

# EASTFIELD RESOURCES LTD.

Financial Statements  
For the Years Ended February 28, 2021 and February 29, 2020  
(Expressed in Canadian dollars)

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Eastfield Resources Ltd.:

### Opinion

We have audited the financial statements of Eastfield Resources Ltd. (the "Company"), which comprise the statements of financial position as at February 28, 2021 and February 29, 2020, the statements of (income) loss and comprehensive (income) loss, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2021 and February 29, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

### Other Information

Management is responsible for the other information. The other information comprises the Management Discussion & Analysis for the year ended February 28, 2021, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not include 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 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 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, 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 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.

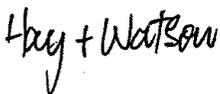
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 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 Essop Mia.



**Eastfield Resources Ltd.**  
**Statements of Financial Position**  
**As at February 28, 2021 and February 29, 2020**  
(Expressed in Canadian dollars)

	2021	2020
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 258,183	\$ 271,396
Accounts receivable	14,003	17,348
Receivable from related parties (Note 12)	25,273	64,464
	<b>297,459</b>	353,208
<b>Investments</b> (Note 4)	<b>2,596,535</b>	538,942
<b>Exploration and evaluation assets</b> (Note 5)	<b>1,076,723</b>	1,083,710
<b>Project deposits</b> (Note 5)	<b>119,146</b>	119,146
<b>Equipment</b>	<b>10,903</b>	5,701
<b>Right-of-use asset</b> (Note 6)	<b>138,910</b>	162,798
<b>Investment in sub-leases</b> (Note 6)	<b>305,541</b>	342,670
	<b>\$ 4,545,217</b>	\$ 2,606,175
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 86,345	\$ 75,461
Lease obligations - current (Note 6)	85,651	76,276
Payable to related parties (Note 12)	4,872	8,215
	<b>176,868</b>	159,952
<b>Lease obligations – long term</b> (Note 6)	<b>372,661</b>	437,728
	<b>549,529</b>	597,680
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 7)	<b>4,309,072</b>	4,309,072
<b>Warrant reserve</b> (Note 7)	<b>57,168</b>	57,168
<b>Options reserve</b> (Note 7)	<b>829,352</b>	829,352
<b>Accumulated other comprehensive income (loss)</b>	<b>781,764</b>	(702,367)
<b>Deficit</b>	<b>(1,981,668)</b>	(2,484,730)
	<b>3,995,688</b>	2,008,495
	<b>\$ 4,545,217</b>	\$ 2,606,175

Nature and continuance of operations (Note 1)

**APPROVED BY THE BOARD**

“J.W. Morton” Director

“D M Douglas” Director

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

**Eastfield Resources Ltd.****Statements of (Income) Loss and Comprehensive (Income) Loss**

For the Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian dollars)

	2021	2020
<b>Expenses</b>		
Depreciation (Note 6)	\$ 30,768	\$ 29,244
Bank charges	1,350	1,732
Consulting	16,500	13,450
Dues and licenses	1,228	1,383
Investor relations	19,637	41,471
Legal and audit	48,981	43,426
Office	4,673	8,425
Salaries and benefits	25,199	23,855
Share-based compensation (Note 7)	-	14,000
Telephone	2,633	2,807
Transfer and filing fees	17,572	14,877
	<b>168,541</b>	<b>194,670</b>
<b>Finance (income)/expense</b>		
Interest income	(185)	(16,367)
Interest income on sub-leases (Note 6)	(26,466)	(30,852)
Interest expense on lease obligations (Note 6)	39,698	45,288
	<b>13,047</b>	<b>(1,931)</b>
<b>Other (income)/expense</b>		
Increase in the fair value of derivative investments (Note 4)	(368,048)	-
Other income	(228)	(167)
	<b>(368,276)</b>	<b>(167)</b>
<b>NET (INCOME) LOSS BEFORE INCOME TAX</b>	<b>(186,688)</b>	<b>192,572</b>
Recovery of deferred income tax (Note 8)	(269,718)	-
<b>NET (INCOME) LOSS</b>	<b>(456,406)</b>	<b>192,572</b>
<b>OTHER COMPREHENSIVE (INCOME) LOSS</b>		
Items that will not be reclassified to net income or loss		
(Increase) decrease in the fair value of equity investments (Note 4)	(1,800,505)	516,382
Deferred income tax arising from equity investments (Note 8)	269,718	-
	<b>(1,530,787)</b>	<b>516,382</b>
<b>COMPREHENSIVE (INCOME) LOSS</b>	<b>\$ (1,987,193)</b>	<b>\$ 708,954</b>
<b>BASIC AND DILUTED (INCOME) LOSS PER SHARE</b> (Note 11)	<b>\$ (0.010)</b>	<b>\$ 0.004</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic</b> (Note 11)	<b>46,694,919</b>	<b>46,336,015</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – diluted</b> (Note 11)	<b>46,815,032</b>	<b>46,336,015</b>

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

## Eastfield Resources Ltd.

### Statements of Changes in Shareholders' Equity

For the Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Warrant Reserve	Options Reserve	Accumulated Other Comprehensive Income/(Loss)	Deficit	Total Shareholders' Equity
<b>Balance, February 28, 2019</b>	44,894,919	\$ 4,220,272	\$ 57,168	\$ 815,352	\$ 84,920	\$ (2,563,063)	\$ 2,614,649
Private Placement, net of share issue costs	1,800,000	88,800	-	-	-	-	88,800
Share-based compensation	-	-	-	14,000	-	-	14,000
Change in fair value of equity investments	-	-	-	-	(516,382)	-	(516,382)
Reclassification of realized gain on disposal of equity investments	-	-	-	-	(270,905)	270,905	-
Net loss for the year	-	-	-	-	-	(192,572)	(192,572)
<b>Balance, February 29, 2020</b>	46,694,919	4,309,072	57,168	829,352	(702,367)	(2,484,730)	2,008,495
Change in fair value of equity investments	-	-	-	-	1,530,787	-	1,530,787
Reclassification of realized gain on disposal of equity investments	-	-	-	-	(46,656)	46,656	-
Net income for the year	-	-	-	-	-	456,406	456,406
<b>Balance, February 29, 2021</b>	<b>46,694,919</b>	<b>\$ 4,309,072</b>	<b>\$ 57,168</b>	<b>\$ 829,352</b>	<b>\$ 781,764</b>	<b>\$ (1,981,668)</b>	<b>\$ 3,995,688</b>

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

**Eastfield Resources Ltd.**  
**Statements of Cash Flows**  
**For the Years Ended February 28, 2021 and February 29, 2020**  
(Expressed in Canadian dollars)

<b>Cash provided by (used in)</b>	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Net income (loss)	\$ 456,406	\$ (192,572)
Adjustments to reconcile cash to net income (loss) from operating activities:		
Depreciation	30,768	29,244
Interest income on sub-leases	(26,466)	(30,852)
Interest expense on lease obligations	39,698	45,288
Change in fair value of derivative investments	(368,048)	-
Recovery of deferred income tax	(269,718)	-
Share-based compensation	-	14,000
	<b>(137,360)</b>	<b>(134,892)</b>
Changes in non-cash working capital components		
Accounts receivable	2,327	141,481
Promissory note interest receivable	-	(11,000)
Receivable from related parties	40,209	(72,765)
Payable to related parties	(4,413)	(16,018)
Accounts payable and accrued liabilities	10,884	(7,095)
	<b>(88,353)</b>	<b>(100,289)</b>
<b>Investing activities</b>		
Purchase of equipment	(5,202)	(1,150)
Mineral property acquisition costs	-	(338)
Mineral property exploration expenditures	(66,940)	(280,622)
Mineral property option proceeds	5,000	50,000
Exercise of warrants	-	(60,588)
Proceeds from sale of investments	310,960	130,761
Acquisition of investments	(130,000)	-
Project deposits	-	8,500
	<b>113,818</b>	<b>(153,437)</b>
<b>Financing activities</b>		
Private placement, net of share issue costs	-	88,800
Net lease payments	(38,678)	(35,143)
	<b>(38,678)</b>	<b>53,657</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(13,213)</b>	<b>(200,069)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>271,396</b>	<b>471,465</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 258,183</b>	<b>\$ 271,396</b>
<b>CASH AND CASH EQUIVALENTS ARE COMPRISED OF:</b>		
Cash in bank	\$ 258,183	\$ 71,396
Short-term deposits	-	200,000
	<b>\$ 258,183</b>	<b>\$ 271,396</b>

**SUPPLEMENTAL CASH FLOW INFORMATION (Note 9)**

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

**Eastfield Resources Ltd.**  
**Notes to the Financial Statements**  
**February 28, 2021 and February 29, 2020**  
(Expressed in Canadian dollars)

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**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.

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic. The spread of COVID-19 has created significant volatility in the Canadian and world markets and has the potential to have a significant and far-reaching effect on the Canadian and world economies, interest rates, and other financial measures. The Company will continue to monitor the ongoing developments regarding the COVID-19 pandemic and the potential impact on the Company’s financial statements.

**2. BASIS OF PREPARATION**

These financial statements were authorized for issue by the directors of the Company on June 28, 2021.

**Statement of Compliance**

These financial statements for the Company’s reporting periods ended February 28, 2021 and February 29, 2020 have been prepared in accordance with and using accounting policies which are in full compliance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Standards Interpretations Committee (“IFRIC”), and as set out in the CPA Canada Handbook – Accounting (the “Handbook”).

**Basis of Measurement**

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss or fair value through other comprehensive income that may be measured at fair value as described in Note 3 (d), and are presented in Canadian dollars, the Company’s reporting currency and the functional currency of all of its operations.

**3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Accounting Estimates and Judgments

The preparation of these financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and 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 for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**Eastfield Resources Ltd.**  
**Notes to the Financial Statements**  
**February 28, 2021 and February 29, 2020**  
(Expressed in Canadian dollars)

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

(a) Accounting Estimates and Judgments (continued)

The estimates, judgments and 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 future periods if the revision affects both the current and future periods.

Critical accounting estimates are estimates, judgments 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 recoverability of accounts receivable, determination of realizable amounts of deferred tax assets and liabilities, impairment of the carrying value of non-financial assets, estimation of provisions and measurement of equity and derivative instruments and share-based compensation.

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, the classification of financial instruments, and the recognition of deferred tax assets and liabilities.

(b) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and bank deposits and may include highly-liquid investments that are readily convertible into known amounts of cash.

(c) Financial Instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value, plus transaction costs if the financial instrument is not subsequently measured at fair value through profit and loss.

Financial assets are measured subsequently at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit and loss (“FVTPL”) based on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Financial assets which are investments in equity instruments are measured subsequently at FVTPL unless they are not held for trading and are designated as FVOCI. Financial liabilities are measured subsequently at amortized cost, except for derivatives and certain other specified exceptions measured at FVTPL.

The Company classifies its financial instruments as amortized cost except for cash and investments in derivatives, which are classified as FVTPL, and investments in equity instruments, which are designated as FVOCI.

Financial instruments classified as amortized cost are measured at amortized cost using the effective interest method, adjusted as required for credit-impaired financial assets. Financial assets measured at amortized cost are subject to a loss allowance for expected credit losses resulting from default events that are possible within 12 months after the reporting date, or an allowance for lifetime expected losses where credit risk has increased significantly since initial recognition. Changes in the amount of expected credit losses are recognized as an impairment gain or loss in profit and loss.

**Eastfield Resources Ltd.**  
**Notes to the Financial Statements**  
**February 28, 2021 and February 29, 2020**  
(Expressed in Canadian dollars)

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

(c) Financial Instruments (continued)

Financial assets are derecognized when the contractual rights to the cash flows expire, for certain transfers, or when there is no reasonable expectation of recovering the financial asset. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurements are determined based on quoted prices when these are available or other appropriate valuation methods. Gains and losses on investments in equity instruments designated as FVOCI are recognized in other comprehensive income until they are derecognized. Dividends from these investments are recognized in profit and loss.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate and generally accepted valuation methodologies. Cash and cash equivalents and investments in equity instruments are measured and recognized in the statements of financial position using Level 1 inputs. Investments in derivative instruments are measured based on observable market data using Level 2 inputs. There were no movements between the levels of the hierarchy during the years ended February 28, 2021 and February 28, 2020.

(d) Exploration and Evaluation Assets and Patented Claims

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made. Pre-exploration costs are expensed in the year they are incurred.

All deferred mineral property interests are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable metals to be mined from estimated proven and probable reserves by property.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Proceeds received on the sale or option of the Company's property interest is recorded as a reduction of the mineral property cost. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in the statement of income/(loss) and comprehensive income/(loss).

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**Eastfield Resources Ltd.**  
**Notes to the Financial Statements**  
**February 28, 2021 and February 29, 2020**  
(Expressed in Canadian dollars)

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

(e) Joint Arrangements

The Company classifies its interests in joint arrangements as either joint operations or joint ventures. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Where the interest is classified as a joint operation, the Company recognizes its assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), any income from the sale or use of its share of the output of the joint operation, and any expenses (including its share of any expenses incurred jointly) that it has incurred in respect of its interest in the joint operation.

Where the interest is classified as a joint venture, the Company recognizes its interest as an investment and accounts for that investment using the equity method.

(f) Project Deposits

Project deposits consist of term deposits in favour of regulatory authorities held as site restoration deposits for mineral properties. These amounts are expected to be recovered on satisfactory completion of the related exploration activities.

(g) Provisions

(i) Environmental expenditures

The operations of the Company have been and may in the future be affected by changes in environmental regulations, including those relating to future reclamation and site restoration. The likelihood of new regulations and their overall effect on the Company are unknown and unpredictable. The Company plans to meet and, if possible, surpass standards set by legislation, by applying technically proven and economically feasible measures.

Environmental expenditures relating to ongoing environmental and reclamation programs are charged to operations as incurred, or depending on their future economic benefits, capitalized and amortized over the estimated remaining life of the related business operation, net of expected recoveries. These costs are recognized when the obligation is incurred and the fair value of the related costs is reasonably determinable. Management's estimate of reclamation and restoration costs has not been included in these financial statements as the amount is not currently material.

(ii) Other provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

**Eastfield Resources Ltd.**  
**Notes to the Financial Statements**  
**February 28, 2021 and February 29, 2020**  
(Expressed in Canadian dollars)

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

(h) Equipment

Equipment is recorded at cost less accumulated amortization. The Company records amortization on a declining balance basis at the following annual rates.

Technical equipment	20%
Office equipment	20%
Furniture and fixtures	20%
Computer software	100%

(i) Leases

(i) Initial measurement

A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the lease commencement date, the Company records a right-of-use asset at cost and a lease obligation at the present value of future lease payments, discounted using the implicit interest rate in the lease. If the implicit rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company also adopts the practical expedient not to separate non-lease components from lease components and instead account for each lease component and any associated non-lease component as a single lease component. The cost of the right-of-use asset is comprised of the amount of the initial measurement of the lease liability, any lease payments made at or before the lease commencement date, less any lease incentives received, any initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the underlying asset to the condition required by the terms and conditions of the lease. The lease payment is comprised of fixed payments less any lease incentives receivable, variable lease payments, residual value guarantee payments, exercise price of a purchase option if the Company is reasonably certain it will exercise the option, and penalties for early termination of the lease.

(ii) Subsequent measurement

A right-of-use asset is recorded at cost less accumulated depreciation and accumulated impairment write-downs and is depreciated on a straight-line basis over the shorter of its useful life or the lease term. The lease obligation is reduced by lease payments, net of interest on the lease liability and adjusted for any reassessment or lease modifications.

Leases with terms of less than one year or leases with low value underlying assets are recorded as operating leases. Lease payments under operating leases are recorded as expenses on a straight-line basis over the lease term.

(iii) Sub-leases

Sub-lease arrangements where the head lease is short-term are classified as operating leases, otherwise they are classified by reference to the right-of-use asset arising from the head lease.

Sub-lease payments from operating sub-leases are recorded as income over the lease term.

Sub-lease arrangements that are classified as finance leases are recorded as an investment in the sub-lease on the sub-lease commencement date and recorded as the present value of the sub-lease payments, discounted using the implicit interest rate in the lease. If the implicit rate cannot be readily determined, the Company uses the same discount rate as the head lease. The investment in sub-leases will be reduced by the sub-lease payments net of interest income.

**Eastfield Resources Ltd.**  
**Notes to the Financial Statements**  
**February 28, 2021 and February 29, 2020**  
(Expressed in Canadian dollars)

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

(j) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that its equipment or mineral exploration and evaluation assets may be impaired. If any indication of impairment exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset or CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment is recognized immediately in the statement of income/(loss) and comprehensive income/(loss). A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

(k) Share Capital

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

(l) Flow-through Shares

Flow-through shares issued by the Company transfer the tax deductibility of qualifying mineral resource exploration and evaluation expenditures to investors. The sale of tax deductions is recognized as a liability at the time the flow-through shares are issued, at an amount equal to the fair value allocated using the relative fair value method. This liability is subsequently recognized as other income when the Company has fulfilled the obligation to pass on tax deductions by incurring the eligible expenditures.

(m) Exploration Tax Credits

The Company may receive refundable exploration tax credits and grants from provincial jurisdictions in Canada equal to a specified rate of qualifying expenditures incurred on properties located within that jurisdiction. The Company records these exploration tax credits and grants as a reduction of qualifying expenditures as it incurs the related expenditures.

(n) Income Recognition

Interest from cash and cash equivalents is recorded on an accrual basis when collection is reasonably assured.

**Eastfield Resources Ltd.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(o) Share-based Compensation

The Company has a stock option plan that is described in Note 7. All goods and services received in exchange for the grant of any share-based compensation are measured at their fair values. Where employees are rewarded using share-based compensation, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date, using the Black-Scholes option pricing model, and exclude the impact of non-market vesting conditions such as performance conditions.

All share-based compensation is recognized as an expense in profit or loss with a corresponding credit to the option reserve, over the period during which the related share-based compensation vests. No amount is recognized for instruments which do not ultimately vest.

Consideration received on the exercise of share purchase options is recorded as share capital and the related amount originally recorded in options reserve is transferred to share capital.

(p) Income or Loss per Share

Income or Loss per share is calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings is performed by presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

(q) Comprehensive Income or Loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income or loss comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as fair value through other comprehensive income have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

(r) Income Taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current income tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the reporting date, adjusted for amendments to estimates of taxes payable made in previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for: initial recognition of goodwill; initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

(r) Income Taxes (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they are related to taxes levied by the same tax authority on the same taxable entity.

(s) New Accounting Standards and Interpretations

The following is a summary of new standards, amendments and interpretations that have been adopted during the year ended February 28, 2021:

- Effective for annual reporting periods beginning on or after January 1, 2020, the IASB revised certain concepts and descriptions in the Conceptual Framework for Financial Reporting. In addition, IAS 1 and IAS 8 were amended to clarify the definition of ‘material’ and IFRS 3 was amended to clarify the definition of a ‘business’.

The adoption of these new amendments did not affect the Company’s financial statements.

**4. INVESTMENTS**

	2021			2020		
	Number of Shares	Cost	Fair Value	Number of Shares	Cost	Fair Value
<b>Investments in Equity Instruments Measured at FVOCI</b>						
Cariboo Rose Resources Ltd.	208,000	\$ 14,925	\$ 16,640	208,000	\$ 14,925	\$ 10,400
Consolidated Woodjam Copper Corp.	11,751,805	668,074	1,880,289	12,501,805	815,127	437,563
Northwest Copper Corp. (formerly Sun Metals Corp.)	866,462	384,633	164,628	866,462	384,633	90,979
Prophecy Potash Corp.	243,369	30,000	97,348	-	-	-
GK Resources Ltd.	333,333	50,000	53,333	-	-	-
		<b>1,147,632</b>	<b>2,212,238</b>		1,218,185	538,942
<b>Investments in Derivative Instruments Measured at FVTPL</b>						
Consolidated Woodjam Copper Corp. (warrants, exercise price \$0.10, expiry date September 15, 2020)	-	-	-	350,000	3,500	-
Consolidated Woodjam Copper Corp. (warrants, exercise price \$0.08, expiry date June 24, 2022)	3,250,000	16,250	384,297	-	-	-
<b>Total Investments</b>		<b>\$1,163,882</b>	<b>\$2,596,535</b>		\$ 1,218,185	\$ 538,942

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.

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**4. INVESTMENTS (continued)**

Investments in derivative instruments are measured using observable market data inputs and the Black-Scholes option pricing model which is considered a Level 2 fair value measurement. The inputs to the option pricing model as at February 28, 2021 were: Share price \$0.16; Exercise price \$0.08; Term to expiry 1.32 years; Volatility 151%; Discount rate 0.25%; Dividend yield \$nil.

During the year ended February 28, 2021, the Company realized a gain on the sale of investments in equity instruments of \$46,656. This gain on sale of investments in equity instruments has been reclassified from accumulated other comprehensive income to deficit.

**5. EXPLORATION AND EVALUATION ASSETS**

Acquisition and exploration expenditures incurred on mineral properties for the year ended February 28, 2021 are:

	<u>Indata</u>	<u>Zymo</u>	<u>Other*</u>	<u>Total</u>
<b>ACQUISITION COSTS</b>				
Balance, beginning of the year	\$ 141,513	\$ 311,506	\$ 52,014	\$ 505,033
Incurred during year	-	-	-	-
Balance, end of the year	<u>141,513</u>	<u>311,506</u>	<u>52,014</u>	<u>505,033</u>
<b>EXPLORATION EXPENDITURES</b>				
Expenditures for the year:				
Professional fees and field crews	6,208	5,040	36,824	48,072
Rental of vehicles and equipment	4	5,627	1,270	6,901
Fees and permits	-	125	-	125
Freight	-	-	-	-
Field equipment	-	-	657	657
Transport and fuel	-	-	467	467
Communications	375	-	-	375
Road building	-	-	5,623	5,623
Food and accommodation	-	-	1,460	1,460
Assaying	42	-	4,291	4,333
	<u>6,629</u>	<u>10,792</u>	<u>50,592</u>	<u>68,013</u>
Balance, beginning of the year	170,350	554,064	745,846	1,470,260
Balance, end of the year	<u>176,979</u>	<u>564,856</u>	<u>796,438</u>	<u>1,538,273</u>
<b>OPTION PROCEEDS</b>				
Balance, beginning of the year	(251,250)	(461,000)	(179,333)	(891,583)
Proceeds received during the year	(20,000)	-	(55,000)	(75,000)
Balance, end of the year	<u>(271,250)</u>	<u>(461,000)</u>	<u>(234,333)</u>	<u>(966,583)</u>
	<u>\$ 47,242</u>	<u>\$ 415,362</u>	<u>\$ 614,119</u>	<u>\$ 1,076,723</u>

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

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

Acquisition and exploration expenditures incurred on mineral properties for the year ended February 29, 2020 are as follows:

	<u>Indata</u>	<u>Zymo</u>	<u>Other*</u>	<u>Total</u>
<b>ACQUISITION COSTS</b>				
Balance, beginning of the year	\$ 141,513	\$ 311,506	\$ 51,676	\$ 504,695
Incurred during year	-	-	338	338
Balance, end of the year	141,513	311,506	52,014	505,033
<b>EXPLORATION EXPENDITURES</b>				
Expenditures for the year:				
Professional fees and field crews	12,800	28,000	66,200	107,000
Geological	-	792	-	792
Rental of vehicles and equipment	-	5,566	812	6,378
Freight	-	-	126	126
Field equipment	-	291	218	508
Transport and fuel	-	179	722	902
Communications	347	-	721	1,068
Food and accommodation	-	469	1,625	2,094
Assaying	-	719	6,831	7,550
	13,147	36,016	77,255	126,418
Balance, beginning of the year	150,436	498,232	631,199	1,279,867
Reversal of mineral exploration tax credit overaccrual	6,767	19,816	37,392	63,975
Balance, end of the year	170,350	554,064	745,846	1,470,260
<b>OPTION PROCEEDS</b>				
Balance, beginning of the year	(231,250)	(461,000)	(137,833)	(830,083)
Proceeds received during the year	(20,000)	-	(30,000)	(50,000)
Write-off of payable to optionee	-	-	(11,500)	(11,500)
Balance, end of the year	(251,250)	(461,000)	(179,333)	(891,583)
	<b>\$ 60,613</b>	<b>\$ 404,570</b>	<b>\$ 618,527</b>	<b>\$ 1,083,710</b>

\* 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.

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

*Zymo Property, Skeena Mining Division, British Columbia*

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

**Other Properties**

*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.

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

***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.

**6. RIGHT-OF-USE ASSET, LEASE OBLIGATIONS AND INVESTMENT IN SUB-LEASES**

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 as follows:

<b>Right-of-use Asset</b>	Cost	Accumulated Depreciation	Carrying Amount
Balance, February 28, 2019	\$ -	\$ -	\$ -
Additions	192,042	(29,224)	162,798
Balance, February 29, 2020	192,042	(29,224)	162,798
Remeasure adjustment	6,880	-	6,880
Additions	-	(30,768)	(30,768)
<b>Balance February 28, 2021</b>	<b>\$ 198,922</b>	<b>\$ (60,012)</b>	<b>\$ 138,910</b>

<b>Lease Obligations</b>	
2021	\$ 119,975
2022 to 2025	426,130
Total future payments	546,104
Less: interest	(87,792)
Lease obligations	458,312
Less: current portion	(85,651)
<b>Lease obligations – long term</b>	<b>\$ 372,661</b>

Total cash outflow for leases during the year ended February 28, 2021, net of sublease payments as described below, was \$38,678 (2020 - \$35,143)

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**6. RIGHT-OF-USE ASSET, LEASE OBLIGATIONS AND INVESTMENT IN SUB-LEASES (continued)**

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.

<b>Investment in Office Sub-leases</b>	
Balance, February 28, 2019	\$ -
Additions	386,597
	<u>386,597</u>
Sub-lease payments received	(74,779)
Interest income	30,852
	<u>342,670</u>
Balance, February 29, 2020	342,670
Additions	-
Remeasure adjustment	13,760
	<u>356,430</u>
Sub-lease payments received	(77,355)
Interest income	26,466
	<u>305,541</u>
Balance, February 28, 2021	\$ 305,541

**7. SHARE CAPITAL**

**Authorized**

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

**Private Placement**

On June 14 2019, the Company completed a private placement consisting of 1,800,000 units at a price of \$0.05 per unit, for total consideration of \$90,000. Each unit consisted of one common share and one share purchase warrant (the "Warrant") with each whole Warrant entitling the holder to purchase one additional common share at a price of \$0.10 until June 13, 2021. On April 21, 2021 the expiry date of the Warrants was extended to June 13, 2022

**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.

A summary of changes in common share purchase options for the years ended February 28, 2021 and February 29, 2020 is:

	2021		2020	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Balance, beginning of the year	3,275,000	\$ 0.08	3,340,000	\$ 0.08
Granted	-	-	700,000	0.05
Cancelled/Expired	-	-	(765,000)	0.09
Options exercisable, end of the year	<u>3,275,000</u>	<u>\$ 0.08</u>	<u>3,275,000</u>	<u>\$ 0.08</u>

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**7. SHARE CAPITAL (continued)**

**Share Purchase Options (continued)**

The following common share purchase options are outstanding at February 28, 2021:

Expiry Date	Options Outstanding		Weighted Average Remaining Life (Years)	Options Exercisable	
	Number of shares	Exercise price (\$)		Number of shares	Exercise price (\$)
July 31, 2021	780,000	0.13	0.42	780,000	0.13
April 30, 2023	350,000	0.10	2.17	350,000	0.10
September 26, 2023	300,000	0.05	2.58	300,000	0.05
November 24, 2024	545,000	0.05	3.74	545,000	0.05
December 19, 2024	700,000	0.05	3.80	700,000	0.05
January 17, 2027	100,000	0.10	5.89	100,000	0.10
October 10, 2027	500,000	0.05	6.62	500,000	0.05
	<b>3,275,000</b>		<b>3.19</b>	<b>3,275,000</b>	

The Company determines the fair value of the options granted using the Black-Scholes option pricing model. No options were granted during the year ended February 28, 2021. The weighted average grant date fair value of options granted during the year ended February 29, 2020 was \$0.02 using the following weighted average inputs and assumptions:

	2020
Share price	\$0.035
Exercise price	\$0.05
Risk-free interest rate	1.32%
Expected share price volatility	173%
Expected average period until exercise	5 years
Expected dividend yield	-

The effects of early exercise were incorporated in the estimate of the expected life of the common share purchase options. Expected volatility was determined based on the historic volatility of the Company's share price over a period ending on the grant date of the instrument and commensurate with the instrument's expected life. Other features of common share purchase options granted did not affect the calculation of grant date fair value.

**Share Purchase Warrants**

At February 28, 2021 the Company had warrants outstanding entitling the holders to purchase of 1,800,000 common shares at a price of \$0.10 per share until June 13, 2021. On April 15, 2021, the expiry date of the warrants was extended by one year to June 13, 2022.

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**8. INCOME TAXES**

The Company's deferred tax assets and liabilities arise from the following items:

	<u>2021</u>	<u>2020</u>
Deferred tax assets (liabilities) arising from:		
Losses deductible against future taxable income	\$ 752,249	\$ 557,295
Equity investments	(269,718)	93,048
Derivative investments	(93,245)	-
Equipment	87,297	87,297
Exploration and evaluation assets	(69,060)	(68,004)
Net deferred tax assets	407,524	669,636
Valuation allowance	(407,524)	(669,636)
Deferred tax assets recognized	\$ -	\$ -

The reconciliation of the provision for income taxes is as follows:

	<u>2021</u>	<u>2020</u>
Net income (loss) before income taxes	\$ 456,406	\$ (192,572)
Combined federal and provincial statutory income tax rates	27%	27%
Provision for (recovery of) income taxes based statutory income tax rates	123,230	(51,994)
Add (deduct):		
Tax effect of current year losses not recognized	34,932	9,337
Net effect of items that are not taxable or deductible	(158,162)	42,657
Recognition of previously unrecognized tax losses	(269,718)	-
Recovery of income taxes recognized in net income	\$ (269,718)	\$ -

Recovery of income taxes recognized in net income for the year ended February 28, 2021 is the result of the recognition of previously unrecognized income tax losses related to the increase in the fair value of equity investments, which is recorded in other comprehensive income net of deferred income tax expense.

The Company has non-capital losses of approximately \$1.6 million and capital losses of approximately \$0.62 million for income tax purposes, which may be used to reduce taxable income and taxable capital gains, respectively, in future years. If unused, the non-capital losses will expire between 2022 and 2041. The capital losses can be carried forward indefinitely.

In addition, the Company has resource related expenditures (Canadian Exploration Expenses) of approximately \$820,000, most of which can be deducted at a 100% rate and which can be used to offset future taxable income and can be carried forward indefinitely.

**9. SUPPLEMENTAL CASH FLOW INFORMATION**

	<u>2021</u>	<u>2020</u>
<b>Non-cash investing activities</b>		
Shares received for mineral property option proceeds (Note 5)	\$ 70,000	\$ -
Acquisition of investment in sub-leases through sub-lease arrangement (Note 6)	-	386,597
Shares received in settlement of promissory notes and receivables (Note 12)	-	463,628
<b>Non-cash financing activities</b>		
Acquisition of right-of-use asset through office lease (Note 6)	\$ -	\$ 192,042
<b>Other supplemental cash flow information</b>		
Interest received	\$ 185	\$ 5,367
Interest paid	39,698	45,288

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**10. SEGMENTED DISCLOSURES**

The Company operates in one industry segment, the acquisition and exploration of mineral properties, within one geographical area, Canada. For the years ended February 28, 2021 and February 29, 2020, all income was earned and all expenses were incurred in Canada and all non-current assets were held in Canada.

**11. DILUTED INCOME OR LOSS PER SHARE**

For the year ended February 29, 2020, the Company's diluted loss per share was equal to its basic loss per share as all outstanding potential shares were anti-dilutive.

For the year ended February 28, 2021, the Company's diluted income per share was calculated by increasing the basic weighted average shares outstanding by 120,113 shares. The increase was determined by assuming the exercise of outstanding dilutive options and warrants and applying the treasury share calculation method.

Outstanding share purchase options and warrants that were anti-dilutive as at February 28, 2021 and therefore not included in the calculation of diluted income per share could potentially dilute income per share in the future.

**12. 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 year, recoveries of rent, salaries, telephone, office, consulting, convention and travel costs were \$113,775 (2020 - \$75,696) from Cariboo Rose and \$129,803 (2020 - \$102,903) from Woodjam. At February 28, 2021, accounts receivable included \$9,461 (2020 - \$11,138) receivable from Cariboo Rose and \$16,150 (2020 - \$53,328) receivable from Woodjam.

During the year ended February 28, 2021, geological services amounting to \$69,259 (2020 - \$126,122) 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 February 28, 2021, accounts payable included \$4,872 (2020 - \$4,413) payable to Mincord.

During the year, payments of \$16,500 (2020 - \$13,450) were made to the Chief Financial Officer, who is also a director of the Company, for accounting services.

Salaries and benefits of \$25,199 (2020 - \$23,855) were paid to a spouse of a director for office administration services provided.

Remuneration for key management personnel included \$nil (2020 - \$14,000) in share-based compensation.

On November 15, 2019, the Company received 9,272,560 common shares of Woodjam at a deemed price of \$0.05 per share to settle the outstanding promissory note, accrued interest and accounts receivable totaling \$463,628.

**13. 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.

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**13. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

**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 and project deposits are 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. Receivables also include amounts due from related parties which are expected to be fully recovered. The Company considers the credit risk from these instruments to be minimal and has not recognized an allowance for expected credit losses. As at February 28, 2021 and February 29, 2020, none of the Company's financial instruments subject to credit risk were past due or impaired.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become 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 6. The Company manages liquidity risk through the management of its capital structure (Note 14) and financial leverage.

**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 interest rate risk, equity price risk, and foreign currency risk.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value of 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 February 28, 2021 and February 29, 2020, the Company considers its exposure to interest rate risk to be minimal.

(ii) Equity Price Risk

Equity price 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 equity and derivative investments (Note 4). All of the Company's equity and derivative investments are common shares and warrants to purchase common shares of companies listed on the TSX Venture Exchange and the Canadian Securities Exchange. The Company has performed a sensitivity analysis of its investments to changes in the TSX Venture Exchange composite index (the "Index"). A reasonably possible increase or decrease in the Index of 20% would result in an estimated increase or decrease in other comprehensive income of \$155,000 and an estimated increase or decrease in net income of \$42,000.

The fair value of these investments and the underlying share prices are monitored by management with decisions on sale taken at the board level.

(iii) Foreign Currency Risk

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.

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**14. 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.