

**Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)**  
**Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)

### Opinion

We have audited the consolidated financial statements of Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively, the "financial statements").

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

### 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.

### Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Matthew Gosden.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

April 27, 2021



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

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,698,112	\$ 2,245,407
Accounts receivable	3	11,880	18,288
Prepaid expenses and deposits	4	26,708	27,324
		1,736,700	2,291,019
<b>Non-current assets</b>			
Restricted cash		298,100	318,300
Deposit	4	18,329	18,329
Marketable securities	8	287,000	383,333
Equipment		1,793	5,151
Exploration and evaluation assets	7	2,301,740	9,572,178
Petroleum and natural gas assets	9	-	94,950
Right of use asset	5	-	59,850
<b>TOTAL ASSETS</b>		<b>\$ 4,643,662</b>	<b>\$ 12,743,110</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	10	\$ 73,268	\$ 71,299
Decommissioning liability	14	789,275	-
Lease liabilities	6	-	63,080
		862,543	134,379
<b>Non-Current Liabilities</b>			
Decommissioning liability	14	-	300,963
<b>TOTAL LIABILITIES</b>		<b>862,543</b>	<b>435,342</b>
<b>EQUITY</b>			
Share capital	11	48,537,360	48,537,360
Share-based payment reserves	11	18,711,981	18,370,581
Equity reserve		1,195,608	1,195,608
Accumulated other comprehensive loss		(73,166)	(20,833)
Deficit		(64,590,664)	(55,774,948)
<b>TOTAL EQUITY</b>		<b>3,781,119</b>	<b>12,307,768</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 4,643,662</b>	<b>\$ 12,743,110</b>

Nature of Operations and Going Concern (Note 1)  
Subsequent Events (Note 18)

Approved on Behalf of the Board on April 27, 2021

``Lucy Zhang``

``Daithi Mac Gearailt``

Director

Director

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

		For the year ended December 31,	
	Note	2020	2019
<b>Expenses</b>			
Listing and filing fees		\$ 26,837	\$ 25,439
Amortization		61,947	62,748
Management fees	12	155,400	33,350
Corporate development and communication	12	40,411	61,892
Investor relations		-	2,500
Office and miscellaneous	12	101,269	71,568
Professional fees		77,505	96,881
Rent		48,248	47,510
Accretion		-	3,120
Stock-based compensation	11,12	341,400	-
		(853,017)	(405,008)
<b>Other items</b>			
Interest income		(25,104)	(44,301)
Interest expense		2,331	7,105
Rental income		(77,587)	(82,237)
Royalty income		(12,430)	(24,568)
Foreign exchange		1,087	(904)
Impairment of petroleum and natural gas assets	9	638,611	764,901
Gain on sale of marketable securities	8	(12,542)	-
Fair value adjustment on investment	8	-	1,516,043
Loss on equity accounted investment	8	-	123,275
Impairment of exploration and evaluation asset	7	7,448,333	-
		(7,962,699)	(2,259,314)
<b>Net loss</b>		(8,815,716)	(2,664,322)
<b>Other comprehensive loss</b>			
Unrealized loss on investments in marketable securities	8	(52,333)	(20,833)
<b>Comprehensive loss for the year</b>		\$ (8,868,049)	\$ (2,685,155)
<b>Loss per share, basic and diluted</b>		\$ (0.93)	\$ (0.28)
<b>Weighted average number of common shares outstanding, basic and diluted</b>		9,517,150	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, 2020	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ (20,833)	\$ (55,774,948)	\$ 12,307,768
Stock-based compensation	-	-	-	341,400	-	-	341,400
Comprehensive loss for the year	-	-	-	-	(52,333)	(8,815,716)	(8,868,049)
Balance at December 31, 2020	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,711,981	\$ (73,166)	\$ (64,590,664)	\$ 3,781,119

	Share capital		Equity Reserve	Share-based Payment Reserve	Accumulated Other comprehensive loss	Deficit	Total
	Number of shares	Amount					
Balance at January 1, 2019	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ -	\$ (53,110,626)	\$ 14,992,923
Comprehensive loss for the year	-	-	-	-	(20,833)	(2,664,322)	(2,685,155)
Balance at December 31, 2019	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ (20,833)	\$ (55,774,948)	\$ 12,307,768

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

	<b>For the year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net loss for the year	\$ (8,815,716)	\$ (2,664,322)
Adjustments for non-cash items:		
Amortization	61,947	62,748
Accretion	-	3,120
Stock-based compensation	341,400	-
Impairment of exploration and evaluation asset	7,448,333	-
Impairment of petroleum and natural gas assets	638,611	764,901
Interest expense	2,331	7,105
Gain on sale of marketable securities	(12,542)	-
Fair value adjustment on investment	-	1,516,043
Loss on equity investment	-	123,275
Changes in non-cash working capital:		
Accounts receivable	6,408	67,992
Prepaid expenses and deposits	616	12,678
Trade payables and accrued liabilities	(8,039)	(47,036)
<b>Net cash flows used in operating activities</b>	<b>(336,651)</b>	<b>(153,496)</b>
<b>Investing activities</b>		
Purchase of equipment	-	(2,071)
Exploration and evaluation assets	(164,403)	(102,180)
Petroleum and natural gas assets	(48,797)	(101,959)
Reclamation costs	(8,775)	(3,832)
Net proceeds on sale of marketable securities	56,542	-
<b>Net cash flows used in investing activities</b>	<b>(165,433)</b>	<b>(210,042)</b>
<b>Financing activities</b>		
Lease payments	(65,411)	(63,726)
Change in restricted cash	20,200	-
<b>Net cash flows used in financing activities</b>	<b>(45,211)</b>	<b>(63,726)</b>
Decrease in cash and cash equivalents	(547,295)	(427,264)
Cash and cash equivalents, beginning	2,245,407	2,672,671
<b>Cash and cash equivalents, ending</b>	<b>\$ 1,698,112</b>	<b>\$ 2,245,407</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 16,518	\$ 52,526
GIC	1,681,594	2,192,881
	<b>\$ 1,698,112</b>	<b>\$ 2,245,407</b>

## 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 1500, 1040 West Georgia Street, Vancouver, B.C. The head office of the Company is located at Suite 1010, 1130 West Pender 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

The consolidated financial statements were authorized for issuance on April 27, 2021 by the directors of the Company.

### **Statement of compliance with IFRS**

These 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”).

### **Basis of measurement**

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, except otherwise indicated. The financial currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar.

### **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	
		December 31, 2020	December 31, 2019
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.

### ***Critical judgements in applying accounting policies***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The following are the most significant judgements that management has made in applying the Company's financial statements: the assessment of the Company's ability to continue as a going concern, the identification of cash-generating units, determining whether the Company has significant influence over an investee, and the classification of evaluation and exploration assets.

### ***Cash and cash equivalents***

Cash and cash equivalents consist of cash on deposit and redeemable guaranteed investment certificates.

### ***Investment in associate***

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Company had determined its investment in Golden Sky Minerals Corp. ("Golden Sky") was an investment in associate until its ownership interest was significantly diluted (Note 8).

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Where change in an investment in associate results in the Company no longer having significant influence, the use of equity method will be discontinued if the retained interest in the former associate or joint venture is a financial asset. The retained interest will be measured at fair value on initial recognition as a financial asset in accordance with IFRS 9, with any difference between the carrying value of the investment and the fair value of the financial asset recorded in profit or loss.

## 2. Significant accounting policies and basis of preparation (Continued)

### **Financial instruments**

The following is the Company's accounting policy for financial instruments under IFRS 9.

#### **(i) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company classifies its cash, cash equivalents, restricted cash and accounts receivable at amortized cost. The Company classifies its marketable securities at FVTOCI. The Company classifies its accounts payable at amortized cost.

#### **(ii) Measurement**

##### Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

#### **(iii) Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### **(iv) Derecognition**

##### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

## 2. Significant accounting policies and basis of preparation (Continued)

### ***Financial instruments (Continued)***

#### Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of comprehensive loss.

#### ***Valuation of equity units issued in private placements***

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the common shares. If the proceeds from the offering are less than or equal to the estimated fair market value of common shares issued, no value is assigned to the warrants. Warrants that are issued as payment to a finder or other transaction costs are accounted for as share-based payments.

#### ***Loss per share***

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

#### ***Equipment***

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a declining-balance method over their estimated useful lives. Amortization is provided at half the annual rate in the year of acquisition. The estimated useful lives of equipment are reviewed when events and circumstances warrant. The Company's equipment consists of computer equipment and computer software, which are amortized on a 55% and 100% declining-balance basis, respectively.

#### ***Share-based payments***

The Company has a stock option plan. Share-based payments to employees are measured at the grant date at fair value and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserves. The fair value of stock options is determined using the Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### ***Exploration and evaluation assets***

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

## 2. Significant accounting policies and basis of preparation (Continued)

### ***Exploration and evaluation assets (Continued)***

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits and grants received are recorded as a reduction to the cumulative costs.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

### ***Impairment of assets***

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

### ***Petroleum and natural gas interests***

Exploration license and unproved property acquisition costs, geological and geophysical costs and costs directly associated with an exploration well and appraisal activities are capitalized. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. As the Company has not yet commenced commercial production of petroleum and natural gas products, any revenues in the development stage from test wells or other incidental production is treated as a recovery of capitalized exploration costs.

The assessment of technical feasibility and commercial viability is based upon estimates of the recoverability of capitalized costs by future exploitation or sale and where the activities have reached a stage that permits a reasonable assessment of the existence of proved reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

## 2. Significant accounting policies and basis of preparation (Continued)

### *Petroleum and natural gas interests (Continued)*

When technical feasibility and commercial viability of a well is determinable based on management's assessment of current information, the exploration and evaluation assets attributable to that well are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment.

### *Provisions*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where 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. Provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the risks have not been incorporated into the estimate of cash flows. The increase in the provision due to the passage of time is recognized within accretion expense.

### *Decommissioning liabilities*

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning liabilities are measured at the present value of management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Changes in the present value of the estimated expenditure are reflected as an adjustment to the provision and relevant asset. The unwinding of the discount on the decommissioning provision is recognized as accretion expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was recognized.

### *Lease*

At inception of a contract, the Company assesses whether a lease or a service contract is, or contains, a lease. A contract is, or contains, 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.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included under non-current assets and lease liabilities have been included under current and non-current liabilities.

## 2. Significant accounting policies and basis of preparation (Continued)

### *Accounting standards issued but not yet applied*

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements

## 3. Accounts receivable

	December 31, 2020	December 31, 2019
GST receivable	\$ 10,302	\$ 4,716
Royalty income receivable	1,429	4,740
Other receivables	149	8,832
	<b>\$ 11,880</b>	<b>\$ 18,288</b>

## 4. Prepaid expenses and deposits

	December 31, 2020	December 31, 2019
Current prepaid expenses	\$ 26,708	\$ 27,324
Non-current deposits	18,329	18,329
	<b>\$ 45,037</b>	<b>\$ 45,653</b>

## 5. Right of use lease asset

The Company's right-of-use asset relates to the lease of office space.

On adoption of IFRS 16, the Company recognized lease liabilities which has previously been classified as "operating leases" under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments and discounted using the lessee's estimated borrowing rate as of January 1, 2019. The estimated borrowing rate applied to the lease liabilities on January 1, 2019 was 8%.

<b>Cost:</b>		
<b>Balance at January 1, 2019, on adoption of IFRS 16</b>	<b>\$</b>	<b>119,701</b>
<b>Accumulated amortization:</b>		
Balance at January 1, 2019, on adoption of IFRS 16		-
Depreciation for the period		59,850
<b>Balance, December 31, 2019</b>		<b>59,850</b>
Depreciation for the period		59,850
<b>Balance, December 31, 2020</b>		<b>-</b>
<b>Net book value:</b>		
<b>As at January 1, 2019, on adoption of IFRS 16</b>	<b>\$</b>	<b>119,701</b>
<b>As of December 31, 2019</b>	<b>\$</b>	<b>59,850</b>
<b>As of December 31, 2020</b>	<b>\$</b>	<b>-</b>

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**6. Lease liability**

On January 1, 2018, the Company signed a lease agreement for its Vancouver office premise for three years expiring December 31, 2020.

<b>Balance at January 1, 2019, on adoption of IFRS 16</b>	<b>\$ 119,701</b>
Interest expense	7,105
Lease payments	(63,726)
<b>Balance, December 31, 2019</b>	<b>\$ 63,080</b>
Interest expense	2,331
Lease payments	(65,411)
<b>Balance, December 31, 2020</b>	<b>\$ -</b>

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**7. Exploration and evaluation assets**

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

	Balance at December 31, 2019	Exploration										Balance at December 31, 2020	
		Acquisition	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>\$ 2,301,740</b>	

A continuity of the Company's exploration and evaluation assets as of December 31, 2019 is as follows:

	Balance at December 31, 2018	Exploration								Balance at December 31, 2019
		Assay	Exploration Management	Logistics	Field Equipment	Travel & Accommodation	Geological & Geophysical Consulting	Subtotal		
<b>Mineral Property Interests</b>										
Cando2	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Plateau	9,469,995	32	93,340	700	(5,810)	1,030	12,888	102,180	9,572,175	
St. Patrick	1	-	-	-	-	-	-	-	1	
Strike Claims	1	-	-	-	-	-	-	-	1	
<b>Total:</b>	<b>\$ 9,469,998</b>	<b>\$ 32</b>	<b>\$ 93,340</b>	<b>\$ 700</b>	<b>\$ (5,810)</b>	<b>\$ 1,030</b>	<b>\$ 12,888</b>	<b>\$ 102,180</b>	<b>\$ 9,572,178</b>	

## 7. 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

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

### Skelly

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

### Willy Jack

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

### SWAN

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

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

The Company holds a total of 700,000 Golden Sky common shares which is representing 5.85% (December 31, 2019 – 833,333 and 8.90%) 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 year ended December 31, 2020, the Company sold 133,333 Golden Sky commons 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 year ended December 31, 2020, the Company recorded an unrealized loss of \$52,333.

	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

The Company also holds 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 at December 31, 2020 was determined to be nominal.

**9. Petroleum and natural gas assets**

	Well Equipment	Decommissioning	Exploration and Evaluation	Total
<b>Balance at December 31, 2018</b>	\$ 105,071	\$ -	\$ 652,821	\$ 757,892
Additions	-	-	166,314	166,314
Incidental revenue	-	-	(64,355)	(64,355)
Amortization	(10,121)	-	10,121	-
Impairment	-	-	(764,901)	(764,901)
<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>	\$ -	\$ -	\$ -	\$ -

**9. Petroleum and natural gas assets (Continued)**

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 14). During the year ended December 31, 2020, the Company wrote-down the carrying value of decommissioning costs and the exploration and evaluation assets to \$nil.

**10. Accounts payables and accrued liabilities**

	December 31, 2020	December 31, 2019
Accounts Payable	\$ 14,306	\$ 9,523
Accrued Liabilities	28,962	31,280
Due to related parties (Note 12)	-	449
GST payable	-	47
Prepaid rent advance received	30,000	30,000
	\$ 73,268	\$ 71,299

**11. Share capital*****Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

No shares were issued during the year ended December 31, 2020 and 2019.

***Stock options***

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 December 31, 2020, the Company had the following options outstanding and exercisable:

Date Issued	Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
January 26, 2011	January 26, 2021	\$ 1.75	12,500	12,500
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	1,730,000	1,330,000
			1,775,000	1,375,000

## 11. Share capital (Continued)

### *Stock option (continued)*

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

	December 31, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	1,387,500	\$ 3.56	1,387,500	\$ 3.56
Options granted	1,730,000	0.24	-	-
Options cancelled	(1,342,500)	3.66	-	-
Options outstanding, ending	1,775,000	\$ 2.01	1,387,500	\$ 3.56

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.

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 year ended December 31, 2020 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, volatility of 154.16%, dividend yield of 0% and risk-free interest rate of 0.34%. The grant date fair value of options granted was \$0.22 per option. For the year ended December 31, 2020, the Company recognized share-based compensation of \$341,400 (2019 - \$nil).

As at December 31, 2020, 1,375,000 options were exercisable. The weighted average life and weighted average exercise price of exercisable options are 4.52 years and \$0.36 respectively.

### *Share purchase warrants*

As at December 31, 2020, the Company had no outstanding warrants.

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

	December 31, 2020		December 31, 2019	
	Number of Common Shares Issuable	Weighted Average Exercise Price	Number of Common Shares Issuable	Weighted Average Exercise Price
Warrants outstanding, beginning	571,000	\$ 1.05	2,014,162	\$ 6.78
Warrants cancelled	-	-	(635,286)	15.00
Warrants expired	(571,000)	1.05	(807,876)	4.38
Warrants outstanding, ending	-	\$ -	571,000	\$ 1.05

### *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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**12. Related party transactions**

Key personnel compensation:

	December 31, 2020	December 31, 2019
Management and accounting fees incurred to a company controlled by the Chief Financial Officer of the Company	\$ 99,000	\$ 60,000
Management fees incurred to a company controlled by the President and Chief Executive Officer of the Company	\$ 50,400	\$ -
Management fees incurred to a company controlled by the retired Chief Executive Officer of the Company	\$ -	\$ 3,350
Corporate development and communication fees incurred to a company controlled by the President and Chief Executive Officer of the Company	\$ 27,905	\$ 857
Corporate development and communication fees incurred to a company controlled by the retired Chief Operating Officer of the Company	\$ -	\$ 56,660
Exploration management fees incurred to a company controlled by the President and Chief Executive Officer and capitalized to exploration and evaluation assets	\$ 34,400	\$ -
Exploration management fees incurred to a company controlled by the retired Chief Operating Officer and capitalized to exploration and evaluation assets	\$ -	\$ 103,330
Directors' fees incurred to directors of the Company	\$ 12,000	\$ 12,000
Gross overriding royalty (Petroleum & natural gas production) paid to companies controlled by retired director and officer of the Company	\$ -	\$ 3,025
Share-based payments to key management	\$ 274,778	\$ -

As at December 31, 2020, \$nil (December 31, 2019 - \$449) was owing to related parties and has been included in accounts payables and accrued liabilities (Note 10). The amounts are unsecured, non-interest bearing and due on demand.

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.

**13. Income Tax**

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	December 31, 2020	December 31, 2019
Net income (loss)	\$ (8,815,716)	\$ (2,664,322)
Statutory tax rate	27%	27%
Expected income tax expense (recovery)	(2,380,243)	(719,367)
Permanent differences	1,798	112
Adjustment to prior year provision versus statutory	(242,227)	(536,360)
Other	(105,641)	1,445,439
Change in unrecognized deferred assets	2,726,313	(189,824)
Income tax recovery	\$ -	\$ -

### 13. Income Tax (Continued)

The Company's tax-effected future income tax assets and liabilities are estimated as follows:

	December 31, 2020	December 31, 2019
Deferred income tax assets		
Non-capital loss carry-forwards	\$ 4,629,172	\$ 4,683,669
Equipment	503,525	489,089
Research and development	190,844	190,844
Share issuance costs	2,721	27,002
Tax credits	522,990	392,032
Asset retirement obligation	213,104	81,260
Marketable Securities	13,005	-
Exploration and evaluation assets	10,521,075	8,006,227
	16,596,436	13,870,123
Less: Valuation allowance	(16,596,436)	(13,870,123)
Net deferred income tax assets	\$ -	\$ -

The Company has non-capital losses of \$17,804,509 which expire in the years 2026 to 2040, and resource pools relating to exploration and development costs that may be carried forward indefinitely.

### 14. Decommissioning liabilities

Closing balance, December 31, 2018	\$	301,675
Accretion		3,120
Reclamation expenses		(3,832)
Closing balance, December 31, 2019	\$	300,963
Addition		497,087
Reclamation expenses		(8,775)
Closing balance, December 31, 2020	\$	789,275

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 \$789,275 (December 31, 2019 - \$300,963) as at December 31, 2020. These payments are expected to be made in current year.

### 15. Contingencies

As of December 31, 2020, the Company has two guaranteed letters of credit in the amount of \$152,870 (expiring and renewable in June 2021) and \$145,230 (expired and renewed in January 2021) issued by Bank of Montreal for the Minister of Finance – the Saskatchewan Oil and Gas Orphan Fund (Note 14). During the year ended December 31, 2020, the Company received the release of \$20,200 of the guaranteed letters of credit.

## 16. 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.

### Classification of financial instruments

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

	December 31, 2020	December 31, 2019
Amortized cost:		
Cash and cash equivalents (including restricted cash)	\$ 1,996,212	\$ 2,563,707
Accounts receivable	1,578	13,572
Fair value through other comprehensive income:		
	\$ 1,997,790	\$ 2,577,279
FVTOCI:		
Marketable securities	\$ 287,000	\$ 383,333
	\$ 2,284,790	\$ 2,960,612

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

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

	December 31, 2020	December 31, 2019
Amortized cost:		
Accounts payables	\$ 44,306	\$ 69,570
Due to related parties	-	449
	\$ 44,306	\$ 70,019

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 December 31, 2020 and 2019 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.

**17. 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.

**18. Subsequent Events**

Subsequent to December 31, 2020, the Company has granted 150,000 incentive stock options exercisable at a price of \$0.30 for a term of five years expiring in March 24, 2026.