

**KIPLIN METALS INC.**

Financial Statements

For the years ended December 31, 2020, and 2019

(Expressed in Canadian Dollars)

---

**INDEPENDENT AUDITORS' REPORT**

---

To the Shareholders and Directors of Kiplin Metals Inc.

**Opinion**

We have audited the financial statements of Kiplin Metals Inc. (the "Company") which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising 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 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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.

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. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 auditors' report is Fernando J. Costa.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
April 23, 2021

**KIPLIN METALS INC.**

Statements of Financial Position  
As at December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 603,459	\$ 8,282
GST receivable	9,836	1,874
<b>Total Current Assets</b>	613,295	10,156
<b>Exploration and evaluation assets</b> (note 4)	1,825	1,748,310
<b>Total Assets</b>	\$ 615,120	\$ 1,758,466
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable (note 6)	\$ 102,905	\$ 381,690
Accrued liabilities	10,000	9,000
<b>Total Current Liabilities</b>	112,905	390,690
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	21,488,193	20,546,602
Warrants (note 8)	83,689	83,689
Share-based payments reserve (note 8)	1,328,523	1,328,523
Deficit	(22,398,190)	(20,591,038)
<b>Total Equity</b>	502,215	1,367,776
<b>Total Liabilities and Equity</b>	\$ 615,120	\$ 1,758,466

Nature and continuance of operations (note 1)

Approved on behalf of the Board:

Director "Clive Massey"  
Clive Massey

Director "Richard Ko"  
Richard Ko

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

**KIPLIN METALS INC.**

Statements of Comprehensive Loss  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

	<b>2020</b>	<b>2019</b>
<b>EXPENSES</b>		
Claim registrations	\$ -	\$ 3,110
Consulting and management fees (note 6)	69,100	92,800
Corporate communications	2,870	-
Finance expense recovery	(366)	(2,894)
Geological consulting (note 6)	34,000	62,400
Office and general	29,926	43,639
Professional fees	40,809	18,802
Regulatory and transfer agent fees	32,137	28,897
Share-based compensation	86,791	-
<b>Loss from operations</b>	<b>(295,267)</b>	<b>(246,754)</b>
<b>Other items</b>		
Write-off of exploration and evaluation assets (note 4)	(1,748,310)	-
Gain (loss) on settlement of debt (note 6)	236,425	(13,500)
Reversal of flow-through share liability (note 5)	-	10,026
	<b>(1,511,885)</b>	<b>(3,474)</b>
<b>Net and comprehensive loss</b>	<b>\$ (1,807,152)</b>	<b>\$ (250,228)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.16)</b>	<b>\$ (0.11)</b>
<b>Weighted average number of common shares outstanding</b>	<b>10,963,688</b>	<b>2,226,530</b>

On February 13, 2020, the Company consolidated its common shares on the basis of 1 new post-consolidated share for every 2.5 old pre-consolidated shares. The basic and diluted loss per share and weighted average number of common shares have been adjusted to reflect this share consolidation.

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

**KIPLIN METALS INC.**Statements of Changes in Equity  
(Expressed in Canadian Dollars)

	Number of Shares	Share capital	Warrants	Share-based payments reserve	Deficit	Total equity
<b>Balance at January 1, 2019</b>	2,051,942	\$ 20,452,102	\$ 83,689	\$ 1,328,523	\$ (20,340,810)	\$ 1,523,504
Shares issued to settle debts	540,000	94,500	-	-	-	94,500
Net and comprehensive loss	-	-	-	-	(250,228)	(250,228)
<b>Balance at December 31, 2019</b>	<b>2,591,942</b>	<b>20,546,602</b>	<b>83,689</b>	<b>1,328,523</b>	<b>(20,591,038)</b>	<b>1,367,776</b>
Shares issued:						
Issue of common shares for cash	12,120,000	727,200	-	-	-	727,200
Options exercised at \$0.11 per share	1,160,000	214,391	-	(86,791)	-	127,600
Share-based compensation	-	-	-	86,791	-	86,791
Net and comprehensive loss	-	-	-	-	(1,807,152)	(1,807,152)
<b>Balance at December 31, 2020</b>	<b>15,871,942</b>	<b>\$ 21,488,193</b>	<b>\$ 83,689</b>	<b>\$ 1,328,523</b>	<b>\$ (22,398,190)</b>	<b>\$ 502,215</b>

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

**KIPLIN METALS INC.**

## Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,807,152)	\$ (250,228)
Add items not involving cash:		
Share-based compensation	86,791	-
Reversal of flow-through share liability	-	(10,026)
Gain (loss) on settlement of debt	(236,425)	13,500
Write-off of exploration and evaluation assets	1,748,310	-
Working capital adjustments:		
GST receivable	(7,962)	10,273
Accounts payable	(42,360)	230,873
Accrued liabilities	1,000	(6,454)
<b>Cash used in operating activities</b>	<b>(257,798)</b>	<b>(12,062)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from property option granted	-	-
Additions to exploration and evaluation assets	(1,825)	-
<b>Cash used in investing activities</b>	<b>(1,825)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	727,200	-
Proceeds from exercise of options	127,600	-
<b>Cash provided from financing activities</b>	<b>854,800</b>	<b>-</b>
<b>Change in cash during the year</b>	<b>595,177</b>	<b>(12,062)</b>
<b>Cash, beginning of the year</b>	<b>8,282</b>	<b>20,344</b>
<b>Cash, end of the year</b>	<b>\$ 603,459</b>	<b>\$ 8,282</b>
No cash was paid for interest or income taxes during the year		
<b>Non-cash transaction:</b>		
Shares issued for debt (note 8)	\$ -	\$ 94,500

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

## **KIPLIN METALS INC.**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### **1) NATURE AND CONTINUANCE OF OPERATIONS**

Kiplin Metals Inc. (“Kiplin” or the “Company”) was incorporated in the Province of British Columbia and is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests. The Company’s common shares are listed for trading on the TSX Venture Exchange (the “Exchange”) under the symbol “KIP”, on the OTC/PINK under the symbol “ALDVF”, and on the Frankfurt Exchange under the symbol “17G1”. The Company’s principal office and registered and records office is located at 2200-885 West Georgia Street, Vancouver, BC V6C 3E8.

Effective February 13, 2020, the Company consolidated all its issued and outstanding common shares on the basis of every 2.5 old common shares into 1 new common share. Concurrent with this consolidation, the Company also changed its name to Kiplin Metals Inc. and its stock symbol to “KIP”. The Company has adjusted these financial statements to reflect the share consolidation.

These financial statements were authorized for issue on April 23, 2021 by the directors of the Company.

At the date of the financial statements, the Company has not identified a known body of commercial grade minerals on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

Management is targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In addition, management closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur.

These financial statements have been prepared on a going concern basis which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. The Company has incurred operating losses since inception and at December 31, 2020, had a cumulative deficit of \$22,398,190. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. Further discussion of liquidity risk is included in notes 7 and 9.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of travel restrictions, business closures, and quarantine/isolation measures that are currently, or may be put, in place by Canada, U.S. and other countries to fight the virus. The Company continues to monitor its impact of its operations and financing activities and assess the impact COVID-19 will have on its business activities. The extent of the effect of COVID-19 pandemic on the Company is uncertain.

## **KIPLIN METALS INC.**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### **2) BASIS OF PRESENTATION**

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

These financial statements have been prepared on the historical cost basis. The presentation and functional currency of the Company is the Canadian dollar.

### **3) SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Share capital**

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date that the agreement to issue shares was concluded.

#### **b) Significant accounting judgments, estimates and assumptions**

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously 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 can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- the determination that the Company will continue as a going concern for the next year; and
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluations assets may not be recoverable.

Critical estimates:

The Company measure the cost of non-cash stock-based compensation transactions with employees by reference to the fair value of equity instruments. Estimating fair value for non-cash stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grants. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, risk free interest rate, forfeiture rate, volatility and dividend yield of the share option. The Company measures the cost of non-cash stock-based compensation transactions with consultants by reference to the fair value of the services to be performed.

## **KIPLIN METALS INC.**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### **3) SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### **c) Impairment**

At each reporting period, management reviews all assets for indicators of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in the profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

#### **d) Exploration and evaluation expenditures**

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets incurred subsequent to the acquisition of legal rights to explore are capitalized by property.

#### **e) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held on call with banks and lawyers trust accounts.

#### **f) Income taxes**

##### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

## **KIPLIN METALS INC.**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### **3) SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### **f) Income taxes** *(continued)*

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **g) Share-based payments**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payments is measured using the Black-Scholes Option Pricing Model. The fair value of the share-based payment is recognized as an expense or capitalized to share capital with a corresponding increase in the share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related reserve amount is transferred to share capital.

#### **h) Income (Loss) per share**

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted income (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted income (loss) per share is presented as the same as basic income (loss) per share.

#### **i) Flow-through shares**

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

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds in note 5.

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

## KIPLIN METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### 3) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### j) Financial instruments

##### *Recognition, classification and measurement*

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in the fair values of derivative financial instruments are reported in the consolidated statements of loss and comprehensive loss.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. A significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company's financial instruments consist of cash and accounts payable.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

##### *Financial assets*

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. The three categories are defined as follows:

- a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
  - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

## KIPLIN METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### 3) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### j) Financial instruments *(continued)*

##### *Financial assets (continued)*

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets measured at amortized cost.

- b) Fair value through other comprehensive income ("FVTOCI") - financial assets are classified and measured at FVTOCI if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Company does not have any financial assets classified as FVTOCI.
- c) Fair value through profit or loss ("FVTPL") - any financial assets that are not held in one of the two business models mentioned are measured at FVTPL. The Company's cash are classified as FVTPL.

When and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

##### *Financial liabilities*

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

The Company's non-derivative liabilities consist of accounts payable. Derivative liabilities are classified as fair value through profit or loss. The Company has no derivative assets or liabilities.

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- a) FVTPL – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss. The Company does not have any financial liabilities classified as FVTPL.
- b) Amortized cost – Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company's accounts payable, are classified at amortized cost. Such liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses.

After initial recognition, an entity cannot reclassify any financial liability.

## **KIPLIN METALS INC.**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### **3) SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### **j) Financial instruments** *(continued)*

##### *Impairment*

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the consolidated statement of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

#### **k) New Accounting Standard Adopted**

There were no new standards effective January 1, 2020 that had an impact on the Company's financial statements. A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2020, or later periods. The Company has not early adopted any new standards in preparing these financial statements.

## KIPLIN METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 4) EXPLORATION AND EVALUATION ASSETS

	Balance Dec 31, 2019	2020 Additions	2020 Dispositions	2020 Impairment	Balance Dec 31, 2020
	\$	\$	\$	\$	\$
Urban Barry Gold - Quebec, Canada	1,748,310	-	-	(1,748,310)	-
Nadina Mountain - British Columbia, Canada	-	1,825	-	-	1,825
	1,748,310	1,825	-	(1,748,310)	1,825

  

	Balance Dec 31, 2018	2019 Additions	2019 Dispositions	2019 Impairment	Balance Dec 31, 2019
	\$	\$		\$	\$
Urban Barry Gold - Quebec, Canada	1,748,310	-	-	-	1,748,310
Nadina Mountain - British Columbia, Canada	-	-	-	-	-
	1,748,310	-	-	-	1,748,310

#### Urban Barry Gold Project - Quebec, Canada

On November 10, 2015, the Company entered into an option agreement to acquire a 100% interest in the Urban Barry Gold Project in Quebec. Under the terms of the agreement, the Company can earn a 100% interest by issuing 129,629 common shares to the vendor (issued November 18, 2015), making a cash payment of \$250,000 on or before 18 months of Exchange approval of this agreement (November 18, 2015), and incurring \$1,000,000 in exploration expenditures by November 10, 2020 (\$1,013,310 incurred to December 31, 2019). The Company's interest is subject to a 1% NSR payable to the vendor, of which ½% may be purchased for \$1,000,000.

On July 5, 2017, the Company amended its option agreement for the Urban Barry Gold Project. Under the amended terms the Company can earn a 100% interest by issuing 129,629 common shares (issued November 18, 2015), issuing 333,333 common shares on or before July 10, 2017, if within 5 days of Exchange approval of this agreement (issued July 31, 2017), making a cash payment of \$50,000 on or before 24 months of the signing of this agreement, a further cash payment of \$100,000 on or before 30 months of the signing of this agreement, a further cash payment of \$100,000 on or before 36 months of the signing of this agreement, a further cash payment of \$250,000 on or before 48 months of the signing of this agreement, and Kiplin shall have completed \$1,000,000 in exploration expenditures (\$1,013,310 incurred to December 31, 2019) on the Mineral Claims within five years of the signing of the agreement.

On March 24, 2017, the Company issued 111,111 non-flow-through units as compensation toward the cash payments required in the option agreement.

On September 14, 2020, the Company announced that it had been unable to renegotiate acceptable terms for its option to acquire the Urban Barry Gold Project. As a result, the project has been returned to the option holder and the Company recorded impairment of \$1,748,310 in the year ended December 31, 2020.

## **KIPLIN METALS INC.**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### **4) EXPLORATION AND EVALUATION ASSETS** *(continued)*

#### **Nadina Mountain - British Columbia, Canada**

On November 21, 2017, the Company entered into an option agreement to acquire a 100% interest in the Nadina Mountain Creek Property in British Columbia. Under the terms of the agreement, the Company can earn a 100% interest by issuing 277,777 common shares to the vendor (issued December 4, 2017), making a cash payment of \$5,000, a further \$500,000 within 24 months and incurring \$200,000 in exploration expenditures within five years. The Company's interest is subject to a 1% NSR payable to the vendor, of which ½% may be purchased for \$1,000,000, less all amounts previously received as GORR payments.

During the year ended December 31, 2018, the Company recorded impairment of \$100,000 on the property.

On May 15, 2020, the Company amended its option agreement for the Nadina Mountain Claims by delaying the deadline of the \$500,000 cash payment to within 48 months of the signing of the agreement and reducing the number of claims on the property. All other terms and conditions of the original agreement remain the same.

During the year ended December 31, 2020, the Company incurred \$1,825 (2019 - \$Nil) in exploration expenditures on the Nadina Mountain claims.

#### **Exxeter Gold Property – Quebec, Canada**

The Exxeter Gold Project covers an area of 715ha, located in Van d'Or Quebec. The project covers 3.8km of the Cadillac Tectonic zone.

The Company announced on September 3, 2020 that it had entered into a mineral property option agreement with an arms-length third party and has been granted the option to acquire the Exxeter Gold Property ("Exxeter") in the Province of Quebec. In order to exercise the option and acquire Exxeter, the Company must make cash payments of \$500,000, with an initial \$100,000 payment due by the first anniversary of the option agreement and incur work expenditures of \$500,000 over a three year term.

A 1% Net Smelter Royalty ("NSR") shall be granted to the vendor, of which 1% may be purchased for \$1,000,000 at any time, less all amounts previously received as NSR payments.

## KIPLIN METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 5) FLOW-THROUGH SHARE LIABILITY

For the purposes of calculation any premium related to the issuances of the flow-through units, the Company compares the market price of its shares to the subscription price of flow-through shares to determine if there was a premium paid on the flow-through shares. As a result, the Company's flow-through liability on issuance of flow-through shares in connection with the private placements is as follows:

	2020	2019
Balance, beginning of year	\$ -	\$ 10,026
Reversal	-	(10,026)
Balance, end of year	\$ -	-

As of December 31, 2019, the Company fulfilled its spending commitment in connection with its flow-through offerings and has no further obligations.

### 6) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Company:

- a) Incurred consulting fees of \$69,100 (2019 - \$92,800) to directors of the Company.
- b) Incurred geological consulting fees of \$34,000 (2019 - \$62,400) to a company controlled by a director of the Company.

At December 31, 2020, the Company owed directors and a company controlled by a director \$945 (2019 - \$138,150) in respect of fees, which is included in accounts payable.

During the year ended December 31, 2020, the Company reached debt settlement agreements with directors and a creditor of the Company in which \$282,325 of liabilities were settled in exchange for cash of \$45,900 and as a result a gain on settlement of \$236,425 was recorded.

During the year ended December 31, 2019, the Company completed a debt for shares settlement with directors and management of the Company in which \$42,000 of liabilities were settled in exchange for the issuance of 700,000 common shares of the Company.

Key management personnel comprise the Company's Board of Directors and executive officers. No remuneration was paid to key management personnel during the years ended December 31, 2020 and 2019 other than as indicated above.

## **KIPLIN METALS INC.**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### **7) CAPITAL MANAGEMENT**

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern, including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash to be its manageable capital. The Company's policy is to maintain sufficient cash and deposit balances to cover operating and exploration costs over a reasonable future period. The Company accesses capital markets as necessary and may also acquire additional funds where advantageous circumstances arise.

The Company currently has no externally imposed capital requirements. There was no change to the Company's approach to capital management during the year.

### **8) SHARE CAPITAL**

#### **Authorized**

Unlimited number of common shares, without par value.

#### **Issued**

*During the year ended December 31, 2020:*

Effective February 13, 2020, the Company consolidated all its issued and outstanding common shares on the basis of 1 new post-consolidation share for every 2.5 old pre-consolidation share.

On April 28, 2020, the Company completed a private placement of 12,120,000 units at \$0.06 per unit with gross proceeds of \$727,200. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant will be exercisable at a price of \$0.085 for 3 years from the date of closing. No finders' fees or commissions were payable in connection with this financing.

On April 29, 2020, the Company granted 1,160,000 incentive stock options to consultants of the Company. These options vest immediately and are exercisable at \$0.09 per share for a period of three years, expiring April 29, 2023. The exercise price of the options was subsequently repriced at \$0.11 per share. The fair value of the options was \$86,791. On July 9, 2020, the Company issued 1,160,000 common shares pursuant to the exercise of these share options for gross proceeds of \$127,600.

*During the year ended December 31, 2019:*

Effective April 5, 2019, the Company consolidated its shares on the basis of one new, post-consolidated share for every 3 old, pre-consolidated shares.

On September 4, 2019, the Exchange approved a debt settlement with four creditors. The Company issued 1,350,000 common shares of the Company with a fair value of \$94,500 in consideration for \$81,000 in debt outstanding resulting in a loss on settlement of debt of \$13,500. The common shares issued pursuant to the shares-for-debt settlement will be subject to a statutory hold period of four months plus a day.

## KIPLIN METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 8) SHARE CAPITAL (continued)

#### Warrants

Common share purchase warrant transactions during the years ended December 31, 2020 and 2019 are as follows:

	2020		2019	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding - beginning of year	360,084	\$ 2.680	474,785	\$ 4.48
Issued	12,120,000	0.085	-	-
Expired	-	-	(24,746)	11.93
Expired	-	-	(3,067)	11.48
Expired	(352,020)	2.700	(34,666)	2.70
Expired	(8,064)	1.800	-	-
Expired	-	-	(52,222)	13.50
Outstanding - end of year	12,120,000	\$ 0.085	360,084	\$ 2.68

Details of common share purchase warrants outstanding at December 31, 2020 are as follows:

	Number of Warrants	Exercise price	Expiry date	Remaining Life (years)
Issued in private placement	12,120,000	\$ 0.085	April 28, 2023	2.32
	12,120,000	\$ 0.085		

The weighted average remaining contractual life of the issued and outstanding warrants at December 31, 2020 was 2.32 years.

#### Share-based payments

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding listed common shares, the exercise price to be determined on the date of issuance of the options. Under the plan, the exercise price of each option cannot be less than the discounted market price as defined in Policy 1.1 of the Exchange policies. The options can be granted for a maximum term of five years and the vesting period of each option grant is at the discretion of the board of directors, subject to applicable Exchange policies.

## KIPLIN METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 8) SHARE CAPITAL (continued)

The following table summarizes activity related to stock options for the years ended December 31, 2020 and 2019:

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	-	\$ -	-	\$ -
Granted	1,160,000	0.11	-	-
Exercised	(1,160,000)	0.11	-	-
Outstanding - end of year	-	\$ -	-	\$ -

On April 29, 2020, the Company announced that it had issued 1,160,000 incentive stock options to consultants of the Company. The options are exercisable at a price of \$0.11 per option expiring on April 29, 2023. These options had a fair value of \$0.07 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.11; ii) share price: \$0.09; iii) term: 3.00 year; iv) volatility: 165%; v) discount rate: 0.35%. The options are fully vested on the grant date. During the year, all the stock options were exercised.

During the year ended December 31, 2019, the Company did not grant any stock options.

#### Share-based payments Reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

### 9) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2020, the Company's financial instruments consist of cash and accounts payable.

In management's opinion, the Company's carrying values of cash and accounts payable approximate their fair values due to the immediate or short-term maturity of these instruments.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash is classified under Level 1.

## **KIPLIN METALS INC.**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

---

### **9) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

Level 2 – Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices). The Company does not have any financial instruments classified under Level 2.

Level 3 – Valuations in the level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments are exposed to the following risks:

#### **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 for the Company consist primarily of cash and short-term investments. Cash is maintained with financial institutions of reputable credit and in a lawyers trust account.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at December 31, 2020 relating to cash of \$603,459. All cash is held at a Canadian chartered bank and lawyers trust accounts. The Company considers the credit risk to be minimal for all cash assets based on changes that are reasonably possible at the reporting date.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet account payables. The Company maintains sufficient cash balances to meet its needs at December 31, 2020.

#### **Foreign Exchange Risk**

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

#### **Interest Rate Risk**

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk relates to its ability to maintain the current rate of interest on its cash equivalents. Management believes the interest rate risk to be minimal.

## KIPLIN METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 9) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Fair Value of Financial Instruments

The fair value classification of the Company's financial instruments as at December 31, 2020 and 2019 is as follows:

	2020		2019		
	Fair Value Level	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
<i>Financial assets:</i>					
Cash	1	\$ 603,459		\$ 8,282	
<i>Financial liabilities:</i>					
Accounts payable			\$ 102,905		\$ 381,690

During the years ended December 31, 2020 and 2019, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

### 10) INCOME TAXES

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

	2020	2019
	\$	\$
Loss before income tax	(1,807,152)	(250,228)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory rate	(487,931)	(67,562)
Adjustments resulting from:		
Reversal of flow through liability	-	2,707
Non-deductible items and other differences	23,434	(36,813)
Change in valuation allowance	464,497	101,668
Income tax recovery	-	-

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

	2020	2019
	\$	\$
Non-capital losses carried-forward	1,176,857	1,175,144
Share issuance costs	3,366	12,626
Resource development and exploration costs	1,275,865	803,821
Net potential deferred income tax asset	2,456,088	1,991,591
Valuation allowance	(2,456,088)	(1,991,591)
Net deferred income tax asset	-	-

## KIPLIN METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 10) INCOME TAXES (continued)

A valuation allowance has been used to offset the net benefit related to the future tax assets due to the uncertainty associated with the ultimate realization of the non-capital losses and resource pools.

The Company has the following deductible temporary difference for which no deferred tax asset have been recognized and that can be carried forward indefinitely.

	2020	2019
	\$	\$
Exploration and evaluation assets	4,725,426	2,977,116
Non-capital losses carried forward	4,358,731	4,352,385
Share issuance costs	12,468	46,763
	9,096,625	7,376,264

At December 31, 2020, the Company has non-capital losses of approximately \$4,358,731 which may be carried forward to apply against future year's income for Canadian income tax purposes, subject to final determination by taxation authorities, expiring as follows:

2025	\$	136,065
2026		95,531
2027		326,887
2028		445,216
2029		610,448
2030		134,536
2031		278,964
2032		234,838
2033		167,654
2034		365,440
2035		358,888
2036		238,385
2037		327,881
2038		318,856
2039		312,796
2040		6,346
		<u>\$4,358,731</u>