

**Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)**  
**Condensed Interim Consolidated Financial Statements**  
**Nine months ended September 30, 2021**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

**NOTICE TO READER**

Under National Instrument 51-102, part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with the standards established by CPA Canada for a review of consolidated interim financial statements by an entity's auditor.

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	Notes	September 30, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,572,732	\$ 1,698,112
Accounts receivable	3	35,911	11,880
Prepaid expenses and deposits	4	31,393	26,708
Government grant		53,334	-
		1,693,370	1,736,700
<b>Non-current assets</b>			
Restricted cash		235,800	298,100
Deposit	4	36,000	18,329
Marketable securities	6	213,150	287,000
Equipment		1,106	1,793
Exploration and evaluation assets	5	3,103,496	2,301,740
<b>TOTAL ASSETS</b>		\$ 5,282,922	\$ 4,643,662
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	8	\$ 77,474	\$ 73,268
Decommissioning liability	11	715,365	789,275
Due to related party	8	10,000	-
<b>TOTAL LIABILITIES</b>		802,839	862,543
<b>EQUITY</b>			
Share capital	9	49,533,853	48,537,360
Share-based payment reserves	9	18,795,549	18,711,981
Equity reserve		1,195,608	1,195,608
Accumulated other comprehensive loss		(59,566)	(73,166)
Deficit		(64,985,361)	(64,590,664)
<b>TOTAL EQUITY</b>		4,480,083	3,781,119
<b>TOTAL LIABILITIES AND EQUITY</b>		\$ 5,282,922	\$ 4,643,662

Nature of Operations and Going Concern (Note 1)

Approved on Behalf of the Board on November 26, 2021

``Lucy Zhang``  
Director

``Daithi Mac Gearailt``  
Director

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)  
Consolidated Statements of Comprehensive Loss  
(Expressed in Canadian dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2021	2020	2021	2020
<b>Expenses</b>					
Listing and filing fees		\$ 2,500	\$ 2,605	\$ 22,155	\$ 22,163
Amortization		187	15,440	686	46,646
Management fees	10	53,750	29,050	146,750	76,050
Corporate development and communication	10	-	6,399	2,400	38,168
Office and miscellaneous		33,411	17,732	96,185	83,483
Professional fees		36,939	40,064	135,920	77,615
Rent		602	12,184	(2,519)	35,631
Accretion		-	-	-	-
Stock-based compensation		6,830	314,075	83,568	314,075
		(134,219)	(437,549)	(485,145)	(693,831)
<b>Other items</b>					
Interest expense		-	429	-	2,223
Interest income		82	(3,348)	(2,391)	(23,018)
Rental income		-	(21,480)	-	(63,472)
Royalty income		(6,479)	(4,794)	(16,989)	(11,808)
Miscellaneous income		(21,978)	-	(25,376)	-
Foreign Exchange		(9)	29	50	1,055
Gain on sale of investments in marketable securities		(21,809)	(9,512)	(47,739)	(9,512)
Income from government grant		-	-	(100,000)	-
Impairment of exploration and evaluation assets	5	26,237	-	26,237	-
Impairment of petroleum and natural gas assets	7	897	30,985	29,634	559,039
Due diligence for mineral interests		46,126	-	46,126	-
		(23,067)	7,691	90,448	(454,507)
<b>Net loss</b>		\$ (157,286)	\$ (429,858)	\$ (394,697)	\$ (1,148,338)
<b>Other comprehensive loss</b>					
Unrealized gain (loss) on investments in marketable securities	6	(30,435)	117,562	13,600	9,229
<b>Comprehensive loss for the period</b>		\$ (187,721)	\$ (312,296)	\$ (381,097)	\$ (1,139,109)
<b>Loss per share, basic and diluted</b>		\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ (0.12)
<b>Weighted average number of common shares outstanding, basic and diluted</b>		12,741,750	9,517,150	10,963,478	9,517,150

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)  
Consolidated Statements of Changes in Equity  
(Expressed in Canadian dollars)

	Share capital		Equity Reserve	Share-based Payment Reserve	Accumulated Other comprehensive loss	Deficit	Total
	Number of shares	Amount					
Balance at January 1, 2021	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,711,981	\$ (73,166)	\$ (64,590,664)	\$ 3,781,119
Shares issued for private placement, net issuance cost	3,224,600	996,493	-	-	-	-	996,493
Stock-based compensation	-	-	-	83,568	-	-	83,568
Comprehensive loss for the period	-	-	-	-	13,600	(394,697)	(381,097)
Balance at September 30, 2021	12,741,750	\$ 49,533,853	\$ 1,195,608	\$ 18,795,549	\$ (59,566)	\$ (64,985,361)	\$ 4,480,083

	Share capital		Equity Reserve	Share-based Payment Reserve	Accumulated Other comprehensive loss	Deficit	Total
	Number of shares	Amount					
Balance at January 1, 2020	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ (20,833)	\$ (55,774,948)	\$ 12,307,768
Stock-based compensation	-	-	-	314,075.00	-	-	314,075
Comprehensive loss for the period	-	-	-	-	9,229	(1,148,338)	(1,139,109)
Balance at September 30, 2020	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,684,656	\$ (11,604)	\$ (56,923,286)	\$ 11,482,734

See accompanying notes to the consolidated financial statements

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)  
Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Operating activities</b>				
Net loss for the period	\$ (157,286)	\$ (429,858)	\$ (394,697)	\$ (1,148,338)
Adjustments for non-cash items:				
Amortization	187	15,439	686	46,645
Stock-based compensation	6,830	314,075	83,568	314,075
Impairment of exploration and evaluation assets	26,237	-	26,237	-
Impairment of petroleum and natural gas assets	-	30,985	28,737	559,039
Interest expense	-	429	-	2,223
Gain on sale of marketable securities	(21,809)	(9,512)	(47,739)	(9,512)
Income from government grant	-	-	(100,000)	-
Changes in non-cash working capital:				
Accounts Receivable	(2,463)	23,530	(24,031)	2,367
Prepaid expenses and deposits	(37,421)	(22,454)	(19,147)	(8,708)
Trade payables and accrued liabilities	61,812	(810)	25,126	9,711
<b>Net cash flows used in operating activities</b>	<b>(123,913)</b>	<b>(78,176)</b>	<b>(421,260)</b>	<b>(232,498)</b>
<b>Investing activities</b>				
Exploration and evaluation assets	(716,243)	(89,882)	(841,648)	(97,494)
Petroleum and natural gas assets	-	(3,409)	(29,210)	(29,688)
Reclamation costs	(19,233)	(3,456)	(27,244)	(5,206)
Net proceeds on sale of marketable securities	52,044	49,387	135,189	49,387
<b>Net cash flows used in investing activities</b>	<b>(683,472)</b>	<b>(47,360)</b>	<b>(762,913)</b>	<b>(83,001)</b>
<b>Financing activities</b>				
Private placement, net of issuance costs	-	-	996,493	-
Lease payment	-	(16,353)	-	(49,058)
Changes in restricted cash	62,300	-	62,300	-
<b>Net cash flows used in financing activities</b>	<b>62,300</b>	<b>(16,353)</b>	<b>1,058,793</b>	<b>(49,058)</b>
Decrease in cash and cash equivalents	(745,085)	(141,889)	(125,380)	(364,557)
Cash and cash equivalents, beginning	2,317,817	2,022,739	1,698,112	2,245,407
<b>Cash and cash equivalents, ending</b>	<b>\$ 1,572,732</b>	<b>\$ 1,880,850</b>	<b>\$ 1,572,732</b>	<b>\$ 1,880,850</b>
<b>Cash and cash equivalents consist of:</b>				
Cash	\$ 1,572,732	\$ 106,227	\$ 1,572,732	\$ 106,227
GIC	-	1,774,623	-	1,774,623
	\$ 1,572,732	\$ 1,880,850	\$ 1,572,732	\$ 1,880,850

See accompanying notes to the consolidated financial statements

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)  
Notes to Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian dollars - Unaudited)  
Nine months ended September 30, 2021 and 2020

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**1. Nature of operations and going concern**

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.) (the “Company”) was incorporated under the laws of the province of British Columbia, Canada. The Company trades on the TSV Venture Exchange (the “TSX-V”) under the symbol “TBK.V”, and the Frankfurt Stock Exchange under the symbol “KCG”. The registered office of the Company is located at Suite 2110, 650 West Georgia Street, Vancouver, B.C.

The Company is a mineral exploration company focusing on acquiring and developing exploration and evaluation assets.

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern. The Company has no current source of revenues from operations. The Company’s continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand and the private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may materially less than the amounts on its statement of financial position.

**2. Significant accounting policies and basis of preparation**

These condensed interim consolidated financial statements were authorized for issuance on November 26, 2021 by the directors of the Company.

**Statement of compliance with IFRS**

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

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since the Company’s last fiscal year end and they do not include all of the information required in the Company’s most recent annual consolidated financial statements. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2020, which were prepared in accordance with IFRS as issued by IASB. There have been no changes in judgment or estimates from those disclosed in the consolidated financial statements for the year ended December 31, 2020.

**Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiary. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. Details of the controlled entity are as follows:

Entity:	Country of incorporation:	Ownership interest	
		September 30, 2021	December 31, 2020
Petro One Energy Corp.	Canada	100%	100%

Inter-company balances and transactions have been eliminated upon consolidation.

**2. Significant accounting policies and basis of preparation (continued)**

***Significant estimates and assumptions***

The preparation of these financial statements in accordance with IFRS requires management to make certain estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets and petroleum and natural gas assets, the measurements for financial instruments and share-based payments, the recoverability of deferred tax assets and the measurement of decommissioning liabilities.

The outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. The extent to which the coronavirus may impact the Company's business activities will depend on the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The Company continues to closely monitor developments in the coronavirus outbreak, including the potential impact on the Company's activities and its liquidity.

**3. Accounts receivable**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
GST receivable	\$ 31,674	\$ 10,302
Royalty income receivable	4,237	1,429
Other receivables	-	149
	<b>\$ 35,911</b>	<b>\$ 11,880</b>

**4. Prepaid expenses and deposits**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Current prepaid expenses	\$ 31,393	\$ 26,708
Non-current deposits	36,000	18,329
	<b>\$ 67,393</b>	<b>\$ 45,037</b>

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)  
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**5. Exploration and evaluation assets**

A continuity of the Company's exploration and evaluation assets as of September 30, 2021 is as follows:

	Balance at December 31, 2020	Acquisition	Exploration										Balance at September 30,2021		
			Assay	Trenching & Drilling	Contractors & Labour	Exploration Management	Logistics	Field Equipment	Travel & Accommodation	Mapping	Geological & Geophysical Consulting	Subtotal		Impairment	
<b>Mineral Property Interests</b>															
Cando2	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Plateau	2,140,000	-	-	-	-	3,200	-	-	-	-	-	944	4,144	-	2,144,144
St. Patrick	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Strike Claims	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
McMurdo	30,128	-	-	-	-	3,968	-	-	-	-	-	368	4,336	-	34,464
Skelly- SK	40,338	-	3,337	-	3,680	7,216	7,410	-	65	-	570	22,278	-	62,616	
Atsutla	91,271	47,210	51,695	8,789	119,290	19,216	231,309	17,138	150,603	400	125,348	723,788	-	862,269	
Tuya	-	2,929	3,697	-	7,264	-	11,042	-	1,305	-	-	23,308	(26,237)	-	
<b>Total:</b>	<b>\$ 2,301,740</b>	<b>\$ 50,139</b>	<b>\$ 58,729</b>	<b>\$ 8,789</b>	<b>\$ 130,234</b>	<b>\$ 33,600</b>	<b>\$ 249,761</b>	<b>\$ 17,138</b>	<b>\$ 151,973</b>	<b>\$ 400</b>	<b>\$ 127,230</b>	<b>\$ 777,854</b>	<b>\$ (26,237)</b>	<b>\$ 3,103,496</b>	

A continuity of the Company's exploration and evaluation assets as of December 31, 2020 is as follows:

	Balance at December 31, 2019	Acquisition	Exploration										Balance at December 31, 2020	
			Assay	Contractors & Labour	Exploration Management	Logistics	Field Equipment	Travel & Accommodation	Geological & Geophysical Consulting	Impairment	Subtotal			
<b>Mineral Property Interests</b>														
Cando2	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Plateau	9,572,175	-	-	-	21,552	852	(35,650)	-	29,404	(7,448,333)	(7,432,175)	-	-	2,140,000
St. Patrick	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Strike Claims	1	-	-	-	-	-	-	-	-	-	-	-	-	1
McMurdo	-	3,023	3,284	200	5,624	7,122	-	1,856	9,019	-	-	30,128	-	30,128
Skelly- SK	-	5,104	4,652	-	3,184	7,659	-	4,811	14,928	-	-	40,338	-	40,338
Willy Jack – WJ	-	24,866	6,881	-	4,040	25,960	-	897	26,052	-	-	88,696	-	88,696
SWAN	-	1,845	-	-	-	-	-	-	730	-	-	2,575	-	2,575
<b>Total:</b>	<b>\$ 9,572,178</b>	<b>\$ 34,838</b>	<b>\$ 14,817</b>	<b>\$ 200</b>	<b>\$ 34,400</b>	<b>\$ 41,593</b>	<b>\$ (35,650)</b>	<b>\$ 7,564</b>	<b>\$ 80,133</b>	<b>\$ (7,448,333)</b>	<b>\$ (7,270,438)</b>	<b>\$ (7,270,438)</b>	<b>\$ (7,270,438)</b>	<b>\$ 2,301,740</b>

**5. Exploration and evaluation assets (Continued)**

Plateau Property

The Company has a 100% interest in the Plateau Property which is subject to a 3% Net Smelter Royalty (“NSR”) royalty which may be reduced by 1% for a payment of \$1,500,000.

During the year ended December 31, 2017, the Company entered into an investment agreement and an earning and venture agreement with Newmont Canada FN Holdings ULC (“Newmont”), whereby Newmont agreed to acquire 12,705,715 pre-consolidation units of the Company for gross proceeds of USD\$4,500,000 (\$6,025,050) (the “Investment”) and the Company granted the options to Newmont to earn the participating interest in the Plateau Property up to 80% (“Earn-In Transaction”).

During the year ended December 31, 2018, the Company received an option payment of USD \$1,000,000 (\$1,349,200) from Newmont pursuant to the earning and venture agreement.

On January 23, 2019, Newmont provided notice to the Company that it was terminating its rights with respect to the Earn-In Transaction.

The claims remain in good standing to at least 2030.

During the year ended, December 31, 2020, the Company assessed that there were indicators of impairment of the Plateau Property and recorded a write-down of \$7,448,333.

Cando2 Property

The Company has a 100% interest in the Cando2 Property which is subject to a 3% NSR. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

Strike Claims Property

The Company has a 100% interest in the Strike Claims Property. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

St. Patrick Property

The Company has a 100% interest in the St. Patrick Property. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

McMurdo Property

During 2020, the Company staked the McMurdo property in the province of British Columbia and owns 100% interest in the property.

Skelly Property

During 2020, the Company staked the Skelly property in the province of British Columbia and owns 100% interest in the property.

Atsutla Gold Project

*Willy Jack Property*

During 2020, the Company staked the Willy Jack property in the province of British Columbia and owns 100% interest in the property.

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**5. Exploration and evaluation assets** (Continued)

Atsutla Gold Project

*SWAN Property*

*During 2020, the Company staked the SWAN property in the province of British Columbia and owns 100% interest in the property.*

Tuya Property

During 2021, the Company staked the Tuya property in the province of British Columbia. During the nine months ended September 30, 2021, the Company assessed that the carrying value and impaired the property to \$1.

**6. Investment in Golden Sky Minerals Corp. (“Golden Sky”)**

The Company holds a total of 435,000 Golden Sky common shares which is representing 2.26% (December 31, 2020 – 700,000 and 5.85%) of the issued and outstanding Golden Sky Shares. The Company’s interest in Golden Sky shares was accounted for using the equity method until December 18, 2019. On December 18, 2019, as a result of a dilution in the Company’s ownership interest, the Company recognized its investment at fair value through other comprehensive income and recorded a loss of \$1,516,043.

During the nine months ended September 30, 2021, the Company sold 265,000 Golden Sky common shares for net proceeds of \$135,189. A gain of \$47,739 was recorded in the consolidated statement of comprehensive loss.

During the year ended December 31, 2020, the Company sold 133,333 Golden Sky common shares for net proceeds of \$56,542. A gain of \$12,542 was recorded in the consolidated statement of comprehensive loss.

Marketable securities are measured at fair value by reference to quoted stock prices. During the nine months ended September 30, 2021, the Company recorded an unrealized gain of \$13,600.

	Fair value
Fair value on initial recognition as a financial instrument under IFRS 9	\$ 404,166
Unrealized loss	(20,833)
Carrying value at December 31, 2019	\$ 383,333
Gain on marketable securities sold	12,542
Fair value on marketable securities sold	(56,542)
Unrealized loss	(52,333)
Carrying value at December 31, 2020	\$ 287,000
Gain on marketable securities sold	47,739
Fair value on marketable securities sold	(135,189)
Unrealized gain	13,600
Carrying value at September 30, 2021	\$ 213,150

The Company also held 833,333 share purchase warrants in Golden Sky. Each Golden Sky warrant entitles the Company to purchase one additional share of Golden Sky at a price of \$6.00 per share for a period of 36 months from August 10, 2018, subject to acceleration. The fair value recorded for the warrants was determined to be nominal. As of September 30, 2021, 833,333 share purchase warrants had expired.

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**7. Petroleum and natural gas assets**

	Well Equipment	Decommissioning	Exploration and Evaluation	Total
<b>Balance at December 31, 2019</b>	\$ 94,950	\$ -	\$ -	\$ 94,950
Additions	-	497,087	55,824	552,911
Incidental revenue	-	-	(9,250)	(9,250)
Amortization	(9,144)	-	9,144	-
Impairment	(85,806)	(497,087)	(55,718)	(638,611)
<b>Balance at December 31, 2020</b>	\$ -	\$ -	\$ -	\$ -
Additions	-	-	29,634	29,634
Impairment	-	-	(29,634)	(29,634)
<b>Balance at September 30, 2021</b>	\$ -	\$ -	\$ -	\$ -

The Company's petroleum and natural gas assets consist of oil and gas wells located in Saskatchewan and Manitoba. During the year ended December 31, 2019, the Company determined that it was unlikely to recover its investment in the exploration and evaluation assets and therefore wrote-down the carrying value to \$nil. In April 2020, the Company received additional quotes to fully reclaim the remaining suspended oil wells. The increased potential costs resulted in the recognition of \$497,087 decommissioning assets and liability (Note 11).

During the nine months ended September 30, 2021 and year ended December 31, 2020, the Company wrote-down the carrying value of the exploration and evaluation assets to \$nil.

**8. Accounts payables and accrued liabilities**

	September 30, 2021	December 31, 2020
Accounts Payable	\$ 55,791	\$ 14,306
Accrued Liabilities	21,683	28,962
Due to related parties (Note 10)	10,000	-
Prepaid rent advance received	-	30,000
	\$ 87,474	\$ 73,268

**9. Share capital**

**Authorized share capital**

Unlimited number of common shares without par value.

**Issued share capital during the nine months ended September 30, 2021**

On May 13, 2021, the Company completed a private placement for gross proceeds of \$1,048,610 by issuing 800,000 non-flow-through Units (the "Unit") at \$0.25 and 2,424,600 FT Units at \$0.35. Each non-flow-through Unit consists of 1 common share of the Company and 1 common share purchase warrant (the "Unit Warrants"), each Unit Warrant being exercisable for an additional common share of the Company at \$0.39 for 24 months from closing, subject to the right of the Company to accelerate the exercise period should, after the expiration of the 4-month hold, shares of the Company trade close at or above \$0.59 for 10 consecutive trading days. Proceeds of this portion of the financing will be used for general working capital purposes. Each FT Unit consists of 1 flow-through share and 1 common share purchase warrant (the "FT Unit Warrants"), each full FT Unit Warrant being exercisable at \$0.49 for a common share of the Company for 24 months. The flow-through shares will entitle the holder to receive tax benefits applicable to flow-through shares in accordance with the provisions of the Income Tax Act (Canada). Proceeds of the financing will be used to advance Trailbreaker's newly assembled Atsutla Gold Project in the province of British Columbia.

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)  
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9. Share capital (Continued)

**Renunciation of exploration expenditure**

During the nine months ended September 30, 2021, the Company incurred and renounced \$606,150 exploration expenditure under its flow-through share program.

**Stock option**

The Company has adopted a stock option plan, which provides that the Board of Directors of the Company may, in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent of the issued and outstanding common shares.

As at September 30, 2021, the Company had the following options outstanding and exercisable:

<b>Date Issued</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>
April 28, 2016	April 28, 2026	\$ 3.15	15,000	15,000
May 18, 2017	May 18, 2027	\$ 5.95	17,500	17,500
July 9, 2020	July 9, 2025	\$ 0.24	1,580,000	1,420,000
March 24, 2021	March 24, 2026	\$ 0.30	150,000	150,000
			1,762,500	1,602,500

The following is a summary of the Company's stock option activities:

	<b>September 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Options outstanding, beginning	1,775,000	\$ 2.01	1,387,500	\$ 3.56
Options granted	150,000	0.30	1,730,000	0.24
Options cancelled	(150,000)	0.24	(1,342,500)	3.66
Options expired	(12,500)	1.75	-	-
Options outstanding, ending	1,762,500	\$ 0.33	1,775,000	\$ 2.01

On March 24, 2021, 150,000 stock options were granted to a director of the Company exercisable at a price of \$0.30 per share for a term of five years. The options were fully vested on the grant date.

On March 19, 2021, 150,000 stock options previously issued to a retired director were cancelled.

On July 9, 2020, 1,730,000 stock options were granted to directors, officers board advisors and consultants of the Company. Options issued pursuant to this grant to directors and officers vested immediately; options issued to board advisors and consultants vest for a period of 18 months with 1/6 vesting each 3 months. All options have a term of 5 years and are exercisable at \$0.24 per share.

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9. **Share capital** (Continued)

**Stock option** (Continued)

On January 31, 2020, 1,342,500 stock option previously issued to executives, officers and consultants were cancelled.

The fair value of stock options granted for the nine months ended September 30, 2021 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, volatility of 150.99%, dividend yield of 0% and risk-free interest rate of 0.92%. The grant date fair value of options granted was \$0.32 per option. For the nine months ended September 30, 2021, the Company recognized share-based compensation of \$83,568 (2020 - \$nil).

As at September 30, 2021, 1,602,500 options were exercisable. The weighted average life and weighted average exercise price of exercisable options are 3.87 years and \$0.34 respectively.

**Share purchase warrants**

As at September 30, 2021, the Company had the following warrants outstanding:

<b>Date issued</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number of warrants outstanding</b>
May 12, 2021	May 12, 2023	\$ 0.49	2,424,600
May 12, 2021	May 12, 2023	\$ 0.39	800,000
			3,224,600

The following is a summary of the Company's warrant activities:

	<b>September 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Number of Common Shares Issuable</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Common Shares Issuable</b>	<b>Weighted Average Exercise Price</b>
Warrants outstanding, beginning	-	\$ -	571,000	\$ 1.05
Warrants issued	3,224,600	0.47	-	-
Warrants expired	-	-	(571,000)	1.05
Warrants outstanding, ending	3,224,600	\$ 0.47	-	\$ -

As at September 30, 2021, the weighted average exercise price and weighted average life of the warrants are \$0.47 and 1.61 years, respectively.

**Share-based payment reserves**

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

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**9. Related party transactions**

Key personnel compensation:

	September 30, 2021	September 30, 2020
Management and accounting fees incurred to a company controlled by the Chief Financial Officer of the Company	\$ 85,500	\$ 70,500
Management fees incurred to a company controlled by the President and Chief Executive Officer of the Company	\$ 54,000	\$ 18,000
Corporate development and communication fees incurred to a company controlled by the President and Chief Executive Officer of the Company	\$ 2,400	\$ 44,705
Exploration management fees incurred to a company controlled by the President and Chief Executive Officer and capitalized to exploration and evaluation assets	\$ 33,600	\$ 20,000
Directors' fees incurred to directors of the Company	\$ 24,000	\$ 9,000
Share-based payments to a director	\$ 48,168	\$ -

As at September 30, 2021 \$10,000 (December 31, 2020 - \$nil) was owing to related parties and has been included in accounts payables and accrued liabilities (Note 8). The amounts are unsecured, non-interest bearing and due on demand.

On March 24, 2021, 150,000 stock options were granted to a director of the Company exercisable at a price of \$0.30 per share for a term of five years. The options were fully vested on the grant date.

On July 9, 2020, 1,250,000 stock options were granted to directors and officers of the Company. All options have a term of 5 years and exercisable at \$0.24.

**10. Decommissioning liabilities**

Closing balance, December 31, 2019	\$	300,963
Addition		497,087
Reclamation expenses		(8,775)
Closing balance, December 31, 2020	\$	789,275
Reclamation expenses		(73,910)
<b>Closing balance, September 30, 2021</b>	<b>\$</b>	<b>715,365</b>

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas interests including well sites, gathering systems and processing facilities. The total decommissioning liabilities were estimated by management based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Company has estimated the total amount of liabilities to be \$715,365 (December 31, 2020 - \$789,275) as at September 30, 2021. These payments are expected to be made in current year.

## 11. Contingencies

As of September 30, 2021, the Company's restricted cash balance was \$235,800 (December 31, 2021 - \$298,100) which consisted of two guaranteed letters of credit in the amount of \$90,570 (expiring and renewable in June 2022) and \$145,230 (expired and renewed in January 2022) issued by Bank of Montreal for the Minister of Finance – the Saskatchewan Oil and Gas Orphan Fund (Note 14). During the nine months ended September 30, 2021, the Company received the release of \$62,300 (2020 - \$nil) of the guaranteed letters of credit.

## 12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents. Cash and cash equivalents are held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution.

### Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. All of the Company's financial liabilities are due within a year.

### Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not incur significant expenditures that are denominated in foreign currencies and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is considered minimal.

### Interest rate risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash and cash equivalents earn interest income at variable rates. The fair value of cash and cash equivalents are minimally affected by changes in short term interest rates.

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**12. Financial risk management** (Continued)

**Classification of financial instruments**

Financial assets included in the statement of financial position are as follows:

	September 30, 2021	December 31, 2020
Amortized cost:		
Cash and cash equivalents (including restricted cash)	\$ 1,808,532	\$ 1,996,212
Accounts receivable	4,237	1,578
Fair value through other comprehensive income:		
	\$ 1,812,769	\$ 1,997,790
FVTOCI:		
Marketable securities	\$ 213,150	\$ 287,000
	\$ 2,025,919	\$ 2,284,790

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2021	December 31, 2020
Amortized cost:		
Accounts payables	\$ 54,636	\$ 44,306
Due to related parties	10,000	-
	\$ 64,636	\$ 44,306

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The carrying value of the Company's financial assets and liabilities as at September 30, 2021 and December 31, 2020 approximate their fair value due to their short terms to maturity.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

### **13. Capital Management**

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any external restrictions on its capital.