KORE MINING LTD.

Consolidated Financial Statements

December 31, 2020

KORE MINING

Independent auditor's report

To the Shareholders of KORE Mining Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of KORE Mining Ltd. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Mark Platt.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2021

(Expressed in Canadian dollars unless otherwise noted)

As at	Note		**December 31, 2020**		December 31, 2019
Current assets					
Cash and cash equivalents		**$**	**4,906,361**	$	3,133,623
Amounts receivable			**94,069**		208,380
Prepaid expenses			**272,096**		119,035
Total current assets			**5,272,526**		3,461,038
Non-current assets					
Equipment	5		**166,340**		-
Deposits			**110,534**		38,823
Mineral properties	6		**2,835,444**		1,373,014
Total assets		**$**	**8,384,844**	$	4,872,875
Current liabilities					
Accounts payable		**$**	**1,334,352**	$	707,361
Lease liability	7		**106,147**		-
Total liabilities			**1,440,499**		707,361
Shareholders' equity					
Share capital	9		**22,220,248**		11,085,678
Warrants			**1,053,620**		573,516
Reserves			**1,281,542**		878,946
Deficit			**(17,520,808)**		(8,325,326)
Accumulated other comprehensive loss			**(90,257)**		(47,300)
Total shareholders' equity			**6,944,345**		4,165,514
Total shareholders' equity and liabilities		**$**	**8,384,844**	$	4,872,875

Going concern	2
Subsequent events	15

Approved by the Board of Directors:

“James Hynes” Director

“Scott Trebilcock” Director

KORE MINING LTD.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars unless otherwise noted)

	Note		For the year ended December 31, 2020		For the year ended December 31, 2019
Expenses					
Depreciation		$	20,286		-
Exploration and evaluation expenses	6		5,003,875	$	1,199,883
General and administration			408,534		223,634
Management fees, wages and corporate advisory fees	10		1,484,173		648,720
Marketing, advisory and investor relations			1,244,555		718,866
Professional fees			959,093		579,564
Share-based payments	9		538,459		537,207
			(9,658,975)		(3,907,874)
Other income/expense					
Foreign exchange loss			(80,440)		(33,589)
Gain on royalty sale	6		-		2,140,749
Interest and finance income			49,604		10,390
Interest expense			(5,672)		-
Flow through income	8		500,000		-
Net Loss for the year		**$**	**(9,195,483)**	**$**	**(1,790,324)**
Item that may be subsequently reclassified to net income					
Cumulative translation adjustment			(42,957)		(57,607)
Comprehensive loss for the year		$	(9,238,440)	$	(1,847,931)
Basic and fully diluted loss per common share		$	(0.09)	$	(0.02)
Weighted average number of common shares outstanding			97,982,183		79,474,881

KORE MINING LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars unless otherwise noted)

	For the year ended December 31, 2020	For the year ended December 31, 2019
CASH USED IN OPERATING ACTIVITIES		
Loss for the year	$ (9,195,483)	$ (1,790,324)
Items not involving cash:		
Depreciation	20,286	-
Flow through income	(500,000)	-
Gain on royalty sale	-	(2,140,749)
Interest expense	5,665	-
Share-based payments	538,459	537,207
Unrealized foreign exchange	(5,792)	-
Changes in non-cash working capital items:		
Amounts receivable	114,311	(148,812)
Prepaid expenses and advances	(153,061)	342,520
Deposits	(71,711)	(28,823)
Accounts payable	626,991	(770,151)
	(8,620,335)	(3,999,132)
FINANCING ACTIVITIES		
Payment of lease liabilities	(16,128)	-
Proceeds from private placement financing	10,500,000	4,900,000
Proceeds from the exercise of options	266,666	-
Issuance costs	(527,289)	(120,785)
Proceeds from the exercise of warrants	1,739,434	-
	11,962,683	4,779,215
INVESTING ACTIVITIES		
Proceeds from sale of royalty	-	2,500,000
Transaction costs incurred in connection with royalty sale	-	(151,255)
Equipment additions	(65,207)	-
Exploration & evaluation acquisition costs	(1,596,926)	-
	(1,662,133)	2,348,745
Impact of changes in foreign exchange	92,523	(25,825)
Change in cash	1,772,738	3,103,003
Cash at beginning of year	3,133,623	30,620
Cash at end of year	$ 4,906,361	$ 3,133,623

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

KORE MINING LTD.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars unless otherwise noted)

	Common Shares						
	Number	Amount $	Warrants $	Reserves $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
December 31, 2018	71,241,914	6,306,463	573,516	341,739	(6,535,002)	10,307	697,023
Share-based payments	-	-	-	537,207	-	-	537,207
Shares issued on private placements	17,600,000	4,900,000	-	-	-	-	4,900,000
Share issuance costs	-	(120,785)	-	-	-	-	(120,785)
Net loss for the year	-	-	-	-	(1,790,323)	-	(1,790,323)
Other comprehensive income (loss)	-	-	-	-	-	(57,607)	(57,607)
December 31, 2019	88,841,914	11,085,678	573,516	878,946	(8,325,325)	(47,300)	4,165,515
Shares issued on private placement	13,666,666	8,889,984	1,110,016	-	-	-	10,000,000
Share issuance costs	-	(459,657)	(67,632)	-	-	-	(527,289)
Exercise of options	1,133,332	370,450	-	(103,784)	-	-	266,666
Exercise of warrants	2,433,000	2,333,793	(562,280)	(32,079)	-	-	1,739,434
Share-based payments	-	-	-	538,459	-	-	538,459
Net loss for the year	-	-	-	-	(9,195,483)	-	(9,195,483)
Other comprehensive loss	-	-	-	-	-	(42,957)	(42,957)
December 31, 2020	106,074,912	22,220,248	1,053,620	1,281,542	(17,520,808)	(90,257)	6,944,345

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

1. NATURE OF OPERATIONS

KORE Mining Ltd. (the "Company") is an exploration and development stage company that trades on the Toronto Stock Exchange Venture ("TSXV") under the symbol 'KORE'. The Company is focused on the development of its California gold projects, Imperial and Long Valley, as well as projects in British Columbia, Canada. The Company's registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. Subsequent to December 31, 2020, the Company completed its spin out of its British Columbia mineral properties to a new entity, Karus Gold Corp. See Note 15 for more information.

The Company is in the process of exploring and evaluating its mineral resource properties and has not yet determined whether these properties contain economically recoverable mineral reserves. The recoverability of the amounts capitalized to exploration and evaluation assets is ultimately dependent upon the existence of economically recoverable ore reserves and resources, securing and maintaining title and/or beneficial interest in the properties, obtaining necessary financing to continue to explore, evaluate and develop the properties, and upon future profitable production or proceeds from disposition of the exploration and evaluation assets. The amounts shown as exploration and evaluation assets represent costs incurred in acquiring the assets, and do not necessarily represent current or future fair values.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds, however the impact to date has been limited.

As at December 31, 2020, the Company had working capital of $3,832,027 (current assets less current liabilities) and has incurred losses since inception with a deficit of $17,520,808. For the year ended December 31, 2020, the Company used cash flows in operations of $8,620,335. The Company expects it will need to raise additional capital to carry out its planned objectives. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company and, as a result, this material uncertainty may cast to significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") The summary of accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3. BASIS OF PRESENTATION (cont'd…)

These consolidated financial statements have been authorized for issue by the Board of Directors of the Company on April 29, 2021.

Principles of Consolidation
These consolidated financial statements include the accounts of the Company and its subsidiaries as listed below. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. The results and financial position of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of Subsidiary	Incorporation Jurisdiction	Percentage Ownership	Principal Activity
Imperial USA Corp.	Nevada, USA	100%	Mineral Property Exploration & Development
Imperial Gold Corporation	Nevada, USA	100%	Holding Company
Kore USA Ltd.	Nevada, USA	100%	Mineral Property Exploration & Development
1184938 BC Ltd.	BC, Canada	100%	Holding Company

All intercompany balances and transactions have been eliminated on consolidation.

Basis of Measurement
These consolidated financial statements have been prepared on a historical cost basis. The statements are presented in Canadian dollars unless otherwise noted.

Significant Judgments, Estimates and Assumptions
The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical Judgments
The preparation of these consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 2.

The Company is also required to make significant judgments on the ongoing feasibility of exploration and evaluation assets, and whether there are indicators that the right to explore the specific area has expired or will be allowed to expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover capitalized exploration and evaluation costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property is impaired.

3. BASIS OF PRESENTATION (cont'd…)

Significant Estimates

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in Canada and the US and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and the interpretation of the treatment for tax purposes for exploration and development activities. The Company is subject to assessment by Canadian and US tax authorities, which may interpret legislation differently which may affect the final amount or timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

The presentation currency of the Company and the functional currency of the parent company and its Canadian subsidiaries is the Canadian dollar, while the functional currency of the Company's United States subsidiaries is the United States dollar. The monetary assets and liabilities of any group entity that are denominated in a currency other than its functional currency at the reporting date are translated into the presentation currency at the rate of exchange on the reporting date, while non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at the exchange rates approximating those in effect on the dates of the transactions. Exchange gains and losses arising on translation are included in profit or loss in the statement of comprehensive loss.

When translating the results and financial position of its United States subsidiaries, assets and liabilities are translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the exchange rate at the dates of the transactions, or the average exchange rate if not significantly different. All resulting exchange differences are reported as a separate component of reserves in shareholders' equity entitled "Accumulated Other Comprehensive Income (Loss)".

Cash

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within three months of purchase.

Mineral Properties

Acquisition Costs

Costs incurred before the Company has acquired the right to explore a property are expensed as incurred. Exploration and evaluation asset acquisition costs, including option payments, are capitalized on an individual area of interest basis. Once a property is brought into production, the capitalized costs are amortized on a units-of-production basis, or until the properties are abandoned, sold or management determines that the asset is no longer economically viable, at which time the unrecoverable deferred costs are expensed to operations. Option payments relating to the acquisition of exploration and evaluation assets that are exercisable at the discretion of the Company are recorded when paid.

Exploration and evaluation asset acquisition costs include cash consideration and the estimated fair market value, of common shares or warrants on the date of issue.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral Properties (cont'd…)

Exploration and Evaluation Costs
Exploration and evaluation costs are expensed to operations as incurred.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular exploration and evaluation asset has been determined, the capitalized costs are assessed for impairment and then reclassified to mineral property development costs and carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value. The establishment of technical feasibility and commercial viability of an exploration and evaluation asset is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

Decommissioning and Restoration

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset.

A liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at December 31, 2020 and 2019 the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of Non-Financial Assets

Management reviews the carrying values of capitalized exploration and evaluation assets at the end of each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis between knowledgeable, willing parties, less costs of disposal.

Fair value less costs to sell is primarily derived using discounted cash flow techniques, which incorporates market participant assumptions and is based on post-tax cash flows that are discounted using a post-tax discount rate.

An impairment loss is recognized if the carrying value amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Liabilities are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities on temporary differences associated with shares in subsidiaries are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income Taxes (cont'd…)
Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, and for the carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax

assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Share-based Payments
The Company uses a fair value based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain consultants. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss with the offsetting credit to share option reserve. The fair value of the share options is recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. If options vest immediately, the expense is recognized when the options are granted. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated expense recorded to date is reversed in the period of forfeiture. The carrying value of any share options that expire remain in share option reserve.

Share Capital
When the Company issues private placement units, the shares and warrants are measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares to be the more easily measurable component and they are valued with reference to the market price. The residual value attributed to the warrants, if any, is recorded as a separate component of equity.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive, therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

Financial Instruments - Recognition and Measurement

The Company classifies its financial assets and liabilities in the following measurement categories - i) those to be subsequently measured at amortized cost; or ii) those to be subsequently measured at fair value (either through other comprehensive income, or through profit or loss ("FVTPL")).

The classification is driven by the business model for managing the financial assets and their contractual cash flow characteristics. The Company classifies its financial assets and financial liabilities as those to be subsequently measured at amortized cost. At initial recognition financial assets and liabilities are measured at fair value less transaction costs except for financial assets classified as FVTPL, where transaction costs are expensed directly to profit or loss.

Recently adopted accounting policies

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance certain portions of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Where the flow-through common share is issued as part of a unit, the value is first allocated between the unit and the flow-through premium, and then bifurcated between the common share and the warrant on a residual value basis. As qualified expenses are incurred the Company relieves the liability and recognizes the premium in profit or loss as other income. The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Equipment

Property and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recorded at the following rates: Vehicles 5 years straight line basis, Machinery and equipment 3-5 years straight line basis, and office leases 3 years straight line basis, being the term of the lease. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Leases

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the lease, which has a term of 3 years to August 2023. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, which is estimated at 15%. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as property and equipment on the statement of financial position as it presents underlying assets of the same nature owned by the Company.

(Expressed in Canadian dollars unless otherwise noted)

5. EQUIPMENT

Cost:	Equipment	Vehicles	Right of Use - Office Lease	Total
Balance, December 31, 2019	-	-	-	-
Additions	4,500	60,707	120,942	186,149
Foreign exchange	-	45	432	477
Balance, December 31, 2020	**4,500**	**60,752**	**121,374**	**186,626**

Accumulated depreciation:	Equipment	Vehicles	Right of Use - Office Lease	Total
Balance, December 31, 2019	-	-	-	-
Additions	1,125	5,939	12,966	20,030
Foreign exchange	-	72	184	256
Balance, December 31, 2020	**1,125**	**6,011**	**13,150**	**20,286**
Net Book Value				
At December 31, 2020	**3,375**	**54,741**	**108,224**	**166,340**

6. MINERAL PROPERTIES

The ending balance and summary of the changes to mineral properties (where applicable) for the year ended December 31, 2020 is as follows:

	Long Valley USA	Imperial USA	FG Gold Canada	Gold Creek Canada	Total
Balance, December 31, 2018	$ 527,374	$ 216,675	$ 370,607	$ 498,136	$ 1,612,792
Royalty sale	-	(207,966)	-	-	(207,966)
Foreign exchange adjustment	(23,103)	(8,709)	-	-	(31,812)
Balance, December 31, 2019	$ 504,271	$ -	$ 370,607	$ 498,136	$ 1,373,014
Additions	-	1,412,700	184,226	-	1,596,926
Foreign exchange adjustment	(5,931)	(128,565)	-	-	(134,496)
Balance, December 31, 2020	**$ 498,340**	**$ 1,284,135**	**$ 554,833**	**$ 498,136**	**$ 2,835,444**

Acquisition of Imperial Project

In March 2017, the Company purchased Imperial USA Corp. which owns the Imperial project located in California. In settlement of the purchase price, the Company paid US$150,000. The Company issued a 1% net smelter return royalty (“NSR”) on the property in connection with this acquisition. The remaining payments under the agreement comprise US$1,000,000 payable upon the announcement of a revised Preliminary Economic Assessment (“PEA”) or similar report and US$1,000,000 payable 30 days after the date that gold is poured from ore mined from the related properties. In April 2020, the Company announced the PEA results which triggered the obligation of US$1,000,000 ($1,412,700), which was paid in July 2020. The vendor has the option to receive shares in the Company in settlement of the remaining payment of $1,000,000 up to achieving a maximum 4.9% ownership interest in the Company, above which level further share consideration is at the option of the Company.

6. MINERAL PROPERTIES (cont'd…)

Acquisition of Imperial Project (cont'd)
In addition, under the agreement, the Company has committed to incur US$5 million in exploration and development expenditures, as defined, on the Imperial Project on or before March 2022, the fifth anniversary of the date of the Imperial Purchase Agreement, of which approximately US$3,500,000 has been incurred as of December 31, 2020. In the event that the Company does not incur these expenditures within this timeframe, the Company must then pay US$1,000,000 to the vendor.

In May 2019, the Company received an investment by Macquarie Bank Ltd and its affiliates (collectively, "Macquarie") of $4,000,000. As part of the investment by Macquarie, Macquarie subscribed for 6,000,000 common shares and acquired a 1% NSR royalty (the "Macquarie Royalty") on the Imperial Project for a total cost of $4,000,000. The agreement provides for certain rights for Macquarie to provide project development financing, rights of refusal and offer on additional royalty issuances and sales, and prescribes the proceeds to be used primarily to advance permitting of the Imperial Project. The Company incurred costs of $151,255 in connection with this royalty sale. The net proceeds of $2,348,745 from the royalty portion of the investment were applied first to amounts capitalized in connection with the Imperial project of $207,966, and the remainder being $2,140,749 was recorded as a gain on sale of royalty interest.

Acquisition of Long Valley Project
In March 2017, the Company purchased certain mining claims in the Long Valley area of California with an upfront payment of US$350,000 to the vendor. The remaining payments under the agreement comprise US$500,000 due 30 days after commencement of commercial production and US$500,000 payable on the 12 month anniversary of the commencement of commercial production. A US$25,000 deposit was paid to the vendor prior to execution of the purchase agreement, which will be applied to the final payment, unless forfeited in the event the agreement is terminated. The vendor has the option to receive shares in the Company in settlement of the remaining payments.

The vendor retained a net smelter return royalty on the claims ("the Seller NSR"). The Seller NSR provides for a royalty of 0.5% when the price of gold is under US$1,400/oz, 1.0% when the price of gold is between US$1,401 to US$1,600/oz and 2.0% when the price of gold is above US$1,600/oz. The Company has the option to purchase back 1% of the royalty when the price of gold is above US$1,600/oz for US$2 million if purchased prior to the announcement of a feasibility study or for US$4 million if repurchased prior to commencement of commercial production. In addition, there is a further 1% NSR payable to another third party.

Acquisition of FG Gold Project
The Company holds a 100% interest in certain claims comprising the FG Gold project located in the Cariboo Mining Division, British Columbia, Canada. The project is subject to a 3% NSR which becomes payable after the capital required to bring the property into commercial production is recovered from production. The NSR is limited to a maximum of $2,600,000 with an allowance for the change in the Consumer Price Index from September 1989 to the date the royalty becomes payable.

6. MINERAL PROPERTIES (cont'd…)

Acquisition of FG Gold Project (cont'd…)

During the year ended December 31, 2020, the Company entered into certain mineral property agreements, including certain option agreements to acquire nearby and contiguous properties, as well as staking significant additional claims, making cash payments in the current period of $184,226. The option agreements collectively have annual payments of $87,500 payable in 2021 up to $150,000 in 2025, for total payments (inclusive of 2020 payments made) of $652,500. In addition, one option agreement provides for the issuance of shares with a fair market value at the time of issuance of $25,000 in 2021 increasing to $160,000 in 2025, for total share consideration of $410,000 and one option agreement also requires annual expenditures of $35,000 in 2021 and an additional $40,000 in 2022. These agreements also impose a 1%-2% NSR, of which a portion can be repurchased in certain cases, and one agreement requires a bonus payment of $1.50 per ounce identified as inferred, indicated or measured in a 43-101 report on the specific claims in the agreement.

Acquisition of Gold Creek Project

The Company holds a 100% interest in the Gold Creek project, located in the Cariboo Mining Division, British Columbia, Canada. The project is subject to a 1% NSR of which the Company may purchase 50% (being 0.5%) for $1,000,000.

Acquisition of White Gold Project

The Company holds a 100% interest in the White Gold Project, located in Yukon, Canada. The property is subject to annual work commitments of $187,500 in each of 2020, 2021 and 2022.

Subsequent to December 31, 2020, the Company completed the spinout of its FG Gold, Gold Creek and White Gold Projects into Karus Gold Corp (Note 15).

(Expressed in Canadian dollars unless otherwise noted)

6. MINERAL PROPERTIES (cont'd…)

Exploration & Evaluation Expenses

Details of the exploration and evaluation expenses incurred are as follows:

Exploration and evaluation expenses

		December 31, 2020		December 31, 2019
Assay and sampling	$	233,330	$	48,021
Claim, staking, holding and taxes		521,517		732,321
Community consultation		104,588		-
Drilling		1,539,982		-
Engineering, metallurgy and geotechnical		668,164		219,102
Environmental studies		105,107		28,603
Geological & project support		985,963		221,665
Geophysics		160,676		138,410
Permitting		246,494		101,098
Travel, logistics & camp costs		446,032		109,958
BC METC recovery		-		(201,366)
Other recovery		(7,978)		(197,929)
	$	5,003,875	$	1,199,883

7. LEASE LIABILITY

Balance, December 31, 2019	$	-
New lease liability		120,942
Lease payments		(16,128)
Interest expense		5,665
Foreign exchange		(4,332)
Balance, December 31, 2020	**$**	**106,147**

Effective September 2020, the Company entered into an office lease in Imperial County, California with a monthly payment of US$3,150 for a period of three years. The Company capitalized this lease in accordance with its accounting policy and recognized a corresponding right of use asset in capitalized assets.

8. FLOW THROUGH LIABILITY

A flow-through premium liability of $500,000 was allocated to the flow-through obligation in connection with the Company's July 2020 private placement of 1,000,000 FT Units for gross proceeds of $1,500,000. As at December 31, 2020, the Company has incurred flow through expenditures of $1,500,000 towards its obligation to incur a total of $1,500,000. Accordingly, the full amount of the flow through premium liability of $500,000 has been amortized into profit and loss as other income.

9. SHARE CAPITAL

Authorized
Unlimited number of common shares with no par value.

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

- Issued 6,666,666 common shares at a price of $0.45 per common share for gross proceeds of $3,000,000 pursuant to a private placement. The Company incurred cash share issuance costs of $100,787 in connection with this financing.
- Issued 1,133,332 shares for proceeds of $266,666 pursuant to the exercise of options; the Company reallocated $103,784 of share based compensation reserve to share capital in connection with the exercise of these options.
- Issued 2,433,000 shares for cash proceeds of $1,739,434 pursuant to the exercise of warrants; the Company reallocated $562,280 of warrant reserve and $32,079 of share based compensation reserve to share capital in connection with the exercise of these warrants.
- Issued 6,000,000 units at a price of $1.00 per unit ("Unit") pursuant to a private placement. Each unit consists of one share and one half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of $1.50 for a period of 24 months. The Company allocated $951,442 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes with the following assumptions: interest rate of 0.31%, volatility of 75%, expected life of 2 years and a dividend yield of 0%. The Company incurred cash issuance costs of $426,502 which was allocated on the same pro-rata allocation as the proceeds with $358,870 allocated to shares and $67,632 to warrants.
- Issued 1,000,000 flow through units at a price of $1.50 per flow through unit ("FT Unit") pursuant to a private placement. Each FT Unit consists of one flow through share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of $1.50 for a period of 24 months. The Company allocated $500,000 as the flow through premium and recorded this as its flow through liability. The Company then allocated $158,574 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes with the following assumptions: interest rate of 0.4%, volatility of 75%, expected life of 3 years and a dividend yield of 0%.

During the year ended December 31, 2019, the Company:

- Issued 7,200,000 common shares at a price of $0.25 per common share for proceeds of $1,800,000 pursuant to a private placement. In connection with this offering, the Company incurred share issuance costs of $42,206.
- Issued 400,000 common shares at a price of $0.25 per common share for proceeds of $100,000 pursuant to a private placement.
- Issued 10,000,000 common shares at a price of $0.30 per common share for proceeds of $3,000,000 pursuant to a private placement. The Company incurred share issuance costs in connection with this offering of $78,579.

(Expressed in Canadian dollars unless otherwise noted)

9. SHARE CAPITAL (cont'd…)

Stock Options

Pursuant to a stock option plan (the "Option Plan") for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, with the exercise price to be determined on the date of issuance of the options. The term of options granted under the plan may not exceed five years and such options vest at terms to be determined by the board of directors at the time of the grant, but the exercise price shall not be less than the price determined by the policies of the stock exchange on which the Company's common shares are then listed.

A summary of stock option activity for the year ended December 31, 2020 is as follows:

	Number of options	Weighted average exercise price
Balance, December 31, 2018	1,935,000	$ 0.58
Granted	6,250,000	0.21
Expired	(385,000)	0.88
Balance, December 31, 2019	7,800,000	0.27
Granted	1,700,000	0.86
Expired	(66,666)	1.50
Exercised	(1,133,332)	0.24
Balance, December 31, 2020	**8,300,002**	**$ 0.38**

As at December 31, 2020 the following stock options were outstanding:

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price $
November 1, 2023	1,250,000	1,250,000	0.50
January 13, 2024	2,166,668	1,444,446	0.14
May 9, 2024	150,000	150,000	0.25
July 3, 2024	2,600,000	1,500,000	0.27
October 18, 2024	500,000	500,000	0.29
April 27, 2025	1,000,000	633,333	0.435
September 3, 2025	433,334	166,666	1.50
December 1, 2025	200,000	-	1.34
	8,300,002	**5,644,445**	

Restricted Share Units

In October 2020, the Company's shareholders approved the Omnibus Plan ("Omnibus Plan"), which is a fixed plan that reserves for issuance a maximum of 10,605,828 common shares as equity-based compensation awards. Together with the 10% rolling stock option plan, only a maximum of 10% of instruments under the Omnibus Plan and Option Plan may be granted to insiders. Awards under the plan may be granted in a form as designated by the Board, including restricted share units, deferred share units and other performance based instruments.

(Expressed in Canadian dollars unless otherwise noted)

9. SHARE CAPITAL (cont'd…)

In December 2020, the Company granted 248,000 restricted share units ("RSUs") pursuant to the Omnibus Plan approved by shareholders on October 9, 2020, to certain officers of the Company. The RSUs are payable in common shares of the Company, vest in tranches over various dates commencing December 2021 through December 2023 and are valid for a term of three years. The Company recognizes the expense at the fair market value at grant date, being $394,440 and amortizes it over the vesting period of these units. For the year ending December 31, 2020, $979 was recognized as expense and included in share-based compensation expense.

A summary of restricted share unit activity for the year ended December 31, 2020:

	Number of RSU
Balance, December 31, 2019	-
Granted	248,000
Balance, December 31, 2020	**248,000**

As at December 31, 2020, the following restricted share units were outstanding:

Expiry date	Number of RSUs outstanding	Number of RSUs exercisable
December 30, 2023	248,000	-
	248,000	**-**

Warrants

A summary of warrant activity for the year ended December 31, 2020:

	Number of warrants		Weighted average exercise price
Balance, December 31, 2018	2,966,605	$	0.83
Expired	(337,105)		1.50
Balance, December 31, 2019	2,629,500	$	0.75
Issued	3,500,000		1.50
Exercised	(2,433,000)		0.72
Expired	(196,500)		1.06
Balance, December 31, 2020	**3,500,000**	**$**	**1.50**

(Expressed in Canadian dollars unless otherwise noted)

9. SHARE CAPITAL (cont'd…)

As at December 31, 2020, the following warrants were outstanding:

Expiry date	Number of warrants outstanding	Exercise price $
July 22, 2022	3,000,000	1.50
July 28, 2022	500,000	1.50
	3,500,000	

Share-Based Compensation
During the year ended December 31, 2020, the Company granted 1,700,000 (2019 – 6,250,000) stock options to officers, employees and consultants. The fair value of the stock options granted was $734,659 (2019 - $738,953) or $0.45 (2019 - $0.12) per option was determined using the Black Scholes option valuation model and $538,459 (2019 - $537,207) was recognized as share-based payments expense in relation to the vesting of options for the year ended December 31, 2020.

Share-based payments expense was determined using the following weighted average assumptions:

	December 31, 2020	December 31, 2019
Risk free interest rate	0.4%	1.7%
Expected life	4.1	4.0
Annualized volatility	75%	75%
Dividend rate	0%	0%

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions
During the year ended December 31, 2020, the related party transactions (excluding key management compensation) were as follows:

a) A company owned by a relative of a director provided marketing consulting services of $nil (2019 - $28,250) for the year ended December 31, 2020.

b) Amounts owing to related parties are unsecured, non-interest bearing and due on demand. As at December 31, 2020, $3,285 (2019 - $95,332) is due and $312,500 (2019 -$nil) has been accrued as payable to related parties.

Key Management Compensation
Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Chairman, President & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Directors. For the year ended December 31, 2020, total key management compensation was $1,434,011 (2019 - $1,092,728), which includes management fees and salaries of $1,096,797 (2019 - $590,421) and share-based compensation of $337,214 (2019 - $502,307).

11. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that is intended to provide sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the future. (See Note 2).

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There have not been any changes to the Company's capital management policy during the period.

12. RISK MANAGEMENT

Financial Risk Management
The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company has assessed its exposure to credit risk on its cash and has determined that such risk is minimal. The majority of the Company's cash is held with reputable financial institutions in Canada.

b. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2020, the Company had working capital of $3,832,027 and it does not have any long term monetary liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they fall due. As at December 31, 2020, the Company had cash of $4,906,361 to settle current liabilities of $1,440,499. The Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. See Note 2.

c. Interest Rate Risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds its cash and cash equivalents on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered by management to be immaterial.

d. Foreign Currency Risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains its cash reserves in Canadian and United States dollars. The portion of the Company's funds held in US dollars are subject to fluctuations in foreign exchange rates.

12. RISK MANAGEMENT (cont'd…)

At December 31, 2020, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase or decrease of $72,763 in the Company's net loss.

Fair Values

The carrying values of cash, deposits and other receivables and trade and other accounts payable approximate fair values due to their short-term to maturity nature or the ability to readily convert to cash.

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation properties in the United States and Canada. The following table shows the geographic breakdown of the Company's non-current assets:

	December 31, 2020					
	Canada		USA		Total	
Mineral properties	$	1,052,969	$	1,782,475	$	2,835,444
Equipment	$	11,925	$	154,415	$	166,340
Total	**$**	**1,064,894**	**$**	**1,936,891**	**$**	**3,001,785**

	December 31, 2019					
	Canada		USA		Total	
Mineral properties	**$**	**868,743**	**$**	**504,271**	**$**	**1,373,014**

14. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. These differences result from the following:

		2020		2019
Loss for the year	$	(9,195,484)	$	(1,790,324)
Expected income tax (recovery)	$	(2,483,000)	$	(483,000)
Change in statutory, foreign tax, foreign exchange rates and other		(183,000)		(16,000)
Permanent differences		282,000		200,000
Share issue cost		(149,000)		(33,000)
Change in unrecognized deductible temporary		2,533,000		332,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars unless otherwise noted)

14. INCOME TAXES (cont'd…)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2020	Expiry Date Range		2019	Expiry Date Range
Temporary Differences						
Exploration and evaluation assets	$	2,741,000	No expiry date	$	4,076,000	No expiry date
Property and equipment		38,000	No expiry date		-	No expiry date
Share issue costs		724,000	2040 to 2044		439,000	2039 to 2043
Non-capital losses available for future periods		13,178,000	2024 to 2040		5,775,000	2024 to 2039
Canada		9,527,000	2024 to 2040		5,512,000	2024 to 2039
USA		3,651,000	2020 to 2034		263,000	2020 to 2033

The ability to use U.S. loss carry-forwards in future is subject to certain limitations under provisions of the internal Revenue Code, including Section 382, which relates to a 50% change in control of ultimate shareholders over a three-year period, and is further dependent upon the Company attaining profitable operations. Ownership changes, as defined, may have occurred in prior years for Imperial USA Corp. and the U.S. tax losses related to Imperial USA Corp. may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or such losses may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company:

- Granted 250,000 stock options with an exercise price of $1.00 and a term of 5 years
- Received $65,250 in gross proceeds and issued 150,000 shares pursuant to the exercise of 150,000 options with an exercise price of $0.435.
- Completed the spinout of Karus Gold Corp. ("Karus Gold") in January 2021 upon receipt of shareholder approval. The spinout was executed pursuant to the terms of an Arrangement Agreement dated December 2020 between the Company and Karus Gold where the Company would be reorganized into two companies by way of a plan of arrangement. As part of the Arrangement Agreement, the Company, prior to the close of the spinout, reorganised such that its Canadian gold exploration assets (being the FG Gold, Gold Creek and White Gold Projects), as well as related equipment were transferred to Karus Gold in exchange for shares of Karus Gold, which were then distributed to shareholders of the Company on the basis of one Karus Gold share for every two shares of the Company held by each shareholder. This transaction will be accounted for in Q1 2021.

  Pursuant to the terms of the Arrangement Agreement, the Company agreed to a secured loan to Karus Gold for an initial $500,000 at a rate of 8% per year for up to one year, which was fully repaid with interest as of the date of these financial statements, and Karus Gold issued a 2% NSR to the Company on all claims not already encumbered.