

EASTFIELD RESOURCES LTD.

Condensed Interim Financial Statements
For the Three and Six Months Ended August 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

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NOTICE TO READER:

These condensed interim financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management.

Eastfield Resources Ltd.
Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)

	August 31, 2021	February 28, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 291,197	\$ 258,183
Accounts receivable	17,941	14,003
Receivable from related parties (Note 9)	18,891	25,273
	328,029	297,459
Investments (Note 3)	1,984,315	2,596,535
Exploration and evaluation assets (Note 4)	1,408,469	1,076,723
Project deposits (Note 4)	119,146	119,146
Equipment	10,903	10,903
Right-of-use asset (Note 5)	123,510	138,910
Investment in sub-leases (Note 5)	276,889	305,541
	4,251,261	4,545,217
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 102,166	\$ 86,345
Lease obligations - current (Note 5)	75,000	85,651
Payable to related parties (Note 9)	15,133	4,872
	192,299	176,868
Lease obligations – long term (Note 5)	343,998	372,661
	536,297	549,529
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	4,682,622	4,309,072
Warrant reserve (Note 6)	104,118	57,168
Options reserve (Note 6)	829,352	829,352
Accumulated other comprehensive income	355,781	781,764
Deficit	(2,256,909)	(1,981,668)
	3,714,964	3,995,688
	\$ 4,251,261	\$ 4,545,217

Nature and continuance of operations (Note 1)

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

Eastfield Resources Ltd.

Condensed Interim Statements of (Income) Loss and Comprehensive (Income) Loss For the Three and Six Months Ended August 31, 2021 and 2020

(Unaudited – Expressed in Canadian dollars)

	Three Months Ending		Six Months Ending	
	August 31,		August 31,	
	2020		2020	
Expenses				
Bank charges	\$ 494	\$ 478	\$ 907	\$ 960
Consulting	6,000	4,050	10,500	8,100
Depreciation	7,700	7,630	15,400	15,260
Dues and licenses	-	20	508	20
Investor relations	4,831	4,660	9,216	8,416
Legal and audit	2,438	-	2,438	-
Office	2,645	1,665	3,697	2,520
Salaries and benefits	6,408	6,274	12,808	12,345
Telephone	665	668	1,327	1,294
Transfer and filing fees	1,880	3,622	4,759	5,749
	33,061	29,067	61,560	54,664
Other expense/(income)				
Decrease in the fair value of derivative investments	178,750		205,547	
Interest income	(94)	(328)	(277)	(3,213)
Interest income on sub-leases	(5,060)	(6,900)	(11,340)	(13,800)
Interest expense on lease obligations	10,051	11,546	19,751	23,049
NET LOSS	216,708	\$ 33,385	275,241	\$ 60,700
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified to net income or loss				
Change in the fair value of equity investments (Note 3)	690,368	(1,066,626)	425,983	(1,059,001)
COMPREHENSIVE LOSS (INCOME)	\$ 907,076	\$ (1,033,241)	\$ 701,224	\$ (998,301)
BASIC AND DILUTED LOSS PER SHARE (Note 8)	\$ 0.004	\$ 0.000	\$ 0.006	\$ 0.001
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	48,629,702	46,394,919	47,019,145	46,394,919

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

Eastfield Resources Ltd.

Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited – Expressed in Canadian dollars)

	Number of Common Shares	Share Capital (Note 6)	Warrant Reserve (Note 6)	Options Reserve (Note 6)	Accumulated Other Comprehensive Income/(Loss)	Deficit	Total Equity
Balance, February 29, 2020	46,694,919	\$ 4,309,072	\$ 57,168	\$ 829,352	\$ (702,367)	\$(2,484,730)	\$ 2,008,495
Change in fair value of investments (Note 3)	-	-	-	-	1,059,000	-	1,059,000
Net loss for the period	-	-	-	-	-	(60,700)	(60,700)
Balance, August 31, 2020	46,694,919	4,309,072	57,168	829,352	356,633	(2,545,430)	3,006,795
Change in fair value of investments	-	-	-	-	471,787	-	471,787
Reclassification of realized gain on disposal of investments	-	-	-	-	(46,656)	46,656	-
Net loss for the period	-	-	-	-	-	517,106	517,106
Balance, February 28, 2021	46,694,919	4,309,072	57,168	829,352	781,764	(1,981,668)	3,995,688
Change in fair value of investments (Note 3)	-	-	-	-	(425,983)	-	(425,983)
Private placement (net of share issue costs)	4,450,000	420,500	-	-	-	-	420,500
Fair value of warrants issued	-	(46,950)	46,950	-	-	-	-
Net loss for the period	-	-	-	-	-	(275,241)	(275,241)
Balance, August 31, 2021	51,144,919	\$ 4,682,622	\$ 104,118	\$ 829,352	\$ 355,781	\$(2,256,909)	\$ 3,714,964

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

Eastfield Resources Ltd.
Condensed Interim Statements of Cash Flows
For the Three and Six Months Ended August 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

Cash provided by (used in)	2021	2020
Operating activities		
Net loss	\$ (275,241)	\$ (60,700)
Adjustments to reconcile cash to net loss from operating activities:		
Change in fair value of derivative investments	205,547	15,260
Depreciation	15,400	-
Interest income on sub-leases	(11,340)	(13,800)
Interest expense on lease obligations	19,751	23,049
	(45,883)	(36,191)
Changes in non-cash working capital components		
Accounts receivable	(3,938)	3,634
Receivable from related parties	6382	(51,592)
Payable to related parties	10,261	2,222
Accounts payable and accrued liabilities	15,821	(63)
	(17,357)	(81,990)
Investing activities		
Purchase of equipment	-	(187)
Mineral property Option Proceeds	96,810	43,333
Mineral property exploration expenditures	(428,556)	(34,908)
Investments	(19,310)	(61,353)
	(351,056)	(53,115)
Financing activities		
Private placement net of share issue costs	420,500	
Net lease payments	(19,073)	(19,237)
	401,427	(19,237)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,014	(154,342)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	258,183	271,396
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 291,197	\$ 117,054
Supplemental cash flow information		
Interest received	\$ 277	\$ 3,213

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

Eastfield Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the three and six months ended August 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Eastfield Resources Ltd. (the “Company”) was incorporated in the Province of British Columbia. Its principal business activities are the acquisition and exploration of gold, copper and other precious and base metal properties in Canada. The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flows.

The Company’s shares are listed for trading on the TSX Venture Exchange (the “Exchange”) under the symbol ETF. Its registered office is located at 110-325 Howe Street, Vancouver, British Columbia V6C 1Z7.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company were unable to continue operations. Such adjustments and reclassifications could be material.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting of International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended February 28, 2021, which have been prepared in accordance with IFRS.

These financial statements were approved for issue by the Company’s board of directors on October 29, 2021

Accounting estimates and judgments

The preparation of these interim condensed financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these financial statements. Estimates and the underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the impairment of carrying values of equipment and exploration and evaluation assets, the determination of realizable amounts of deferred tax assets and liabilities, and the initial measurement at fair value for equity instruments and share-based compensation.

Eastfield Resources Ltd.
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(Unaudited – Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Accounting estimates and judgments (continued)

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from equipment and the identification of potential indicators of impairment for exploration and evaluation assets.

3. INVESTMENTS

The Company has the following investments in equity instruments:

	August 31, 2021			February 28, 2021		
	Number of Shares	Cost	Fair Value	Number of Shares	Cost	Fair Value
Investments in Equity Instruments Measured at FVOCI						
Cariboo Rose Resources Ltd.	208,000	\$ 14,925	\$ 11,440	208,000	\$ 14,925	\$ 16,640
Consolidated Woodjam Copper Corp.	11,751,805	668,074	1,586,494	11,751,805	668,074	1,880,289
Northwest Copper Corp. (formerly Sun Metals Corp.)	186,289	384,633	117,362	186,289	384,633	164,628
Prophecy Potash	176,856	49,310	33,603	121,684	30,000	97,348
GK Resources	333,333	50,000	56,666	333,333	50,000	53,333
		1,166,942	1,805,565		1,147,632	2,212,238
Investments in Derivative Instruments Measured at FVTPL						
Consolidated Woodjam Copper Corp. (warrants, exercise price \$0.08, expiry date June 24, 2022)	3,250,000	16,250	178,750	3,250,000	16,250	384,297
Total Investments		\$1,183,192	\$1,984,315		\$1,163,882	\$2,596,535

The Company has irrevocably designated investments in equity instruments as measured at FVOCI rather than FVTPL as they are not held for trading and the FVOCI classification is considered more appropriate for these strategic investments. The fair value of these equity investments is based on quoted market prices which is a Level 1 fair value measurement.

Eastfield Resources Ltd.
Notes to the Condensed Interim Financial Statements
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(Unaudited – Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Acquisition and exploration expenditures incurred on mineral properties for the six months ended August 31, 2021 are:

	<u>Indata</u>	<u>Zymo</u>	<u>Other*</u>	<u>Total</u>
ACQUISITION COSTS				
Balance, beginning of the period	\$ 141,513	\$ 311,506	\$ 52,014	\$ 505,033
Incurred during the period	-	-	-	-
Balance, end of the period	141,513	311,506	52,014	505,033
EXPLORATION EXPENDITURES				
Expenditures for the period:				
Communications	-	527	401	928
Field Equipment	-	921	-	921
Food and Accommodations	-	29,038	31	29,069
Freight	-	467	-	467
Geological	-	-	99	99
Geophysics	-	96,673	-	96,673
Other	-	9,732	-	9,732
Professional fees and field crews	7,200	82,950	16,000	106,150
Rental of vehicles and equipment	-	9,042	-	9,042
Surveying	-	40,100	-	40,100
Transportation and fuel	-	135,341	34	135,375
	7,200	404,791	16,565	428,556
Balance, beginning of the period	176,979	564,856	796,438	1,538,273
Balance, end of the period	184,179	969,647	813,003	1,966,829
OPTION PROCEEDS				
Balance, beginning of the period	(271,250)	(461,000)	(234,333)	(966,583)
Proceeds received during the period	(44,310)	-	(52,500)	(96,810)
Balance, end of the period	(315,560)	(461,000)	(286,833)	(1,063,393)
	\$ 10,132	\$ 820,153	\$ 578,185	\$ 1,408,469

* Other properties include Iron Lake, Hidden One, Hedge Hog, Antler Gold, and CR.

Eastfield Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the three and six months ended August 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition and exploration expenditures incurred on mineral properties for the three months ended August 31, 2020 are:

	<u>Indata</u>	<u>Zymo</u>	<u>Other*</u>	<u>Total</u>
ACQUISITION COSTS				
Balance, beginning of the period	\$ 141,513	\$ 311,506	\$ 52,014	\$ 505,033
Incurred during the period	-	-	-	-
Balance, end of the period	141,513	311,506	52,014	505,033
EXPLORATION EXPENDITURES				
Expenditures for the year:				
Professional fees and field crews	1,808	5,040	22,424	29,272
Fees and Permits	-	63	-	63
Rental of vehicles and equipment	4	4,664	410	5,078
Communications	375	-	-	375
Assaying	43	-	77	120
	2,230	9,767	22,911	34,908
Balance, beginning of the period	170,350	554,064	745,846	1,470,260
Balance, end of the period	172,580	563,831	768,757	1,505,168
OPTION PROCEEDS				
Balance, beginning of the period	(251,250)	(461,000)	(179,333)	(891,583)
Proceeds received during the period	(10,000)	-	(33,333)	(43,333)
Balance, end of the period	(261,250)	(461,000)	(212,666)	(934,916)
	\$ 52,843	\$ 414,337	\$ 608,105	\$ 1,075,285

* Other properties include Iron Lake, Hidden One, Hedge Hog, Antler Gold, and CR.

Indata Property, Omineca Mining Division, British Columbia

The Company has a 91.3% interest in the Indata property. Imperial Metals Corporation (“Imperial Metals”) owns the remaining 8.7% interest. This interest will be reduced if Imperial Metals fails to make its proportionate share of exploration and other payments on the property.

On June 20, 2018, the Company entered into an option agreement with Prophecy Potash Corp. (“Prophecy Potash”) whereby Prophecy Potash may earn a 60% interest in the Indata property by making \$250,000 in cash payments, issuing \$150,000 in shares and completing \$2,000,000 in exploration work over a five-year period ending June 20, 2023.

Zymo Property, Skeena Mining Division, British Columbia

The Company holds a 100% interest in the Zymo property.

Eastfield Resources Ltd.
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4. EXPLORATION AND EVALUATION ASSETS (continued)

Iron Lake Property, Clinton Mining Division, British Columbia

The Company acquired 100% of the Iron Lake property from Canevex Resources Ltd. Canevex Resources Ltd. is owned by two directors of the Company. The Company has reserved a 1.5% net smelter royalty for the vendors.

On June 20, 2018, the Company entered into an option agreement with GK Resources Ltd. (“GK Resources”) whereby GK Resources may earn a 60% interest in the Iron Lake property by making \$400,000 in cash payments, issuing \$250,000 in shares and completing \$3,000,000 in exploration work over a five-year period ending June 20, 2023. \$20,000 was received upon signing the option agreement.

In August 2020 the Company and GK Resources agreed to amend the terms of the option agreement. To date, the GK Resources has paid a total of \$50,000, representing the cash payment to be paid upon signing of the original agreement and on the first anniversary of the original agreement, and issued \$50,000 in common shares on the second anniversary of the original agreement.

In March 2021 the Company terminated the option agreement with GK Resources for failure to spend an additional \$50,000 on the property by March 15, 2021.

Option agreement with Tech-X Resources

In May 2021, the Company entered into an agreement with Tech-X Resources Inc. (“Tech-X”) whereby Tech-X can earn a 51% interest in the property by incurring escalating exploration expenditures totaling \$4,500,000 and making escalating option payments totaling \$520,000 over a five-year term. Thereafter Tech-X can earn an additional 29% (80% total) by completing an additional \$7,500,000 in exploration and making an additional \$480,000 in cash payments over a further two-year period.

Tech-X has also entered into an agreement with the original vendors of the Iron Lake properties who hold a 1.5% net smelter return on production from the Eastfield claims (“the Royalty”). The Production Royalty Purchase Agreement allows Tech-X to purchase up to two thirds of the Royalty for \$3,000,000 and retain a first right of refusal to purchase the balance. Escalating advance royalty payments totaling \$500,000 are payable over 80 months as a credit towards the purchase following commencement of commercial production. In the event that Tech-X elects not to exercise its purchase option then the advance royalty payments are repayable to Tech-X out of production and Eastfield will then be allowed to purchase the royalty for \$3,000,000 and, if it so chooses, to purchase the entire Royalty for \$4,500,000.

Big Valley Project

The Company owns a 100% interest in the Hedge Hog, Antler Gold, CR properties (collectively referred to as the Big Valley project).

In December 2020, the Company optioned a 60-per-cent interest in its Hedge Hog copper, gold, silver, cobalt project located in the Cariboo mining division, British Columbia, to privately controlled West Oak Gold Corp. To earn its interest, West Oak must make payments (cash and/or shares) totaling \$377,500 and complete \$1.75-million in exploration over a four-year term. Upon completion of the earn-in, Eastfield will retain a 40-per-cent working interest and a 0.5-per-cent net smelter return royalty.

Project Deposits

\$28,646 in deposits provided to the Ministry of Energy and Mines of British Columbia (“the Ministry”) and \$90,500 in term deposits, bearing interest at rates ranging from 0.20% to 0.75% and maturing between May 31, 2021 and May 25, 2022, are provided as reclamation bonds for the above mineral properties. The term deposits will continue to be renewed to comply with the Ministry’s requirements. As these reclamation bonds are required to be in place whilst the Company has ownership of these mineral properties, they are recorded as non-current assets.

Eastfield Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the three and six months ended August 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

5. RIGHT-OF-USE ASSET AND LEASE OBLIGATIONS

The Company leases office space under a lease agreement which expires on June 30, 2025. The Company's right-of-use asset and estimated future lease payments over the remaining term of the lease are:

Right-of-use Asset	Cost	Accumulated Depreciation	Carrying Amount
Balance February 29, 2020	\$ 192,042	\$ (29,244)	\$ 162,798
Remeasure adjustment	6,880		6,880
Additions	-	(30,768)	(30,768)
Balance February 28, 2021	\$ 198,922	\$ (60,012)	\$ 138,910
Additions	-	(15,400)	(15,400)
Balance August 31, 2021	\$ 198,922	\$ (75,412)	\$ 123,510
Lease Obligations			
2021	\$ 57,975		
2022 to 2025	427,023		
Total future payments	484,998		
Less: interest	(66,000)		
Lease obligations	418,998		
Less: current portion	(75,000)		
Lease obligations – long term	\$ 343,998		

The Company sub-leases a portion of its office space to two companies, Cariboo Rose Resources Ltd. and Consolidated Woodjam Copper Corp., with directors and officers in common. These sub-lease agreements have the same lease term as the head lease described above.

Investment in Office Sub-leases

Balance, February 28, 2021	\$ 305,541
Additions	-
	305,541
Sub-lease payments received	(39,992)
Interest income	11,340
Balance, August 31, 2021	\$ 276,889

6. SHARE CAPITAL

Authorized

- Unlimited common shares without par value
- Unlimited preferred shares without par value

Share Purchase Options

The Company issues options to directors, officers, and employees of the Company, and persons who provide ongoing services to the Company, under an incentive stock option plan. Share option terms issued under this stock option plan are at the discretion of the Board of Directors and generally include contractual lives of five years and exercise prices based on the fair market value of the common shares at the grant date. Options will normally vest entirely on the date of grant for directors, officers and employees and at the rate of 25% on the date of the grant and 25% every three months thereafter for consultants.

Eastfield Resources Ltd.
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(Unaudited – Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Share Purchase Options (continued)

A summary of changes in common share purchase options for the six months ended August 31, 2021 and 2020 are:

	August 31, 2021		August 31, 2020	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the year	3,275,000	\$ 0.08	3,275,000	\$ 0.08
Cancelled/Expired	(780,000)	0.13	-	-
Options exercisable, end of the year	2,495,000	\$ 0.06	3,275,000	\$ 0.08

The following common share purchase options are outstanding at August 31, 2021:

Expiry Date	Options Outstanding			Options Exercisable	
	Number of shares	Exercise price (\$)	Weighted Average Remaining Life (Years)	Number of shares	Exercise price (\$)
April 30, 2023	350,000	0.10	1.66	350,000	0.10
September 26, 2023	300,000	0.05	2.07	300,000	0.05
November 24, 2024	545,000	0.05	3.24	545,000	0.05
December 19, 2024	700,000	0.05	3.30	700,000	0.05
January 17, 2027	100,000	0.10	5.38	100,000	0.10
October 10, 2027	500,000	0.05	6.11	500,000	0.05
	2,495,000		3.56	2,495,000	

Share Purchase Warrants

The following common share purchase warrants are outstanding at August 31, 2021:

Expiry Date	Warrants Outstanding	Exercise price	Weighted Average Remaining Life (Years)
June 21, 2022	1,800,000	\$ 0.10	0.81
December 28, 2022	4,695,000	0.15	1.33
	6,495,000		1.18

Private Placement

On July 22, 2021 the Company completed a non-brokered private placement consisting of 4,450,000 units at a price of \$0.10 per unit for net proceeds of \$420,500. Each unit consists of one flow through common share and one share purchase warrant with each warrant entitling the holder to purchase one additional non flow through common share at a price of \$0.15 until December 28, 2022. The Company paid a cash finder's fee of \$24,500, and issued 245,000 finder warrants in connection with the closing of this private placement.

7. SEGMENTED DISCLOSURES

The Company operates in one industry segment, the acquisition and exploration of mineral properties, within one geographical area, Canada. For the six months ended August 31, 2021 and 2020 all income was earned and all expenses were incurred in Canada and all non-current assets were held in Canada.

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For the three and six months ended August 31, 2021 and 2020
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8. LOSS PER SHARE

The Company's diluted loss per share is equal to its basic loss per share. Outstanding share purchase options and warrants could potentially dilute basic loss per share in the future but were not included in the calculation of diluted loss per share because they are antidilutive for the three months ended August 31, 2021 and 2020.

9. RELATED PARTY DISCLOSURES

Related party transactions are recorded at the exchange amount agreed to by the parties.

The Company is related to Cariboo Rose Resources Ltd. ("Cariboo Rose") and Consolidated Woodjam Copper Corp. ("Woodjam") through common directors and officers. In the normal course of business, the Company will enter into transactions with Cariboo Rose and Woodjam for the use of equipment, services and rental of office space. During the six months ended August 31, 2021, recoveries of rent, salaries, telephone, office, consulting, convention and travel costs were \$54,764 (2020 - \$56,923) from Cariboo Rose and \$57,014 (2020 - \$54,410) from Woodjam. At August 31, 2021, accounts receivable included \$9,680 (February 28, 2021 - \$9,461) receivable from Cariboo Rose and \$9,547 (February 28, 2021 - \$16,150) receivable from Woodjam.

During the six months ended August 31, 2021 payments of \$10,500 (2020 - \$8,100) were made to the Chief Financial Officer, who is also a director of the Company, for accounting services.

During the six months ended August 31, 2021, geological services amounting to \$378,163 (six months ended August 31, 2020 - \$35,214) were provided to the Company by Mincord Exploration Consultants Ltd. ("Mincord"), a geological service company owned by two directors of the Company. Mincord's relationship with the Company is non-exclusive and without retainer and on a project-by-project basis. Services provided include the hiring of field and professional personnel, rental of vehicular, camp and technical equipment, transportation and mobilization costs. At August 31, 2021, accounts payable included \$15,133 (February 28, 2021 - \$4,872) payable to Mincord.

10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain risks, which include credit, liquidity, and market risk. The risks related to financial instruments are managed by the senior management of the Company under policies and directions approved by the Board of Directors.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at large Canadian financial institutions. The Company's receivables consist mostly of Goods and Services Tax due from the federal government of Canada and mineral exploration tax credit receivable from the Government of British Columbia. As such, the Company considers the risk of these receivables to be minimal and has not recognized an expected credit loss allowance on these financial instruments. The Company's promissory notes receivable is due from a related, publicly traded mineral exploration company (Note 11). As at August 31, 2021 and 2020, none of the Company's financial instruments subject to credit risk were past due or impaired.

The Company has determined that the expected credit losses on its accounts receivable and project deposits are not significant and accordingly has not recognized an allowance for expected credit losses as at August 31, 2021 and 2020.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities and payable to related parties are due within the current operating period. The Company's lease obligations are due as set out in Note 5. The Company manages liquidity risk through the management of its capital structure (Note 11) and financial leverage.

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10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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. The Company's market risk is comprised of two types of risk: interest rate risk, and equity price risk.

- (i) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk when holding fixed rate short term deposits of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents investments is limited because these investments are generally highly liquid securities with short-term maturities. As at August 31, 2021 and 2020, the Company considers its exposure to interest rate risk to be minimal.
- (ii) Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its investment in equity instruments. All of the Company's listed equity investments (Note 3) are common shares of companies listed on the Toronto Stock Exchange and the Toronto Stock Exchange's Venture Exchange and are monitored by management with decisions on sale taken at the board level.
- (iii) Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation as it has a limited number of transactions denominated in foreign currencies.

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations. The Company currently has sufficient capital resources to meet its administrative overhead expenses through its current operating period and it is confident it can raise additional funds to undertake all of its planned business activities. Actual funding requirements may vary from those planned due to a number of factors. Management believes it will be able to raise capital as required in the long term, but recognizes that there will be risks involved that may be beyond its control.