subsequently carried at cost less accumulated impairment. No depreciation is charged during the evaluation phase. The Company expenses the cost of evaluation activity related to acquired exploration assets. Cash flows associated with acquiring exploration assets are classified as investing activities in the Statements of Cash Flows; those associated with evaluation expenses are classified as operating activities.

Evaluation expenditures relate to costs incurred for evaluation of potential mineral rights and include costs related to the following: conducting geological studies; exploratory drilling and sampling and; evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration expenditures, including costs of acquiring licenses, are capitalized as exploration assets on an area of interest basis which generally is defined as a project. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favourable or has been proved to exist and, in most cases, comprises a single mine or deposit.

Administration costs that do not relate directly to specific exploration activity for capitalized projects are expensed as incurred.

All pre-production and bulk sampling revenues are credited against the capitalized expenditures.

In a farm-out agreement, the Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmer as a gain on disposal.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, exploration assets attributable to that project are first tested for impairment and then reclassified to mine property and development projects on the Statement of Financial Position. Upon the commencement of commercial production, mine property and development projects will be charged to operations on a unit-of-production basis.

### **Impairment of long-lived assets**

The Company reviews its long-lived assets within its cash generating units, consisting primarily of exploration assets, at each reporting period end, for any indicators of impairment whenever events or changes in circumstances indicate that such carrying value may not be recoverable. The recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

To determine whether a long-lived mining asset may be impaired, the recoverable amount is compared to the carrying value of the individual asset. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Statements of Net Income (Loss), Comprehensive Income (Loss) and Deficit. Where it is not possible to estimate the recoverable amount of a specific non-financial asset, the

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A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Statement of Net Income (Loss), Comprehensive Income (Loss) and Deficit. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

### **Property, Plant and Equipment**

Property, Plant and Equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consist of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method at various rates ranging from 20% - 30% per annum.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the Statement of Net Income (Loss), Comprehensive Income (Loss) and Deficit.

Where an item of plant and equipment consist of major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Residual values and estimated useful lives are reviewed at least annually.

Common shares are classified as equity. Transaction cost directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

### **Share Capital**

#### **Share-based compensation transactions**

The share purchase option plan allows Company officers, directors, employees and service providers to acquire shares of the Company. The fair value of share purchase options granted are recognized as a stock-based compensation expense, in the Statement of Net Income (Loss), Comprehensive Income (Loss) and Deficit, with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by direct employee, e.g. directors and officers.

The fair value is measured at grant date and each tranche is recognized on an accelerated basis over the period during which the share purchase options vest. The fair value of the share purchases options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest. The fair value of this share-based payment is recognized as a charge to the Statement of Net Income (Loss), Comprehensive Income (Loss) and Deficit with a corresponding credit to shareholders' equity on the Statement of Financial Position.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method. The fair value of each vested tranche is measured using Black-Scholes using assumptions at the time of vesting, using risk-free interest rates, dividends yields and volatility factors of the expected market price of similar size companies.

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Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the

### **Share-based payments to non-employees**

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

### **Warrants**

The valuation of warrants includes estimates of risk-free interest rates, volatility of the Company's share price and expected life of the warrants. By their nature, these estimates are subject to measurement uncertainty and could materially impact the financial statements. Warrants are classified as equity and measured at fair value on the date of issue using the Black-Scholes option pricing model. The Company has no warrants outstanding.

### **Provisions**

Provisions are recognized for liabilities of uncertain timing when the Company has a present obligation (legal or constructive) as a result of a past event, when it's probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized and treated as a separate asset when it is virtually certain that reimbursement will be received if the Company settles the obligation.

### **Decommissioning and restoring provision**

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made.

The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the costs to expense using a systemic and rational method over its useful life, and records the accretion of the liability as a charge to the Statement of Net Income (Loss), Comprehensive Income (Loss) and Deficit.

As the Company has not commenced construction and development of any mining operations it does not have any

### **Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Contingent liabilities are not recognized in the financial statements, if not estimable and probable and are disclosed in the notes to the financial statements unless their occurrence is remote.

Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

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### **Flow-through shares**

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deduction associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a temporary non-cash liability on the Statement of Financial Position. The subsequent spending of such qualifying expenditures incurred by the Company in favour of the flow-through subscribers is reported as a reduction in the deferred premium on flow-through shares' liability on the Statement of Financial Position and a corresponding reduction of the deferred tax expense on the Statement of Net Income (Loss), Comprehensive Income (Loss) and Deficit.

### **Income Taxes**

Income taxes are calculated using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for timing difference between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry.

Deferred tax assets and liabilities are presented as a non-current item and measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income

### **Revenue recognition**

Revenue is only recognized to the extent that evidence of an arrangement exists, collection is reasonably certain, the sales price is fixed or determinable and title and risk have passed to the customer and the cost of sales is readily determinable.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the completion of services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

### **Earning (Loss) per Share**

Basic earning (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. In periods where the Company reports a comprehensive loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic

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### **Environmental expenditures**

The operations of the Company may, in the future, be occasionally affected by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries. As at December 31, 2020, the Company has no environmental expenditures or known liabilities.

### **Government assistance and investment tax credits**

Government assistance and investment tax credits are recorded as either a reduction of the cost of the applicable asset, or credited against the related expense incurred in the statement of net income (loss), comprehensive income (loss) and deficit, as determined by the terms and conditions of the agreement under which the assistance is provided to the Corporation or the nature of the expenditures which gave rise to the credits. Government assistance and investment tax

### **Leases**

Leases that transfer substantially all of the benefits and risk of ownership to the Company are accounted for at the commencement of the lease term as financial leases and recorded as assets at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments, together with an offsetting liability. Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are

### **Other Comprehensive income**

Other comprehensive income is the change in net assets that results from transactions and events, not included in loss for the period. The Company's comprehensive income, components of other comprehensive income, and cumulative translation adjustments on foreign currency gains or losses related to foreign operations, are presented in the Statement of Net Loss, Comprehensive Loss and Deficit. The Company had no comprehensive income or loss transactions, other than its net income (loss) which is presented in the Statement of Net Income (Loss), Comprehensive Income (Loss) and Deficit, and did not accumulate other comprehensive income during the periods that have been presented. Accordingly a statement of comprehensive income has not been presented.

### **Significant Accounting Estimates and Judgments**

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affects the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include, but are not limited to, the determination of carrying value and ownership of exploration assets, the valuation of share-based compensation transactions, deferred income tax assets and liabilities, and accrued liabilities and contingencies. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from management estimates.

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**4. EXPLORATION ASSETS**

On June 13, 2007, the Company purchased the rights to a 100% interest in 5 mining claims in Joannes Township, Quebec, collectively referred to as the Davidson Creek Project, for \$70,000 and 450,000 common shares of the Company at \$0.10 per share. The claims are subject to a 2% Net Smelter Return Royalty ("NSR") and the Company may repurchase 1% of the NSR at any time for \$1,000,000.

Exploration and evaluation expenses during years 2020 and 2019 on the Davidson Creek Project can be summarized as follows:

**Davidson Creek project**

|                                  | \$             |
|----------------------------------|----------------|
| <b>Balance December 31, 2019</b> | <b>115,000</b> |
| Additions                        | -              |
| <b>Balance December 31, 2020</b> | <b>115,000</b> |

**5. AMOUNTS RECEIVABLE AND OTHER ASSETS**

|                            | <u>December 31,</u> | <u>December 31,</u> |
|----------------------------|---------------------|---------------------|
|                            | <b>2020</b>         | <b>2019</b>         |
|                            | \$                  | \$                  |
| Consumption taxes          | <b>528</b>          | 2,373               |
| Other assets - prepayments | <b>209</b>          | 537                 |
| <b>Total</b>               | <b>737</b>          | 2,909               |

**6. CASH AND CASH EQUIVALENTS**

|      | <u>December 31,</u> | <u>December 31,</u> |
|------|---------------------|---------------------|
|      | <b>2020</b>         | <b>2019</b>         |
|      | \$                  | \$                  |
| Cash | <b>164</b>          | 264                 |

**7. SHARE CAPITAL**

**Authorized Share Capital**

At December 31, 2020, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

**Share Purchase Option Compensation Plan**

The Company has a share purchase option plan approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees, and service providers. The share purchase option plan (the "2010 Rolling Option Plan") is based on a maximum number of eligible shares equalling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. Pursuant to the 2010 Rolling Option Plan, if outstanding shares purchase options are exercised or expired, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase option available to grant under the plan increase proportionately. The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts).

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Share purchase options can have a maximum term of ten years and typically terminates 90 days following the termination of the optionee's employment or agreement, except in the case of retirement or death. Vesting of share purchase options is at the discretion of the Board of Directors at the time the options are granted.

The continuity of share purchase options for the years ended December 31, 2020 and 2019 as follows:

|  | Options<br># | Weighted-<br>average<br>exercise price<br>\$ |
|--|--------------|--|
| Outstanding balance December 31, 2019        |              |  |
| <b>Outstanding balance December 31, 2020</b> | -            | -  |
| <b>Outstanding balance December 31, 2020</b> | -            | -  |

|   | December 31,<br>2020 | December 31,<br>2019 |
|---|----------------------|----------------------|
| Weighted average exercise price                     | -                    | -                    |
| Weighted average contractual remaining life (years) | -                    | -                    |

During the year 2012, the Company issued 142,000 share purchase options to purchase common shares at an exercise price of \$0.15 per common shares. Expected yield - 0%; expected volatility - 177%; risk-free interest rate - 1.58%; and expected life of 7.00 years. Value assigned was \$20,860. No share purchase options were granted in 2020. Options value vested on the 2012 issuance during 2020 was \$NIL (\$NIL - 2019). Total value of options vested as at December 31, 2020 is \$NIL (2019-\$NIL).

The following are the share purchase options that were outstanding at December 31, 2020 and at December 31, 2019:

|                  | Exercise<br>price<br>\$ | December 31,<br>2020<br>Number<br>of options<br>outstanding | December 31,<br>2019<br>Number<br>of options<br>outstanding |
|------------------|-------------------------|---|---|
| Expiry date      |                         |   |   |
| October 22, 2019 | 0.15                    | -   | -   |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

## 8. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

|  | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| <b>Falling due within the year</b>       |                      |                      |
|  | \$                   | \$                   |
| Amounts payables and accrued liabilities | <b>255,143</b>       | 536,531              |
| <b>Total</b>                             | <b>255,143</b>       | 536,531              |

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### 9. INCOME TAXES

The provision for income taxes reported differs from the amount computed by applying the cumulative Canadian federal and provincial income tax rates to the net los due to the following:

|   | <b>December 31,</b><br><b>2020</b> | December 31,<br>2019 |
|---|------------------------------------|----------------------|
| Statutory rate                                  | <b>26.50%</b>                      | 26.50%               |
|   | <b>\$</b>                          | <b>\$</b>            |
| Income (loss) before provision for income taxes | <b>264,616</b>                     | (9,126)              |
| Less:   |                                    |                      |
| Evaluation expenses                             | -                                  | -                    |
| Stock-based compensation                        | -                                  | -                    |
| Taxable asset not recognized                    | <b>(264,616)</b>                   | 9,126                |
| <b>Total income tax (expense) recovery</b>      | <b>-</b>                           | <b>-</b>             |

The tax effect of temporary differences that give rise to significant portion of the deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019 were as follows:

|   | <b>December 31,</b><br><b>2020</b> | December 31,<br>2019 |
|---|------------------------------------|----------------------|
| Statutory rate                          | <b>26.50%</b>                      | 26.50%               |
|   | <b>\$</b>                          | <b>\$</b>            |
| <b>Deferred income tax asset</b>        |                                    |                      |
| Non-capital losses carried forward      | <b>374,651</b>                     | 444,775              |
| Resource property pools                 | <b>25,469</b>                      | 25,469               |
| <b>Total deferred income tax assets</b> | <b>400,120</b>                     | 470,244              |

|   | <b>December 31,</b><br><b>2020</b> | December 31,<br>2019 |
|---|------------------------------------|----------------------|
| Statutory rate                              | <b>26.50%</b>                      | 26.50%               |
|   | <b>\$</b>                          | <b>\$</b>            |
| <b>Deferred income tax liability</b>        |                                    |                      |
| Renunciation of exploration expenditures    | -                                  | -                    |
| <b>Total deferred income tax liability</b>  | <b>-</b>                           | <b>-</b>             |
| Deferred income tax asset                   | <b>400,120</b>                     | 470,244              |
| Deferred income tax liability               | -                                  | -                    |
|   | <b>400,120</b>                     | 470,244              |
| Less: valuation allowance                   | <b>(400,120)</b>                   | (470,244)            |
| <b>Net deferred tax asset and liability</b> | <b>-</b>                           | <b>-</b>             |

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The Company has approximately \$1,413,779 (2019 - \$1,678,396) of net operating losses available to be carried forward against future taxable income. These non-capital losses will expire as follows:

| Years | \$               |
|-------|------------------|
| 2028  | 107,760          |
| 2029  | 149,986          |
| 2030  | 101,502          |
| 2031  | 126,817          |
| 2032  | 128,573          |
| 2033  | 117,306          |
| 2034  | 84,628           |
| 2035  | 98,794           |
| 2036  | 224,247          |
| 2037  | 128,620          |
| 2038  | 111,111          |
| 2039  | 34,436           |
|       | <b>1,413,779</b> |

The potential tax benefit of those losses has not been recognized in these financial statements. The Company has recorded a valuation allowance in the financial statements since the Company does not consider it more likely than not that the deferred tax asset will be realised in the foreseeable future.

**10. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted profit per share for the year ended December 31, 2020 of \$0.026 as compared to a loss of \$0.003 for the year ended December 31, 2019 was based on the loss attributable to common shareholders and the weighted average number of common shares outstanding at December 31, 2020 is 10,132,281 as compared to the weighted number of common shares outstanding at December 31, 2019 was 10,132,281 respectively.

**11. RELATED PARTY BALANCES AND TRANSACTIONS**

\$Nil of consulting fees (2019 - \$230), \$12,000 of management fees (2019 - \$12,000) from an enterprise controlled by a director, \$1,500 of director fees (2019 - \$2,000 from administrators and officers of the Company, \$150 were included in filing fees (2019 - \$150), from a director.

\$86,250 of notes payable to directors (2019 - \$71,750). The notes are due on demand after an 18 month period. The principal of these notes shall bear no interest if the company issues shares in settlement of this amount otherwise a 5% interest will be paid.

The amounts payable includes \$233,570 (2019- \$216,968), of payables to officers and directors and companies controlled by them.

All related party transactions entered into by the Company are recorded at fair market value as determined by the Company's directors with no beneficial interest in respect of a particular transaction.

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### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial Assets and Liabilities

The Company has classified cash and cash equivalents and short-term investments as financial assets, and measured at fair value through profit or loss. Trade and other receivables are classified as financial assets, and measured at amortized cost. Amounts payables and accrued liabilities are classified as financial liabilities, and measured at amortized cost (note 3).

The carrying values and fair values of financial assets and liabilities as at December 31, 2020 and December 31, 2019 are summarized as follows:

#### *Fair values*

The carrying values of the Company's financial instruments comprising of cash and cash equivalents, and amounts receivable, and amounts payable and accrued liabilities approximate the fair value due to their short-term maturity.

#### *Risk Management*

The Company is exposed to risks that arise from its use of financial instruments. The Company's financial instruments comprise of cash and cash equivalents, amounts receivable, and amounts payable and accrued liabilities. Disclosures relating to exposure to credit risk, foreign currency risk, concentration risk, market risk and liquidity risk are provided below.

#### a) *Credit Risk*

Financial instruments, which potentially subject the Company to concentrations of credit risk, comprise primarily of cash and cash equivalents and amounts receivable and other assets. The maximum exposure to credit risk of these items is the carrying amount as reported on the financial statements. Cash and cash equivalents are maintained at a major Canadian financial institution. The maximum exposure to credit risk is equal to the carrying values of these financial assets. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk. Credit risk on amounts receivable is minimized as a result of the nature of the receivable being owed by the government through GST and QST returns filed on a quarterly basis.

#### b) *Foreign Currency Risk*

The Company is not currently exposed to currency risk as there are no operating activities which are transacted in US

#### c) *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, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed.

#### d) *Liquidity Risk*

The Company is exposed to liquidity risk to the extent that it is required to meet its financial obligations as these become due. The Company's approach to managing liquidity risk is to ensure that it has sufficient cash and other current financial assets to meet its obligations when due, without incurring unacceptable losses or damage to the Company's reputation. Furthermore, to manage cash flow requirements, the Company maintains principally all its

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### *e) Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes that a 10% movement in interest rates and foreign exchange rates that may reasonably be expected to occur over the next twelve month period will not have a significant impact on the Company.

### *f) Capital management*

The Company's policy is to maintain a strong capital base to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, and contributed surplus, net of accumulated deficit. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## **13. COMMITMENTS AND CONTINGENCIES**

The Company is required to issue 400,000 common shares for the first mineral deposit found and 600,000 common shares for each subsequent mineral deposit found thereafter on the Davidson Creek Property. Either party can terminate this agreement, provided three months notice has been given. To date no shares have been issued.

Pursuant to the July 2014 equity financing which included the issuance of common shares on a flow-through basis (see Note 6), the Company renounced certain qualifying expenditures at December 31, 2014 to its flow-through subscribers, in accordance with the look-back rules under the Income Tax Act (Canada). As a result, the Company is committed to incurring \$10,500 in qualifying expenditures, and has recorded a deferred premium of \$3,500 on the flow-through shares issued.